

Antony Waste Handling Cell Limited

July 23, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities - Fund based	27.50	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB+; ISSUER NOT COOPERATING (Double B Plus; ISSUER NOT COOPERATING*)
Short-term Bank Facilities - Non-fund based	33.00	CARE A3 (A Three)	Revised from CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING*)
Total Facilities	60.50 (Rupees Sixty crore Fifty Lakhs only)		

Details of instruments/facilities in Annexure-1

*on the basis of best available information

Detailed Rationale & Key Rating Drivers

CARE had revised and placed the ratings assigned to the bank facilities of Antony Waste Handling Cell Limited (AWHCL) under 'Issuer Not Cooperating Category' at CARE BB+; ISSUER NOT COOPERATING/CARE A4; ISSUER NOT COOPERATING vide Press release dated March 24, 2020 as the company had failed to provide adequate information and data required for the credit assessment of AWHCL resulting in information risk and uncertainty regarding the overall credit risk profile. The company has subsequently shared the requisite information and data required for monitoring the ratings, subsequently, ratings have been revised and Issuer Not Cooperating status has been revoked.

The revision in the long term and short term ratings of bank facilities of Antony Waste Handling Cell Limited (AWHCL) factors in the experience of the promoters in the business of waste management and established track record, revenue visibility in the group on account of multi-year concession agreements entered into with various municipal corporations across India, diversified revenue streams from various business segments, healthy operating margins and stable outlook for the business on account of increasing population and consumption leading to higher generation of municipal solid waste.

The rating strengths however are tempered by the small scale of current operations of the group, ongoing WTE (Waste to Energy) project in Pimpri leading to project risk, stretched receivables from waste C&T (collection & transportation) segment due to delay in recovery from municipal authorities and ongoing litigations, changes in Government rules and regulations which may affect the operations of the company.

CARE would continue to closely monitor the progress of the execution of WTE project in timely manner within the envisaged cost and any delay or deviation in the same would be key credit rating monitorable.

Rating Sensitivities
Positive Factors

- Successful execution of the WTE project without any cost or time overruns and generation of sufficient incremental revenue from the project as envisaged
- Improvement in overall gearing below 1.00 times (on consolidated level) on sustained basis

Negative Factors

- Any significant debt funded capex undertaken by the company resulting in Overall Gearing of more than 1.5x in the medium term (on consolidated level)
- Any further stretch in the collection period resulting in lower cash accruals and weak debt protection metrics with Total Debt/EBIDTA more than 2.5x (on consolidated level)

Detailed description of the key rating drivers

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Experience of the promoter companies in the business of waste management

Antony Waste Handling Cell Limited (AWHCL), promoted by Mr. Jose Jacob, Mr. Shiju Jacob, and Mr. Shiju Antony is one of the leading players in the field of Solid Waste Management services in the country. Promoters have vast experience in waste management industry. The group has established track record for undertaking waste management services for more than 2 decades. The activities carried out by the group include Collection and transportation (C&T) of MSW, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills, trading of Compactors, Dumpers etc. for carrying MSW etc.

Revenue visibility on account of multi-year concession agreements from various business segments

AWHCL through its subsidiaries has entered into multi-year concession agreement with various Municipal bodies across India. Once the concession agreement ends, the company re-bids for the project; and the contract is awarded by the municipalities if the company meets bidding criteria, performance evaluation of previous contracts etc. C&T projects are generally awarded for a period of 7-10 years, while waste processing contracts has a concession period of over 20 years which provides future revenue visibility to tune of ~Rs.430 crore to ~Rs.480 crore annually (on consolidated level) over the next 5 years on account of existing contracts won by the company over the past few years. Further the company also has bio-reactor landfills (BLF) and material recovery facility (MRF) facility in Kanjumarg, Mumbai under Antony Lara Enviro Solutions Private Limited (ALESPL) with concession agreement till 2036. Thus the group has revenue visibility under long term contracts with escalation clauses in the tipping fees by various entities. During FY20, there has been significant increase in total consolidated revenue by ~56% mainly since the company takes about 6-18 months after signing letter of award (LOA) to recognize revenue from existing and new contracts won in the previous year.

Diversified revenue streams

Since the group is a complete Waste management solutions provider, it provides a range of services that include, collection and transportation (C&T) of MSW, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills, trading of Compactors, Dumpers etc. for carrying MSW, Bio-reactor landfill facility, etc. having contracts with various municipal bodies across India; The company currently also has a WTE project under subsidiary i.e. Antony Lara Renewable Energy Private Limited (ALREPL) in which it has entered into contract with Pimpri Chinchwad Municipal Corporation with expected commencement of operations from FY23, post which it will add ~R.50-60 crore of incremental revenue to the topline.

Healthy operating margins on account of lower maintenance costs.

Antony Waste group is earning healthy operational margins in in C&T and mechanical sweeping segment, wherein major operational costs are employee costs, power and fuel, Repairs and maintenance of vehicles. It also earns high operational margins in case of waste processing, segregation and bio-reactor landfilling activities. The operating costs of the company primarily comprise of power and fuel cost, employee costs and hire charges. The power cost is also reduced to some extent since the company produces power from 0.95 MW waste-to-energy power plant which is a part of its waste processing unit situated in Kanurmarg, Mumbai and uses the same for captive consumption.

Key Rating Weaknesses**Small scale of current operations**

Out of total 205 municipal Corporations (Excluding Municipalities and ULBs) in India, currently the group is catering to 10-12 Municipal Corporations. Hence, the Small scale of operations restricts group's financial flexibility. The waste processing business under ALESPL involves BLF and MRF facilities with track record of less than 5 years. The processing generally takes about 6-7 years and hence the effectiveness of the scientific processing would be known only after completion of the said period. Thus, overall, the company has small scale of operations.

Exposure to receivables from municipal authorities with track record of delayed payments

Total Debtors outstanding amount at group level stood at Rs.145.57 crore as on March 31, 2020 out of which ~32% is due for more than 12 months (excluding retention money and disputed amount). Around 88% of total projects make payments on monthly basis and balance on quarterly basis. However, there are some delays observed in recovery of outstanding amount from some of the municipal corporations. The delays are typically caused by various constraints, straitjacketed rules and bureaucratic procedures that the government departments work under including budget squeeze, disputes etc. Company is in discussion with various municipalities to recover the disputed amount through alternate dispute mechanisms including negotiation, conciliation, mediation and arbitration. These are long pending dues whose contracts have already been concluded 4-5 years back. As a result of management efforts, the collection period of the company has improved to 104 days during FY20 from 135 days in FY19 on consolidated basis.

Project risk pertaining to ongoing WTE Project and debt funded capex for contracts

The company is also in the process of setting up WTE (Waste to Energy project) with capacity of 14MW in Pimpri district for which it has entered into agreement with Pimpri Chinchwad Municipal Corporation (PCMC) for supply of power and MSW collection and transportation. Construction of the project will commence from August 2020, and will be completed in a time frame of 18 months from financial closure. Plant is scheduled to be commissioned on June 30, 2022 however the company expects to complete the same by January 2022. Total cost of the project is 246 crore with debt component of Rs.172 crore. Out of total equity amount of Rs 74 crore, ~44 crore will be funded by Antony Lara (which is also funded through debt and will be infused in ALREPL by way of unsecured loans) and Rs.30 crore from internal accruals of AG Enviro Infra Projects Private Ltd (AGEIPPL). Promoters have already infused ~Rs.14 crore in the project as on 30 June 2020. Since the WTE project is capital intensive, 50 crore capital grant is to be received from the government (based on milestones) which would be distributed to promoters and lenders in DER ratio of 70:30. Power will be purchased by PCMC on net metering basis at the rate of Rs.5/unit. Further, the company will also generate revenue through tipping fees at Rs.502/tonne for collection of waste in the project. Since the project is a new venture for the company in this segment with no prior experience along with limited track record and viability of WTE projects in India, the company is exposed to project risk with respect to timely execution of the same within envisaged cost and timelines.

The company majorly relies on debt capital to fund the capital expenditure required. Total debt (on consolidated level) has increased from Rs.132 crore in FY18 to Rs.211 crore in FY20 mainly to fund the purchase of vehicles (i.e. tippers used for collection and transportation of MSW) required to be deployed for catering to new and renewed contracts with municipalities. Although, capital expenditure is debt funded, overall gearing which is 0.73 times as on March 31, 2020 and is expected to remain at similar level till FY23 post which it is slated to decline with commercialization of WTE project. Further, AWHCL had planned for IPO in March 2020 mainly for exit for PE investors and fresh proceeds which were envisaged to reduce debt but the same was called off due to under-subscription in the market.

Changes in the Government rules and regulations may affect the operations of the company

The company is exposed to changes in the regulatory environment. Any downward revision in the Tipping Fee or C&T fees will impact the revenues of the company. Many Municipalities have been struggling to fund various solid waste management projects from their own revenue receipts. Hence, Municipalities are highly dependent on state/central grants/budget allocation to fund various projects. Any adverse change in government policies or focus, delay in payment, decline in budgetary allocation for MSW may adversely affect company's business, financial condition, results of operations and prospects; hence the Company is exposed to regulatory, environmental and political risks.

Industry Analysis

Urbanization is a critical factor driving the MSW generation in the country. Changing lifestyle patterns, increasing disposable incomes, have paved way for consumerism and, have also contributed to waste generation in urban India. MSW generation is expected to grow at a CAGR of 5% (FY 2018-23) from 55 Million TPA in FY 2018 to reach 70 Million TPA by FY2023. The MSW Management market is estimated at INR 30,000 Million for FY2018 and is expected to reach INR 62,000 Million by FY 2023 at a CAGR of 15.6%. Increasing participation of professional players in collection and transportation services and development of scientific recycling and disposal methods for management of MSW is expected to be key driver for the market. With the revision in regulations by the Ministry of Environment, Forest and Climate Change, source segregation, material recovery, waste treatment, and recycling markets are expected to witness high growth opportunities.

Liquidity: Adequate (AWHCL – Consolidated)

The company is expected to generate gross cash accruals of ~Rs.126 crore, which is sufficient to cover total debt obligation of ~Rs.80 Crore in the next 1 year. AWHCL on consolidated basis has Rs.35.34 Crore of free cash and Liquid investments as on May 30, 2020. Further, Fund based working capital limits have been taken up for AWHCL only. Average Fund based and non-fund based facilities of AWHCL were fully utilized for the past 12 months.

Analytical approach: CARE has undertaken consolidated approach wherein financials of Antony Waste Handling Cell Limited (holding company) have been consolidated with subsidiaries since all the companies collectively provide waste management services. For WTE loan facility, AWHCL is expected to provide corporate guarantee for refinancing of existing term loans and top-up loan to be availed by ALESPL. Further, ALESPL and AG Enviro are expected to provide corporate guarantee for project finance loan to be availed by ALREPL for WTE project.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology - Short term instruments](#)

About the Company – Antony Waste Handling Cell Limited

Incorporated in Jan 2001, AWHCL is one of the leading players in the field of Municipal Solid Waste (MSW) management services in India. It is a part of Antony Group having diversified business interests mainly in automotive body building and ancillary industries. The company which has been undertaking waste management services has an established track record of 19 years. The group provides full spectrum of MSW services which include trading of Compactors, Dumpers etc. for carrying MSW, undertaking transportation of MSW to dumping grounds, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Waste disposal and Engineering Sanitary Landfills primarily catering to Indian Municipalities. As on July 15, 2020 the company, along with 6 subsidiaries have undertaken total of ~30 projects of which 18 are ongoing and revenue generating. (11 MSW C&T Projects, 2 MSW Processing projects and 5 Mechanized sweeping projects). The company also has a fleet of 1100+ vehicles for execution of the projects. The company also has a bio-reactor landfill facility in Kanjurmarg, Mumbai.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY19 (A)	FY20 (Prov.)
Total operating income	296.54	467.12
PBILDT	84.01	148.85
PAT	31.51	66.58
Overall gearing (times)	0.89	0.73
Interest coverage (times)	3.92	4.94

A: Audited; Prov: Provisional

Note: The financials have been reclassified as per CARE standards

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	27.50	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	33.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in	Date(s) & Rating(s) assigned in

					2020-2021		2018-2019	2017-2018
1.	Fund-based - LT-Working Capital Limits	LT	27.50	CARE BBB-; Stable	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (24-Mar-20)	1)CARE BBB; Stable (19-Feb-19)	1)CARE BBB; Stable (30-Mar-18)
2.	Non-fund-based - ST-Bank Guarantees	ST	33.00	CARE A3	-	1)CARE A4; ISSUER NOT COOPERATING* (24-Mar-20)	1)CARE A3 (19-Feb-19) 2)CARE A3 (22-May-18)	1)CARE A3 (30-Mar-18)

Annexure-3: List of entities consolidated with Antony Waste Handling Cell Limited (AWHCL) as on March 31, 2020:

Sr no	Name of entity	% effective holding as on 31 st March, 2020
1	AG Enviro Infra Projects Private Ltd	100.0%
2	KI Envitech Private Ltd	100.0%
3	Antony Lara Enviro Solutions Private Ltd	63.0%
4	Antony Infrastructure And Waste Management Services Private Ltd	100.0%
5	Antony Revive E-Waste Private Ltd	100.0%
6	Antony Lara Renewable Energy Private Limited	81.64%

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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