

Antony Waste Handling Cell Private Limited

March 30, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities : Fund based	27.50	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Short-term Bank Facilities : Non-fund based	23.00	CARE A3 (A Three)	Assigned
Total Facilities	50.50 (Rupees Fifty crore Fifty Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Antony Waste Handling Cell Private Limited (AWHCPL) factor in the Experience of the promoter companies in the business of waste management, revenue visibility on account of multi-year Concession agreement entered into with various municipal corporations across India, Diversified revenue streams, Healthy operating margins and positive outlook for the business on account of increasing population and consumption power leading to higher generation of municipal solid waste.

The rating strengths however are tempered by the Small scale of current operations with limited track record, exposure to receivables from municipal authorities with track record of delayed payments, Changes in the Government rules and regulations which may affect the operations of the company.

Timely receipt of payments from various counterparties remains the key rating sensitivity factor.

Detailed description of the key rating drivers

Key Rating Strengths

Experience of the promoter companies in the business of waste management

AWHCPL is one of the leading players in the field of Solid Waste Management services in the country. The group has been undertaking waste management services for more than a decade. The activities carried out by the group include trading of Compactors, Dumpers etc. for carrying MSW, collection and transportation (C&T), Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills.

Revenue visibility on account of multi-year concession agreements

The company 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. The co. has recently bid for 2-3 contracts in C&T segment and Waste-to-energy projects whereby the company is hopeful to bag the contracts. So, the ongoing contracts along with the recently bid contracts significantly provides future revenue visibility.

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

Diversified revenue streams

Since the company is the complete Waste management solution provider, it provides a range of services that include trading of Compactors, Dumpers etc. for carrying MSW, collection and transportation (C&T) of MSW, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills etc., having contracts with various municipal bodies across India; hence there is no revenue concentration, which in turn has mitigated the counterparty risk.

Positive outlook for the business on account of increasing population and consumption power leading to higher generation of MSW

Much of the waste India produces simply ends up in landfills without proper processing or treatment – redirecting this untapped waste to proper treatment and processing facilities will open up new investment possibilities. Increasing population, growing consumerism, and high use of electrical and electronic equipment are increasing waste volumes across different type of waste streams. 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.

Healthy operating margins on account of lower maintenance costs.

Company is earning healthy operational margins in in C&T, trading of bins and mechanical sweeping segment, wherein major operational costs are employee costs, power and fuel, R&M of vehicles. It also earns decent 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. Further, since the company also produces power and uses the same for captive consumption, the power cost also reduces to some extent.

Key Rating Weaknesses***Small scale of current operations with limited track record***

Out of total 205 municipal Corporations (Excluding Municipalities and ULBs) in India, currently the company as a group is catering to 8-9 Municipal Corporations. Hence, the Small scale of operations restricts company's financial flexibility and also deprives it of benefits of economies of scale.

In case of its waste processing business involving bio-reactor landfills, the company has small scale of operations and a track record of less than two years. The processing generally takes about 5-6 years and hence the effectiveness of the scientific processing would be known only after completion of the said period.

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

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. Co is in discussion with various municipalities to recover the disputed amount through alternate dispute mechanisms including negotiation, conciliation, mediation and arbitration and is hopeful to recover the disputed sums.

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. Furthermore, any change in regulation which renders the operations of the company environmentally hazardous or anything which would lead to repudiation of the contract may have adverse impact on the operations of the company. The company is therefore exposed to regulatory, environmental and political risks.

Analytical approach: Consolidated

For the purpose of analysis, we have taken a consolidated view of the Antony Waste Handling Cell Pvt Ltd along with its 5 subsidiaries, including ALESPL, which are also into waste management businesses as they are under the same management and have operational linkages.

Applicable Criteria

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

[Criteria for Short Term Instruments](#)

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

[Rating Methodology - Infrastructure Sector Ratings](#)

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

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

About the Company

Incorporated in Jan 2001, Antony Waste Handling Cell Private Limited (AWHCPL) is one of the leading players in the field of Solid Waste Management services in India. It is a part of Antony Group which has been undertaking waste management services for more than a decade. The activities carried out by the group include trading of Compactors, Dumpers etc. for carrying MSW, collection and transportation (C&T) of MSW, Mechanized Primary collection of MSW, Mechanized Road sweeping, Waste Processing, Engineering Sanitary Landfills. As on March 31, 2017 AWHCPL has five subsidiaries which cater to various waste management projects.

Brief Consolidated Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	222.51	247.4
PBILDT	68.71	72.28
PAT	23.1	31.44
Overall gearing (times)	1.42	1.04
PBILDT Interest coverage (times)	2.91	3.5

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	-	23.00	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Working Capital Limits	LT	27.50	CARE BBB; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	23.00	CARE A3	-	-	-	-

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