



“Antony Waste Handling Cell Limited Q1 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY2022 Earnings Conference Call of Antony Waste Handling Cell Limited hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anupam Gupta from IIFL Securities Limited. Thank you and over to you, Sir!

Anupam Gupta: Thank you Rutuja and welcome everyone to the results discussion for Antony Waste Handling Cell Limited as well as the other future outlook. From the management, we have Mr. Jose Jacob – Chairman and Managing Director of Antony Waste Handling Cell Limited and Mr. NG Subramanian – Group CFO along with the SGA Investor Relations Team. I will hand over to Mr. Jose Jacob for the initial remarks and post that we can take the Q&A. Over to you, Sir!

Jose Jacob: Good evening and a very warm welcome to everyone present on the call. Along, with me, I have Mr. Subramanian – Group CFO, and SGA, our Investor Relations Advisor. I hope and pray that you and your families are safe, healthy and secure in these tough situations. We have uploaded our investor presentation on the stock exchanges and the company website.

To start with I would like to thank our employees for their courageous and dedication towards their work which enabled us to continue our operations smoothly even during second wave of COVID-19, which has much severe than the first wave. The hard work enabled us to deliver highest every quarter revenue and EBITDA and net profit even during challenging quarter.

As the economic activities were disrupted due to second wave of COVID-19 we witnessed little softness in the volumes on a sequential basis. Having said that with the economic activity returning to normalcy, we are witnessing recovery in volumes, the sequential improvement in revenue was also aided by price escalation benefit in occupancy.

Now moving onto the business performance now the C&T projects which is the Municipal Solid Waste Collection & Transportation. In this service we have 13 ongoing projects in the services. Our Municipal Solid Waste Collection & Transportation business has registered a volume growth of 45% in Q1 FY2022 as compared to Q1 FY2021; however, on a sequential basis it registered a degrowth of 4%. We continued to add new projects in this business and further focussed is on increasing our pipeline by bidding for new projects in this segment across municipalities.

Municipal Solid Waste Processing Project that was the second one that we do, we have had two large ongoing projects one in Kanjurmarg, Mumbai, which has a concession agreement till 2036. Second is at Pimpri-Chinchwad Pune and has a concession agreement till 2040. The volume of this business grew by 74% in Q1 FY2022 as compared to Q1 FY2021; however, on a sequential basis, it degrew by 3% both our sites at Kanjurmarg, Pimpri-Chinchwad waste-to-energy project continue to perform in line with our expectation.

As you see that we have a record growth in profits in our business revenue as well as EBITDA and profit. This has been very good for our company and further I will go ahead on update on Pimpri-Chinchwad waste-to-energy the project was in progress it is progressing at our site as per schedule the civil work has already commenced in March 2021 and ancillary work order had been issued. As expected well the timeline submitted to our client, we should have the waste-to-energy plant fully commissioned on or before March 2023. This is after taking into consideration the time delay due to COVID pandemic related commercial activity shutdowns.

Further update the project will be fully operational from mid October. Work there has always started and we are providing services to approximately 60% of the city and during the last quarter we had announced a new project of Bio-mining of legacy waste in Greater Noida. This is the first time we have won a legacy based contract for bio-mining though we are doing bio-mining in Kanjurmarg which were part of our technology. The mobilization work has already started and we expect commercial operation to kick off from mid September.

We are seeing good traction in our compost sales. Customers are accepting our product very well, during Q1 FY2022 our compost sales stood at 4850 tonnes which is at similar volume compared to Q4 FY2021. However, on year-on-year basis, it is registered a growth of more on 570 per tonne. We have doubled our maturity pad capacity which was commissioned during Q1 FY2021. So basically, we have increased the capacity of compost production and it is good land and that is the reason we are seeing this exponential growth. Recently CRISIL assigned CRISIL A2 for short-term bank facilities and CRISIL BBB+/Stable for long-term bank facilities of our material subsidiary Antony Lara Enviro Solutions Private Limited. The improvement in the overall credit rating has led to reduction in our average cost of borrowing at a consolidated level from 12.4% as on March 31, 2020 to 10.6% in Q1 FY2022.

I will hand over to Mr. Subramanian our Group CFO and he will take it on further.

NG Subramanian:

Thank you Jose and good afternoon to all. I would like to welcome again everyone to this conference call to discuss our first quarter results of the fiscal year 2022. As noted in our

business update, a broad-based strength on a year-on-year basis drove our performance across the board during the reporting period.

Total Consolidated Revenue and adjusted EBITDA has increased by 56.7% and 55.1%, respectively, on a year-on-year basis. The increase primarily reflects continued improvement in pricing and volumes growth. The growth being reflective of the strength in commercial activities in the areas where we provide services.

The profit before tax for quarter ending June 2021 stood at Rs. 28.3 crores as against Rs. 12.2 crores in June 2020. And the profit before tax margin has improved to 18.9% during the quarter. Profit after tax at consol level stood at Rs. 22.4 crores for the quarter as against Rs. 11.3 crores in the year-ago period.

Coming to business-wise performance. The collection & transportation revenue is up by 54% year-on-year at Rs. 94.7 crores. The growth being on account of increase in total MSW C&T volumes by 45.8% as compared to Q1 FY 2021 and coupled with incremental revenue from the new project of Varanasi (which is not fully operational). On a sequential basis, revenue from C&T operations are up 15%.

The MSW processing revenue is up by 45% at Rs. 36.0 crores as compared to Rs. 24.8 crores in the year-ago quarter, this is reflective of the improvement of 35% year-on-year in waste processing volumes from our Kanjur and PCMC WtE sites, combined.

These trends reflected in a steady TTM adjusted EBITDA margin of 27% and helped report TTM revenues of INR 535 crores.

On the balance sheet front, our net debt-to-equity as of 30th June 2021, is 0.1x. Total debt as of June 2021 stood at Rs. 145 crores, and our net worth has improved to Rs. 473 crores.

A word on our receivables - Amid the financial stress due to the pandemic related expenses, and also compounded by declines in property tax collection and other revenue sources drying out, the Municipal authorities have reduced their non-planned expenditures and have prioritized payouts to essential service providers like Waste management and primary health care service providers. This is reflected in the improving DSOs - for us, this has improved from a high of 71 days in June 2020 to 56 in June 2021. Once things stabilize and we are back to conditions similar to pre-COVID times, we expect our receivables to revert to the mean historical levels.

I would also like to point out the following as mentioned by Jose our material subsidiary's credit rating has been assigned BBB+ by CRISIL. Our weighted average cost of borrowing has come down by 10.6% versus 12.4% in FY2021 and we continue to work on this front.

Another highlight is post the quarter end the company has realized INR 11.19 Crores of retention money held by our client as per contract terms. We have normally reported as long-term receivables from our clients and has deducted from our billing as the tender conditions. In the past certain sections of the investor community have raised concerns about surplus deductions and I hope this development agrees with apprehension.

That is it from my end and I will open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Faisal Hawa from H.G Hawa & Company. Please go ahead.

Faisal Hawa: Congratulations for a very good set of numbers and a very good recovery. Have you executed such a complex project in Kanjurmarg with the help of a JV partner do you think that any such project comes up of the similar magnitude we can now do it alone without the JV partner that is one and second is, is there some development is that any kind of municipalities is given to ensure lesser amount of waste goes into the sea and are we trying to develop some solution for that?

Jose Jacob: In waste processes we have been there for past five, six years. Our company has reached a stage where we can execute similar project even without the support of the JV partner, but waste processing is not very confined to the one that we are doing with composting technology, it is also waste to energy, a different technology. So, depending on our client's requirement we will look forward whether we go for a JV if we need a technical assistance or we go alone. So that is up to waste processing and second question is so on the ratio of waste being generate from municipality is that there is always a long-term plan and the waste generation from cities should reduce because of the stress they are just adding and want it onto the environment so as of today we do not see any concrete or substantial changes that is happening at the environment to reduce the inflow of waste and the generation of waste. So, Mr. Hawa on that aspect the status quo remains.

Faisal Hawa: Sir the Pune execution of the waste-to-energy project going?

Jose Jacob: It is going as per schedule and the civil work is proceeding well and by March 2023 it will be operational.

Faisal Hawa: That was my questions. Thank you so much.

Moderator: Thank you. The next question is from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

Arun Kejriwal: Thank you for the opportunity. Couple of questions one between the previous quarter and now any new tenders that have come up for bidding and where we have participated and any progress on the same?

Jose Jacob: Yes, post, in the last four months, Over the last four months, we are seeing a slew of tenders from lot of city state capitals and we have tendered our opinion and interest for six of them. We are still in the discussion stage. The few of them would be a one in Delhi, i.e the North Delhi Municipal Corporation is one of them and there are landfill operations over there, there is a new tender for collection & transportation waste in Pune, so these are the areas where we are looking at and we are not going into detail in that part.

Arun Kejriwal: Second question Sir in terms of dividend have the board formulated a policy because we have a lot of cash available on the balance sheet so is there a dividend policy that has been debated and discussed or you are still in the process of finalizing?

Subramanian NG: We have a dividend policy which is being debated and finalized and we are putting it up shortly on our website so this topic is very much on the table of our discussion so we will have that out at the earliest.

Arun Kejriwal: One final question if I can squeeze in, just to understand from the type of projects that had come up for bidding what is the flavor you are getting that municipal corporations are back in business they are still coined with the idea of having private contractors or now that part of it is done and dusted and they believe that this is not there area of expertise?

Jose Jacob: See, as I always said therefore Swachh Bharat program going pan India level and there is lot of evaluate in the municipal stock boxes that and there is a marking by Swachh Bharat team who comes in give certain mark whether on state level and all that so this has reached to the levels as every municipal corporation wants to perform and one other important area is municipal solid waste so there is a good marking and due to which their standard improves so they want good peers and it will make there a good opportunity and going ahead 10, 15 years pan India level it would have all this situation improve so we at a company is at the right spot and feel that this business is going to go.

Arun Kejriwal: Thanks a lot. Thank you.

Moderator: Thank you. The next question is from the line of Rohit Ojha, an individual investor. Please go ahead.

Rohit Ojha: Good afternoon. You just mentioned that there is a tailwind of this Swachh Bharat and also every municipal corporation wants to get better and we are in the right path from the business model it appears to be very scalable, building an opportunity but in 2010 we had

like 10 projects, in 2015 we had 15 now we are at 16 so in the count of projects we are not really growing at all as for the last four, five years, so when do you see can we hit a number like 30 for example is there a roadmap for this?

Subramanian NG: Let me take this, so if you look at in the past the kind of contracts that was what available is about very small sizes of less than 100 to 200 tonnes because those were the kind of cities in the past which were coming up for opening those contracts. Now we are seeing contract sizes, of larger size and capacity and complexities where the entire city's scopes have been given out like the one we do in Noida or in Greater Noida or in Nagpur PCMC the entire city or half of the city is now given as projects so we have seen that there is the number remain stagnant the size of these projects are significantly bigger from what it was in the past and that is the trend that we are seeing. A lot of cities are still done by the government themselves so that is getting prioritized and they are doing it in large packs of sizes so we do expect are the numbers of contracts to increase but it will not jump from existing 16 to 30 increase in four years or five years, it will be a gradual increase that will happen and we will keep working on that path.

Rohit Ojha: My next question is that I saw in the release that we have had a few completed projects so that means that these were projects where the standard we did not get a renewal so can you just give some comments on what was they even from now getting those pack?

Subramanian NG: In the past, there were certain contracts that the company was doing like in cities of Poonamallee, Tambaram, Jaipur and these were sub-economical sizes for us now that we are looking at completely modernized set of operations and the efficiency norms. So, if the tonnage is less than 100 or 150 tonnes, I am not able to completely utilize my fixed assets and as its fixed asset turn that helps me achieve a higher operating leverage. So, this is one of the reasons why we have avoiding small cities with smaller tonnage. We are looking at large cities and the business potential in the large cities is significantly higher because less than 70% of the state capitals are privatized so a) they are financially better off than smaller cities and b) size of the contracts is something that makes our returns and fixed asset turn operative.

Rohit Ojha: Has there been cases where we have thought that we probably can bring those contracts and historically what has been the reason for not winning those contracts is it possible for you to give some?

NG Subramanian: Sorry can you repeat that question?

Rohit Ojha: Has there been cases where we have bid but not won the contract and what were the top reasons for now winning these contracts if we are having the project?

- Jose Jacob:** As you are aware this is not necessary we have to win all the bids but we have competition from companies there are two, three quality players but our strike rate has always been good because our pricing is competitive and we being the early peers, we have better chances to price our bids on a competitive side so that is our strength and we also very firm in pricing discipline when we bid for these contracts because approximately 60% of my expense out total operating expense is labour and fuel so there are very little headroom that I have for going around the project at a low cost just to win the contract. So, we have very stringent financial model and a financial discipline when we bid for those contracts. So, scenarios that we would not have done the contract basically are below our threshold limit of comfort.
- Rohit Ojha:** Sir my last question is that do we see our margins hitting or crossing even 30% sometime now with normalization and with pricing benefit coming back so when do you think we can hit that we start rose in FY2020 I guess so any comments Sir?
- NG Subramanian:** The factor of EBITDA is driven by the product mix that we have. When we see a higher mix of processing coming into our portfolio the margins would be better in that side and might move northwards.
- Rohit Ojha:** Thank you Sir for explaining all these very nicely. Thanks a lot, and alluding to PCMC and I would just like to say that I have seen some differences.
- Jose Jacob:** Happy to note that. Thank you.
- Moderator:** Thank you. The next question is from the line of Anupam Gupta from IIFL Securities Limited. Please go ahead.
- Anupam Gupta:** Sir on the opening remarks you mentioned that the Varanasi and the Greater Noida project will come up over this quarter and September for the Greater Noida project. Is the Nagpur project fully ramped up or it is still in the phase of ramp up at this point of time?
- NG Subramanian:** Nagpur is already 100% active I think you are talking about Varanasi.
- Anupam Gupta:** I was asking so the Nagpur which we have started last year?
- NG Subramanian:** Nagpur is completely operational since December 2019. Jose mentioned Greater Noida bio-mining, which we expect will be fully operational by end September or mid-October and so would be Varanasi.
- Anupam Gupta:** Secondly, I just wanted a clarity on the proposed increase in shareholding which you have to do for both the processing contracts what is the status as of now there?

- NG Subramanian:** Anupam, the same thing will be completed by 30th of September this year almost all the documents have been received and the same has been given to the bankers so we will have the proportionate shareholding changes from 30th of September onwards.
- Anupam Gupta:** Okay shareholding from the second half you were telling. That is all from my side Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajesh Kumar, an Individual Investor. Please go ahead.
- Rajesh Kumar:** Good afternoon. Hope you and your families, workers family everybody is safe and healthy?
- Jose Jacob:** Thank you for your wishes and hope the same at your end.
- Rajesh Kumar:** Sir my first question is you have mentioned in the RHP that Indian municipality solid waste is around 5000 Crores potential just wanted to know does it cover all the tier one, tier two cities only or does it have any limitation on the solid waste produced per day?
- Jose Jacob:** This data is start of the study done from various sources wherein the budgetary allocation of lot of municipal corporations which are available has been taken and that comes basis for those so this 5000 Crores is all increases of tier one, tier two, tier three, cities which has disclosed these numbers under budgetary provision under the fiscal norms.
- Rajesh Kumar:** Sir since Antony has its own business financial stringent parameters while bidding for this tender. So, keeping those in mind out of these 5000 Crores how much is for our grab how much Antony can bid for the business?
- Jose Jacob:** As I have said like today with 5000 Crores we have almost 10% market share like if you see that so what we believe is some of the municipality is yet to prioritize their operations some have to modernize so all of them are floating tenders by appointing top consultants and we are in the process of bidding those tenders and believe and modernize the municipal solid waste collection & transportation so potentials are there and you can see this is out there but all this 5000 Crores bids are not going to come overnight. It will take time as months pass by so wherever it is coming right we are bidding and we are taking that opportunity to grow our business.
- Rajesh Kumar:** In the list of current projects, I do not see the major southern states, cities like Bengaluru, Chennai, Coimbatore, Mysore, Hyderabad, or few other states like Odisha, Rajasthan and so on so is that these cities are handle by our competitors or is there these cities are yet to be privatized?

Jose Jacob: See in the southern part we are already going in Mangalore and Mangalore they are in the process of modernizing and in the southern part of India in Chennai these other bidders who are taking up the contracts and in North East area we see they were dealing whether the municipal corporation has the fund, we will commit our strategy also is to have a cluster formation suppose we win a city and we try to win nearby cities because that reduces our overhead cost and our management cost. So, our strategy has been like that if we win large cities, we look out for the neighboring city so but at the same time we look for a good opportunities if any which are coming up as per our standard which is being after that top four or five consultants and we have quality bidders coming in then we bid for those tenders.

Rajesh Kumar: Sir next question is, is it a norm that municipalities follow not to have a single vendor for both collection and transport as well as the processing of the municipal solid waste or as a company we do not want to have both the contracts.

Jose Jacob: In depends. Now the municipality the problem is like the waste processing contracts are if it is 25 years below, the capital involved is high and the project start it will take at least two and a half years and C&T, collection & transportation is eight to ten years so there is a lot of mismatch so what happens is some municipality already there is a contract signed for collection & transportation and at that time they cannot wait for the C&T collection transportation tenure to get over to add together in the same date so that is one issue second thing is the risk municipality says giving one operator to run the entire operation can be a risk so they can evaluate and but at the same time there are municipality who prefer to give single contract to one operator but majority of the municipality prefer to have two separate contracts.

Rajesh Kumar: So, it is not the policy of the company that you did have policies of the respective municipalities.

Jose Jacob: Absolutely, it is not the policy of the company. It is a municipal condition.

Rajesh Kumar: Sir this like in C&T contracts this MSW processing contract period has also extendable.

Jose Jacob: Currently, we have not seen any such contracts getting extended because these are normally long tenure contracts and we have yet to see an operator complete a single large long tenure durational contract yet. It is only since 2008 have we seen such waste processing contracts being awarded in the country.

Rajesh Kumar: As an operator we are yet to face such situation?

Jose Jacob: Anyway, it does not there because it is a 25 years contract and we do not know how it is going to happen now so we are not seeing anybody else. We have not seen a complete cycle.

Rajesh Kumar: Sir unlike the C&T and waste processing projects the bio-mining projects seem to be short duration projects so is there any chance of that they could also contribute sizable revenues in the near future?

Jose Jacob: Yes, so we have taken up one contract in Greater Noida for bio-mining and it will be contracted for two, two and a half years and there are lot of bids coming around for bio-mining, few of them here and there, but we analyze and we see whether it is good to build or not and based on those things we bid so as far as these are the three business where revenue can increase.

Rajesh Kumar: Particularly in the case of Greater Noida we did not have any prior experience but still we have won the tenure so what are the basics we are winning that order?

Jose Jacob: No, we have an experience we as a Kanjurmarg project what we do it is a bio-reactor landfill, there is a bio-mining experience already because that technology includes bio-mining so that is a big experience, so we are already have a bio-mining experience and we were the first to have those experience.

Rajesh Kumar: Sir in the investor presentation I think you all mentioned Indore, Delhi, Mangalore, Coimbatore and those cities have started bio-mining projects just to get a flavor of how much time do you feel that they will take to an award the tenders in the respective municipalities of these cities?

Jose Jacob: Normally, it takes around three to six months depending upon how efficiently the department works and how inputs have been given to them from the ground departments. So, it normally takes anywhere from three to six months for the order as well the tender designing stage to the tender awarding stage.

Rajesh Kumar: So that means is it fair to assume that by the end of this year we could have come to know the status of these tenders also like they would have also finalized the operator and all?

Jose Jacob: Yes, now only problem that is happening is these tenders have been in the designing stage for the last one or two years, because of COVID these things have been put into hold, the financials of the corporations also needs to be taken into consideration when the bidders for the speed of new tenders coming out.

- Rajesh Kumar:** Sir just to get an idea how the margins in this segment? Is it similar to C&T or the waste processing?
- Jose Jacob:** In our experience still we do not have a standalone experience but based on what we understand this is in-between these two projects. This is towards processing, but it is not as high as processing.
- Rajesh Kumar:** Sir if I am allowed to squeeze in one more question based on this one. Sir once we start this Pimpri processing plant the margins should go up further is it a fair assessment?
- Jose Jacob:** Yes, since it is a waste processing project on a consolidated basis the margins should hold northwards.
- Rajesh Kumar:** Now on the long-term basis is it possible to tell us what could be the sustainable operating margins?
- Jose Jacob:** We always have a mix of C&T and processing. We like to maintain the current mix which is around 60:40 ratio of C&T and waste processing. So, we expect the margins to hover under current range would be a very conservative estimate from the management.
- Rajesh Kumar:** Sir to the last participant you said we have applied for six tenders so is it possible to tell us how much of this is the C&T and how much is the processing one?
- Jose Jacob:** It is 50:50.
- Rajesh Kumar:** Thank you very much Sir and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Swarup Deb, an Individual Investor. Please go ahead.
- Swarup Deb:** Congratulations on the great set of numbers. I do not have any questions around the numbers having the kind of this presentation. I have one question around the Mangalore Municipal Corporation. I need some clarification around a news because what I see that Mangalore Municipal Corporation is not happy with this strategy. I am not sure about the whole stuff but what I am reading I am just telling that so just need a clarification because what I understand that after six months your contract is getting closed and after that there will be an issue of contract but before that I think they are not happy with the current and then so can you just clarify on this news?
- Jose Jacob:** The Mangalore contract is a ten-year contract and it is expiring in February 2022 as per the tender conditions. The fact is Mangalore in the state of Karnataka has been standing number

one in the Swachh Bharat survey in the particular population category so the flow of information is different from what is happening at the ground. There has been certain instances one being the landfill management, which is not in the scope of the company, is being poorly managed that could be one of the reasons why the health and revenue department is not satisfied, but on the collections & transportation and the sanitization work which falls in the company's purview they have done a fantastic work as a result the corporation has managed to get a number citation on the Swachh Bharat survey.

Swarup Deb: Thanks for the clarification. How much Mangalore contracts is contributing to the revenue percentage wise?

Subramanian NG: Percentage wise Mangalore as of Q1 contributes to around 6% of my topline.

Swarup Deb: Thank you. That was the only question I had thanks for the clarification in detail.

Moderator: Thank you. The next question is from the line of Richard Dsouza from SBI Mutual Fund. Please go ahead.

Richard Dsouza: Good afternoon. Thank you for giving me the opportunity. I just wanted to ask on fuel cost escalations how has they have been managed in the first quarter and going ahead what is the learning's when your new contracts will you have amended terms and conditions?

Jose Jacob: Yes, the fuel contributes a decent chunk of a cost as you know, so fuel contributes around 19% of my total operating cost so the learning's that we have visualized over the last one year is nowadays whenever we go for any prebid meeting, we make it a point to address it that the escalation should be on a monthly basis and it is possible to have a average rate of fuel of that particular area to be the benchmark it could be an IOC or BPCL nominated one. If the escalations are not monthly, if it is semiannually or quarterly or annual, we are recommending to the corporation that instead of taking at end of the period number calculating the escalation they should take an average price for the period and the basis for the calculation because what we are seeing in the recent past that the prices spike up by 5%, 6% then end of the quarter because of some requirement comes back to the same base so we might lose on that situation so this is a change that was have initiated internally that any prebid meeting that the company attends, this issue is raised and on all the other operators have attended this move.

Richard Dsouza: So, is there a chance that your existing C&T contracts you can take these or those will continue by them?

- Jose Jacob:** We have approached municipal authorities and requested them to consider this as a special request. The same is being forwarded by the authorities to the standing committees. We are to yet to hear from them on this aspect.
- Richard Dsouza:** Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Depesh from Equirus. Please go ahead.
- Depesh:** Thank you for the opportunity. Sir I have a question on the fuel part only. Sir last time you explained that most of the contracts will see a price renewal in July so just wanted to check how many of the contracts have already seen the pass through and how many contracts are still left?
- Jose Jacob:** We have seen escalation come through for almost 65% of our contracts in the first quarter so the balance few will be happening by December, so we expect some revenues coming in, in the Q3 period and Q4.
- Depesh:** 65% you are saying happened in first quarter itself not in July?
- Jose Jacob:** Happened in June.
- Depesh:** Sir is the price escalation good enough to take care of the fuel price hike?
- Jose Jacob:** It is more than adequate Depesh.
- Depesh:** Sir in the last quarter you spoke about the onetime ex-gratia payment to employees right of around 2.3 Crores but sequentially again your employee costs has increased so just wanted to understand what are the reasons for the same?
- Subramanian NG:** Our expenses have increased by 28% to 45.7 Crores. This is mainly because of the status of the Varanasi expense which has added around 3.7 Crores to the increase in the year ago period these were absent. So, this increase is from Varanasi. Secondly the DA has been revised in the month of July 2020 and January 2021 that is also come and hit us, so if you were to ask for the reconstruction of the 28% increase 11% of the increase is coming from the new project and around 15% of that impact is coming from DA divisions.
- Depesh:** Sir last time you also alluded that the NCR region is still seeing the lower volumes as compared to the pre-COVID level so just wanted to understand how the things are now is it back to the normal level?
- Jose Jacob:** Yes, it has improved a lot and it is coming close to the normal level.

- Depesh:** Sir lastly there was like many projects which are running beyond the date, like maybe Thane and all so any update on those when will the new tenders will floated or we will continue to work on that?
- Jose Jacob:** Presently, they are under the process because of pandemic, they are extending our contracts for the few months. Once situation improves when they will think of floating new bids and then I think in next another four, five comes we will come to know.
- Depesh:** Sir in this extension that they have allowed you for four, five months there is no price escalation you are seeing right on these contracts?
- Jose Jacob:** There are no price escalation for these extension period because they have to get specific approval for the same but these contracts the access has completely depreciated it is pure the pass through for us in those case so there is no asset amount so and these are on a self-sustaining auto pilot mode.
- Depesh:** Sir overall what is your C&T margin because of the fuel price do not rise further do you think these margins will sustain and improve going forward?
- Jose Jacob:** Around 100% of my revenue has escalation of which I would say 55% of them are under the various escalation clauses so if you remember that previous quarter, we had a hit because the escalations coming in of the timing effect. So, we believe even if the fuel prices oscillates between current price and another 5% to 7% increase so escalation do catch up in the forthcoming quarters and our margins of the C&T business is stabilized at these rates.
- Depesh:** Got it Sir. Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Meet Jain from LKP Securities. Please go ahead.
- Meet Jain:** Thank you for the opportunity. I have just one question on our receivable side. So, are you facing any delay in getting receivables from the municipal corporation?
- Jose Jacob:** Sorry can you repeat the question please.
- Meet Jain:** I am asking on the receivable side are you facing any delays from getting receivables from our municipal corporations and other customers.
- Jose Jacob:** See what has happened in the last three quarters we have seen a significant improvement in our receivable cycle, I mean that is what is reflected in our DSOs it has improved from 71 in the last year to 56 in the latest quarter. Lot of projects prioritized payment to these kinds

of expenditures so we are not expecting any delays in our regular payment from our existing clients.

- Meet Jain:** What is the estimated DSO days on going forward?
- Jose Jacob:** Honestly speaking, we were the best DSO days at the company as they were achieved in the last eight years of working with these clients so and we see if you ask a honest question what is the DSOs that we like to do with that these would be the best rates but historically our DSOs average anywhere between 60 and 70 days that is something which has been built into the system and that is something that we have taken into consideration at the time of bidding for such projects. So currently we are at 66 historically we have been at 65, 70 we are happy to be in this range.
- Meet Jain:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhimrajka from Monarch AIF. Please go ahead.
- Dhruv Bhimrajka:** Good afternoon Sir. Sir my question is related to your cost of debt which was previously very high at 12.4% but now it has reduced to 10.63% how much scope do you see for further reduction in your cost of borrowing given that after the IPO, you have repaid debt also and we might be getting an update in the coming time so where do we see the cost of borrowing going further down?
- Jose Jacob:** We are looking at least if not a 1% or a 0.75% improvement in our cost of borrowing for the next two quarters that is something we are working with our financiers and bankers.
- Dhruv Bhimrajka:** But Sir then for the parent even if they go down say by 100 BPS it would still be high at 9.60%. Will it be true Sir?
- Jose Jacob:** It is higher because of the long-drawn risks associated with the kind of receivables so we have addressed that to our clients and bankers see in the past the waste management industry was not favorably looked at because as part of the infrastructure space the cost of borrowing was always higher. It is only because of our performance over the last five years and the traction and our ability to repay debt at an aggressive rate, has given support and comfort to the lenders. So, the rate that we see today of 10.63 is reflective of the same lenders renegotiating on the rates because they would like to retain us at their client and there are other lenders ready to come and take away the prices. So, this decrease in the cost of borrowing is reflective of the support and confidence that the demand industry does have with the waste management industry especially with Antony Waste Handling Cell Limited. Our businesses are steady in nature. They are more like annuity model. There is a contract

which has signed with the quasi-government agency. The payment come on time whereas being noticeable financial stress despite the COVID and all those situations the EMIs have been going online so that has given them a lot of comfort and the performance of the company. If you look at my balance sheet it is pretty strong. My net debt to equity is 0.1x as around 97 Crores of money in cash today which can take care of my future receivable increases and still make my payment on time so from a lending perspective, from a credit risk perspective has significantly improved, by two notches at least in one quarter and we will work to get into the A category in the foreseeable future.

Dhruv Bhimrajka: Sir just wanted to understand so because majority of the clients are municipal corporations which are basically government sponsored entity so do not you think that the receivables from their end are much safer and do not you think the banks must be doing it in that sense or is that is something which I am missing?

Jose Jacob: The government agencies historically have been known to kind of not being very efficient paymasters on time so that has been one of the concerns for infrastructure companies from the banking industry. So even if your clients are Mumbai Corporation or Pimpri Chinchwad Corporation if you are in road or if you are in street lighting, they have historically faced some delays in the releasing the payment because of the procedural delay that happens. That is one of the reasons why our banking industry does not give us such high bank rating despite the receivables are coming from almost in that institutions but these are not. These are not state governments, these are not central government, these are municipal corporations which have different identity of their own.

Dhruv Bhimrajka: Thank you so much for your answers. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Anupam Gupta for closing comments.

Anupam Gupta: Thanks Rutuja and thanks to the management for taking out time for answering the questions. I hand it over back to Mr. Jose for any closing comments that he may have.

Jose Jacob: Thanks all of you for the valid questions. We had a tough time and uncertainties ahead of us, so we are hopeful that Indian economy will bounce back and we will see growth momentum going ahead. I would like to thank you all to have participated on our earnings call. Once again, I hope we could address all your queries adequately and for any further information, please call SGA, our Investor Relation Advisors. Thanks once again. Please take care and stay safe. Thank you.

Moderator: Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.