



**“Antony Waste Handling Cell Limited Q4 FY 2021
Earnings Conference Call”
June 28, 2021**

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MANAGING DIRECTOR, ANTONY WASTE HANDLING
CELL LIMITED
MR. SUBRAMANIAN NG – GROUP CHIEF FINANCIAL
OFFICER, ANTONY WASTE HANDLING CELL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Antony Waste Handling Cell Limited Q4 FY 2021 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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. Jose Jacob – Chairman and Managing Director. Thank you and over to you, sir.

Jose Jacob Kallarakal: 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 family are safe, healthy and secure in this tough situation. We have uploaded our investor presentation on the stock exchange and the company's website. To dive into our call, at the onset, let me inform you all that we have facilitated vaccination for all our frontline working staff with a view to give them better immunity.

Being an essential service provider, we have been able to continue our services during this tough time and would like to thank all our employees for their dedicated efforts. Their hard work has enabled us to report a stable financial and operational performance in a year which began with unprecedented challenges due to COVID-19. This being our second earning call, I would like to start by giving a brief introduction of our company's business and then our business highlight for Q4 and FY 2021.

We are one of the established players in the Indian Municipal Solid Waste (MSW) Management industry, with an established track record of around 20 years providing a full spectrum of MSW services which includes solid waste collection &, transportation, processing, and scientific disposal of waste across India catering to various municipalities. We have developed in-house expertise in landfill construction and management in a scientific manner. We are also focusing on the emerging waste management areas like waste-to-energy as well as bio-mining of legacy wastes.

We have presence across three broad business areas: First, municipal solid waste collection and transportation projects. This service involves door-to-door collection of municipal solid waste from households, commercial establishment and other bulk waste generators from a designated area through primary collection vehicle. We have 13 ongoing projects in this service alone. They are typically multi-year contracts and average outstanding duration of our ongoing contracts is approximately seven to eight years.

Second, Municipal solid waste processing projects. This involves sorting and segregating the waste received from municipal solid waste through collection and transportation, where one is expected to generate compost, recycle the waste, segregating and converting inorganic waste into refuse derived fuel as required. We have two large ongoing waste processing projects; these have tenure of 21 to 25 years. Please note that collection and transportation and municipal processing are normally exclusive contracts. One is at Kanjurmarg, Mumbai, which has a concession agreement till 2036. Second is at Pimpri-Chinchwad and this one has a concession agreement till 2040.

The third business is contract and other services, which involves mechanized sweeping, which utilizes power sweeping machines, manpower, comprehensive maintenance, consumables, etc.

Till now we have undertaken overall more than 25 projects, of which 16 are ongoing projects.

Company has in FY 2021 bagged two new projects one for collection and transportation project in Jhansi Smart City and another is a bio-mining project in Greater Noida. They are currently under mobilization, and we expect the same to start generating revenue from October 2021. The bio-mining project in Greater Noida, is the first of its kind that the Company has bagged.

Now, I will briefly share a few highlights on the Indian municipal solid waste service industry. As per few industry reports, the municipal solid waste management market was estimated at Rs. 5,000 crores in FY 2020 and this is expected to grow at a CAGR of 14.4% over the next five years. Urbanization resulting in changing lifestyle pattern and increasing disposable income has paved way for consumerism and have also contributed to higher waste generation in urban India.

Over the last few years, we have also seen this industry leaning towards technological advancement and this augurs well for our technology driven municipal solid waste service player like us. Various initiatives taken by our government like Swachh Bharat Mission with an allocation of more than Rs. 1.4 lakh crores over a period of five years towards Urban Swachh Bharat Mission 2 is expected to drive growth in Indian municipal solid waste industry. Due to COVID-19 pandemic, the speed of modernization of waste, collection and disposal in our country has hit a road bump, which we feel given the essential nature of the business will be back on track, sooner than later.

Coming to our business performance. Our municipal solid waste collection & transportation business registered a volume growth of 2.1% in Q4 FY 2021 as compared to Q3 FY 2021. There was a reduction in volume from continuing projects by 16% year-on-year, that is 12 months of operation in FY 2021 because of business lockdown due to COVID. In this business, we continued to add new project and our focus is on increasing our pipeline by bidding for new projects. For FY 2021, we saw a decline in total tonnage handled (excluding those projects with fixed shift and trips) by 4.1% on a year-on-year basis, and these stood at 1.29 million tonnes, the decline being due to COVID-19 pandemic hit on commercial activity. However, we believe such decline to be offset going forward, aided by improving tonnage contribution from our new projects, which include Nagpur, Noida and Pimpri-Chinchwad. At MSW processing business,

volumes grew by 2.9% in Q4 FY 2021 as compared to Q3 FY 2021. There is a volume decline on an annual basis of about 2.4%. This decline was a result of curtailment in commercial activities due to COVID-19 related lockdown in the beginning part of the fiscal year.

For FY 2021, the total waste processed stood at 2.06 million tonnes. A point to note, there's a stark difference in the impact on our business during the second wave of COVID-19 as compared to first wave of COVID-19. We are noticing significantly lesser impact, especially in terms of generation of waste from household as compared to the first wave. And even in commercial zone, we have noted activities which were completely absent last year. Since April 2021, we are seeing sequential improvement in volumes in certain geographies that we operate.

Both our projects at Kanjurmarg and Pimpri continue to perform in line with our expectation as the commercial activities are returning to normalcy with easing of lockdown.

On new business front, as mentioned earlier, we recently bagged two new contracts, one from Jhansi Smart City Limited for door-to-door collection and transportation of municipal solid waste services in the city of Jhansi. And the second from Greater Noida Industrial Authority for bio-mining of one of their old dump sites. So, I would like to emphasize again that this is one of the first contract the company has bagged in the bio-mining of legacy waste business. And as said in the past, legacy waste business pan-India is large and the business opportunity is huge given the need for many cities to vacate their existing dumping sites and make them free of these legacy waste, due to the pressure from the courts, NGT and also from other government agencies. The MSW collection and transportation contract in Jhansi is for a period of five years which is further extendable for two years. The total contract price is Rs. 21 crores per annum. The bio-mining contract awarded by Greater Noida Industrial Development Authority is for a period of 24 months with an initial contract size of Rs. 23.75 crores.

We expect that revenues from these contracts will start coming in from Q3 and Q4 of current financial year. There is good business pipelines, but the timing of submission of the same is uncertain due to the evolving pandemic situation. We continue to focus on contracts in newer municipal areas, while continuing with our cluster-based approach. Going forward, we see significant tailwinds in our business and various municipal corporations are inclined towards solid waste management business being contracted to third-party players like us.

I now hand over the conference to Mr. Subramanian – our Group CFO.

Subramanian NG:

Very good evening to all the participants. It was said many times last year that 2020 and the beginning of 2021 was a year like no other. For many reasons, it was an incredibly difficult and a trying year. Our positive message internally was that great companies use tough times to better themselves, and that's what precisely Antony did. I will share the highlights of our financial performance.

For Q4 2021, the company reported an operating revenue of Rs. 120 crores as compared to Rs. 118 crores in Q3 2021, registering a growth of 2% on a sequential basis. This is on the back of

approximately 11% growth that we have reported in Q3. The revenue in Q4 was driven by both tonnage collection and processing which has seen a significant margin improvement on a sequential basis, but on year-on-year basis it has been strong. The total revenue including contract and other revenues grew by 9% sequentially to Rs. 138 crores in Q4 2021 as compared Rs. 127 crores in Q3 2021. EBITDA is down by 6% at Rs. 34 crores during the quarter, with EBITDA margin at 24.7%. The main reason for the decline in margin has been the 15% sequential increase in other operating expenses, mainly driven by higher fuel prices.

The escalations kicks in later, either annually or quarterly or monthly, and hence there will be a timing issue with respect to the impact and the relief coming in. Also, the dip in margins is also due to the ex-gratia payment that the management has made to our employees in appreciation to their efforts made during these testing times. The profit before tax stood at Rs. 19 crores for the quarter as against Rs. 22 crores in Q3 2021. And the profit before tax margin is 13.7% during the quarter. Profit after tax stood at Rs. 16 crores for the quarter as against Rs. 19 crores in the previous quarter.

Coming to business-wise performance. The municipal solid waste collection & transportation revenue is up by 2% at Rs. 83 crores as compared to Rs. 81 crores during the previous quarter. The growth being on account of increase in total MSW C&T volumes by 2.1% as compared to Q3 FY 2021. The MSW processing revenue is up by 3% at Rs. 37 crores as compared to Rs. 36 crores in the previous quarter, this is reflective the slight improvement in the waste processing volumes of 2.9%.

On an annual basis, our total operating revenue has risen by 7% from Rs. 402 crores to Rs. 429 crores, the growth being driven by 11% revenue growth in collection & transportation business, which registered a 4.1% volumes de-growth. The increase is mainly coming from price escalation during the year. We could sustain the overall revenue growth reflecting these kinds of escalation which is built into our contracts which is normally in the range of 4% to 8% reflecting the underlying inflation of the key cost factors like diesel and wage increases.

All the contracts that we have today have escalations. These are either fixed or variable which keep pace with the changes with the HSD component of WPI or the minimum wages of a particular state. To repeat, 100% of our revenues have escalation; and of this, 57% of our revenues are under variable escalation while 43% have a fixed escalation clause. Of the 43% with fixed escalation, 14% of our revenues are from old contracts which will roll out over the next 18 to 24 months, and the same will be renewed or replaced under variable escalation format.

On the balance sheet front, our net debt-to-equity as of 31st March 2021, is 0.3x as compared to 0.5x as of 31st December, 2020. Total debt as of March 2021 stood at approximately Rs. 150 crores, which compares against Rs. 210 crores last year. And our net worth has improved to Rs. 442 crores versus Rs. 300 crores last year. The current receivable days as of 31st March 2021, is 59 DSO as compared to 60 in 31 March, 2020, and our endeavor is to maintain this, under current circumstances. Despite COVID-19 and the tough climate around the system, given that we being in the essential services, the municipal corporations who are our clients have helped

us maintain our operations. We are in constant communication with our clients and keep a acute watch on the receivable position and that is one of the key strengths and the key fact that collection of clients is critical.

That's it from me. Now, we 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 Depesh from Equirus. Please go ahead.

Depesh: Sir, your other expenses have increased by 22% Y-o-Year, now we understand that diesel inflation is the main cause. But just wanted to understand, is there anything else apart from that, just like your repair and maintenance cost or your higher outside vehicle hiring thing, any one of that you want to highlight?

Subramanian NG: One of the main reasons for the increase in our costs has been because of fuel prices and the ex-gratia that we have paid for in the Q4, since this was part of the transaction. So, we see a dip in the EBITDA margins In all there has been three factors one is a lower tonnage being processed in our waste processing project, because at the beginning part of the year we have seen a fall in waste processing tonnage of around 10.9% on a year-over-year basis. So, that has reflected in a lower EBITDA margin because waste processing business carries a higher EBITDA margin.

Secondly, the diesel fuel prices which constitutes approximately 18% of our total operating cost, that has increased significantly. It's jumped by around 41% to 39% YOY, depending upon the cities that we operate in. this has a pass-on effect but that comes with a lead time. So, timing is one thing that has kind of hit our margins here. And thirdly is the ex-gratia that the company has provided to its employees. These are the three key factors which has led to a hit in our EBITDA margins.

Depesh: Understood, sir. Sir, on the timing part, you spoke about that 57% of your contracts are variable and 43% have fix escalation clauses. If you can give a sense of what percentage of contracts have quarterly, monthly and half yearly price revision mechanism? Mainly, I am asking this because diesel prices have continued to increase in April, May and June, so what is your broad outlook on the 1Q and the first half FY22 margins going forward?

Subramanian NG: Approximately 60% of our total revenue has an annual escalation clause, as compared to a monthly and quarterly which constitute around 15% each. The balance is a half-yearly escalation for us.

Depesh: So, there can be like a decline in the first quarter and first half also, right, because the diesel continues to increase?

Subramanian NG: Yes. So, a couple of factors that have led to a fall in margins, not just the fuel price increase but also the decline in tonnage. Now, normally, tonnage improves during the period of monsoon and also the part of our third quarter. So, right now, I am on the cusp of an increase in tonnage and

also escalation kicks in, we believe the margins in first half to be normally better than the margins in the second half. Of course, assuming the fuel prices remains steady through this period.

Depesh: Very good. And also, sir, how many of your contracts currently will be on extension? Because I understand that during the extension period you are not able to take any price hike, right?

Jose Jacob Kallarakal: Yes. I would say around 8% of my revenue are under extension, and these are now being tendered by the government. The paperwork has already started through the various corporations, but because of COVID the same have not been able to roll it out. We are in constant communication with the corporations and after the Second wave they have already initiated action on that front. We expect some movement in that area shortly.

Depesh: Understood. And sir, you spoke about the volume impact in this lockdown, that it is better than the last year, but if you can just highlight sequentially how is it, like from the fourth quarter of FY 2021, if you look at first quarter FY 2022, how much dip are you expecting in the volumes going down?

Subramanian NG: So, actually sir, it is not at a consol level, but if you look at the different regions, we have seen a marked difference in the way the local economies have worked. We have operations in MMR region, we have operations in NCR region, and we also have operations in Nagpur and Pimpri-Chinchwad. We have generally seen the western regions have performed significantly better than the northern region in this aspect.

Depesh: Perfect. Okay. And sir, are your clients paying you on time? Because I understand that they are dealing with a lot of healthcare issues, right, so are there any receivable issues that you are seeing?

Subramanian NG: No, actually if you look at during the first wave and second wave, our receivables have actually remained steady. The municipal corporations have actually given us a priority on the essential services and kind of drawn revenues from other departments. The unplanned expenditures have been controlled by various Corporations. We have not seen any significant stress in our current receivables, as reflected by the numbers. Having said that, we are in constant communication with all our clients and we are in touch with them because this is something which is very crucial for our own working capital lines.

Depesh: Right. And lastly, sir, if you can just give a guidance on the CAPEX and the gross debt outlook for FY 2022?

Subramanian NG: On the CAPEX, over the next two years we expect our Pimpri-Chinchwad waste-to-energy project to be set up, which would represent approximately around Rs. 200 crores of CAPEX over the next two years. And we also foresee a CAPEX of around Rs. 20 crores to Rs. 30 crores for our other processing contract. We do not foresee any significant CAPEX at our collection and transportation operations, the CAPEX at the C&T side will be triggered only if we bag any

new contracts. And the contracts which Jose has mentioned, the one at Jhansi, the entire CAPEX will be taken care by the Jhansi Corporation. So, it's an asset light model in this specific case.

Depesh: And sir the gross debt, how much debt you are expecting or plan to take now?

Subramanian NG: We will be incurring around Rs. 170 crores to around Rs. 180 crores on a gross debt basis over the next two years.

Depesh: Understood. Mostly it will be the FY 2023, right, because FY 2022 it may not be?

Subramanian NG: Yes. It would be having a lag effect, it would start at Q4 FY 2022 and a bulk of it will be in FY 2023.

Depesh: Understood. And sir this Jhansi and this Greater Noida contract that you have recently bagged, I understand they are asset-light in nature so the municipality will be doing most of the CAPEX for you. So, what kind of EBITDA margins, like will that be in line with existing contracts or they will be materially lower than those contracts?

Jose Jacob Kallarakal: In case of Jhansi, the CAPEX will be funded by the corporation, so the margins would be in line with our existing C&T business, because it's on a different revenue model. The Revenue there is not on tonnage basis but it is based on the number of households and commercial units that we would be providing services to. In Greater Noida, the CAPEX would be done by the company and it's a first of its kind bio-mining. The margins what we are targeting should be in line with our historical trends of waste processing.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G. Hawa & Co. Please go ahead.

Faisal Hawa: Sir, my question was that if we want to have a pan-India kind of a presence in waste management, the adjustment to cultural differences between each of the municipalities and even the difference in working style will be a tough task. So, how are you actually doing it, facing it management wise? Because management will have a certain bandwidth, I mean, you are used to working in Bombay and surrounding. And secondly, do we have any kind of progress report on the Pimpri plant that we were going to convert waste to electricity?

Jose Jacob Kallarakal: So, regarding as you said the cultural differences. Now what's happening is, pan-India level, the garbage collection and transportation is done in a very traditional way, and is not modernized. Many municipalities want an operator who can modernize their existing collection system, away from the traditional method of manual handling and open dump sites.

Another thing is the existing labors and such conditions, in the past, they were not taken care or given protective gears and they don't have proper medical care, they were not paid any provident fund and ESIC, because this business is not done in very organized way. So, when we go there, or when we win a contract, first thing is the Corporation is provided with modern equipments which have very limited manual handling of MSW and all the labourers are provided with safety

gear, we are going to provide them all the facilities. So, all this thing is coming as a goodwill and better living conditions, better operational conditions for the workers as well as the management of the municipality.

So, the municipality is very happy to receive us. If we say that we are coming, they will like it because they are seeing what we are doing. So, this works wherever we are going. We are going with a more modern method of operation, not with the same traditional way. So, the competition is not much. And also, when we bag a new contract, the Company recruits the local people. For example, if we go to a new city, we will recruit the local people by advertising in the local newspaper. We initiate the operation by using our existing managerial staff, to guide the new team for over 6 months for getting the operation in place and we train our people. And afterwards, the people who are locally hired run the show.

Mr. Faisal, I couldn't hear your second question. Can you please repeat it?

Faisal Hawa: Yeah. My second question is, this Pimpri-Chinchwad, we are going to set up a plant to convert waste to electricity. What is the progress of that project and are we making tangible strides towards getting it operational in 2022?

Jose Jacob Kallarakal: So, Pimpri-Chinchwad waste-to-energy project is in two parts, one is COD1 and other one is COD2. COD1 we have started receiving the waste, and we have started processing and organic fractions are converted into compost. So, that is completed and that is running for more than one year now, and we are charging a tipping fee, and for which there is some revenue coming in. As far as power generation, that COD2 construction work is going on, and it should take around 16 to 18 months to complete it.

Subramanian NG: Faisal, just to add on that, the civil work has already started. We already made advances to the bulk manufactures for all the fabrication parts to be shipped in. These being COVID times, everybody needs some firm orders in hand before they start the work, and also because of these locking, unlocking policies, there is a decent bit of confusion that's happening on the layout and the form of project rollouts. But having said that, the Civil Work has started and the team there is very confident that they will be able to complete the construction in the planned time.

Faisal Hawa: And if could allow me a third question. Since we have MIT as a shareholder in our company, are we trying to take any kind of a initiative to develop some new age technologies that maybe in their research labs which we could absorb and process into our waste or into our business model to create a new material or something like that?

Subramanian NG: Right now, we are in touch not with MIT, but with IIT Bombay. We take their help in understanding how waste can be processed better, more efficiently. We are also working on reducing the carbon footprint by reducing the greenhouse gas which is current collected at our site We tap the greenhouse gas that is released from waste processing activities. For example, in Kanjurmarg we extract the entire methane that has been generated at our site, and we are generating power to the tune of around 0.97 megawatts. So, that is one of the steps that we have

done. And we are also understanding how the waste decomposes under very focused environment so that we can roll out similar projects across the country. So, to answer your question, yes, we have reached out to the academic front and for better technology and to help us guide in resource extractions to the fullest, but not with MIT but with IIT Bombay.

Faisal Hawa: And what is our research and development spend per year?

Subramanian NG: So, our research and development spend would not be very significant at this stage. It would be less than Rs. 1 crore. But there are certain areas that the management has earmarked, especially in the RDF technology, with respect to pelletization. The company has delayed its R&D spend due to COVID uncertainties, there has been a slight lull in that. But the work is very much on cards. Once things stabilize and we have a clearer visibility of our future would be, this is one area that the management has clearly indicated to work on.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL Capital. Please go ahead.

Anupam Gupta: A couple of questions. Firstly, if you can list out a few projects where you are bidding right now in terms of C&T which can come up? And similarly, if there is anything which is coming on the processing side as well?

Jose Jacob Kallarakal: The Company is bidding in few corporations and the scope for such bids involve setting up transfer stations, collection & transportation projects and also waste processing. Most of these bids are under preparation, we have appointed a consultant and we are in the process of bidding. And hopefully, if everything goes fine, we may win few projects in the near future.

Anupam Gupta: Okay. You had earlier highlighted that we have capacities to take Rs. 50 crores worth of annual projects. Do you think that sort of win is possible in this year, given where the tenders are right now?

Subramanian NG: The Company is definitely working in those lines but the timing, it is something which none of the Corporations are able to commit because of the evolving pandemic situation where the talks of a third wave is also on cards. So, we are definitely in talks with a lot of corporations, and a few of the corporations talks is on at a very advanced level. But the timing and recognition of the same, is dependent on a lot of moving variables which the corporations are not able to put a finger on today.

Anupam Gupta: Right. Understand. Secondly, as I understand, your contracts which are in extension do not have price escalation, but is there not a provision at all that given the sharp increase in fuel prices, which we have seen, that that can be reimbursed at all? Or will it always be fixed price during escalation?

Subramanian NG: So, Anupam, these are very client specific requests, so the company has raised these issues with its clients and they have mentioned that they will get back to us after a proper due diligence. Since these are public money, it is not possible for a department to take decisions unilaterally

and they would normally need to get an approval from the general body of the corporation. There are some positives, for example, in the Municipal Corporation of Greater Mumbai, has allowed us to bill as per the minimum tonnage which was experienced during the February 2020 period, despite the decline in tonnages and this was done during the lockdown period. Now, based on this recommendation, few other corporations, are also taking it up positively. These approvals might take time, and the Company expects some relief due to the same.

Anupam Gupta: Okay. And just lastly, wanted to understand what is the status of the increase in stake in the Lara entity for your PCMC and Mumbai projects which were supposed to happen, what is the status as now?

Subramanian NG: Lara's stake, currently is still at 36%. Post conversion of AWHCL's convertible shares, AWHCL's share will stand at 73%. The reason for the delay because of certain documents that needs to be received from the company, which is registered in Sao Paulo, Brazil. Because of the local conditions they have not been able to get those same documents attested by the Indian Council over there. So, once the documents are attested by the Indian Council in Brazil, the same will be needed over here to open that Demat account. We expect the entire exercise to be done by September 2021.

Anupam Gupta: So, just to clarify one thing, before it happens, your economic interest remains at 63% till it happens, right?

Subramanian NG: Yes.

Moderator: Thank you. The next question is from the line of Bijal Bakhai from Amit Jasani Financial Services. Please go ahead.

Bijal Bakhai: Tell me sir, do we have a dividend payout policy for the shareholders? Because, we have not declared any dividend for the current year.

Subramanian NG: This matter will be discussed at our Board and they will be formulating a dividend distribution policy shortly. It's something that the Board will decide and get back to you before the AGM.

Bijal Bakhai: Nothing to be declared for financial year 2021?

Subramanian NG: It is something that will be decided by the Board, and they will look at the conditions that is prevalent in the economy and the health of the company, and the kind of future projects that the company is bidding for. I am sure the board will take all the viewpoints from all stakeholders and arrive at a decision.

Moderator: Thank you. The next question is from the line of Nisha Desai from NM Securities. Please go ahead.

Nisha Desai: Do we expect any additional CAPEX at Kanjurmarg? And would be our maintenance CAPEX?

Subramanian NG: So, the CAPEX that we foresee at our Kanjurmarg site will not be over and above the Rs. 20 crores to Rs. 30 crores that we anticipate over the next two years. We don't have any maintenance CAPEX in our collection and transportation business, whatever money that we spend is OPEX-ed out in the collection and transportation business. We don't build on creating higher book asset at my collection and transportation business.

Moderator: Thank you. The next question is from the line of Manik Malhotra, Independent Investor. Please go ahead.

Manik Malhotra: I just wanted to ask you two questions on the fleet size. So, I just want to know whether our whole fleet runs on diesel, or do we have small tippers which are running on CNG fuel?

Subramanian NG: Bulk of our machines, i.e. the compactors, run on diesel because the road conditions, that end up at the dumping grounds or the landfills are not good and you need a lot of power, and CNGs are not equipped with those kind of engines today. So, I would say, a bulk of my machines are run on diesel. But we have few vehicles which do the primary collections which are CNG based. Our interaction is always on going with manufacturers like Ashok Leyland and Tata to see whether future CNG machines will have enough and more adequate power to help the vehicles climb landfill kind of situations.

On a numerical basis, I would say less than 6% of my total vehicles are CNG. There's a constant attempt by the company to shift from diesel to CNG. We have tried using electrical vehicles, we have few sample pilot ones running around. But unfortunately the operating people are finding it slightly difficult when it comes to load carrying and load distribution.

Manik Malhotra: Okay. And one more question, you have mentioned in your prospectus that a lot of your fleet is having GPS for efficiency. So, how is it going is now? Are you doing anything tech driven for route efficiency for picking up the waste, anything oversight?

Jose Jacob Kallarakal: So, in the pandemic what we are looking at is how to optimize our route. So, we are constantly working on the re-routing our schedules. And since our vehicle is fitted with GPS, we can monitor the movement of vehicles, and the collection of waste in particular route if it is less, we can optimize keep on changing the route. So, that we keep on doing now because of this pandemic. In the past, we never faced something like this. One particular route we used collect suppose X amount of garbage, which was fixed for the next firm escalation. Now in this pandemic, our team and we have geared up to keep on improving or changing the route plan on regular basis. And since all our vehicles are fitted with IT systems like GPS monitoring, everything, it has become very easier for us to modernize our current route plans.

Moderator: Thank you. We will take the next question from the line of Keshav from RakSan Investors. Please go ahead.

- Keshav:** Sir, if we consider the Jhansi order in which you don't have to make any capital expense, do we also have similar contracts from other municipalities running, in which they procure the assets and we do the operations end?
- Jose Jacob Kallarakal:** Yeah, we are doing in Varanasi where the entire CAPEX, except for a sweeping machine is funded by the municipality. And in the past we had even for a road sweeping contract where the machines were funded by the municipality. So, because of Swachh Bharat Abhiyan, there is adequate funds available for the government to fund the CAPEX. We have seen such initiatives even for waste processing apart from collection and transfer, which is a good news for a company like us.
- Keshav:** So, sir, like you said in the beginning of the call that the margins would be similar to your processing business otherwise. But your PAT translation would be superior, right, of these order?
- Subramanian NG:** So, we were talking about collection and transportation, Jhansi is a collection and transportation business and not a waste processing project. So, the collection and transportation margins are normally lower than our waste processing businesses.
- Keshav:** Okay. So, like if we consider the C&T segment only and if we compare the Jhansi order, so do we have superior IRR for these projects?
- Subramanian NG:** The IRRs are superior because of very negligible CAPEX, if you look at in that sense. If you look at on a mathematical modeling point of view, yes, the IRR will be significantly better as the CAPEX requirement is almost marginal as compared to a similar size project if the entire CAPEX has to be put. And also, the tipping fee changes. So, what normally happens, these are basically like a cost plus model that we work on. So, if the CAPEX is that, then the tipping fee, that is a rate per ton that you charge to the corporation is different as compared to otherwise, when the CAPEX is done by the corporation themselves. But yes, it gives us a significantly more flexibility when you are in a position to tell the corporation the number of vehicles that you want, and you can add a buffer zone to it as well.
- Keshav:** Okay. Sir, and these projects have a similar receivable cycles as the other projects?
- Subramanian NG:** Yes. They are very similar to the existing collection and transportation contracts, and this particular one is a five-year contract which can be extended by two further years.
- Keshav:** Okay. So, sir, if we combine the two recent wins, one is the bio-mining order and the Jhansi order, they total to about roughly Rs. 50 crores worth of contracts. So, they would be realized this in FY 2022 or...?
- Subramanian NG:** Not the entire 12-month revenue, we are expecting Jhansi to start providing revenue from October 2021, and Varanasi will be fully fledged by September 2021, Greater Noida too will start off 100% by October 2021. So, the second half of my current year should see revenues from all these three contracts.

- Keshav:** Okay. And the combined potential revenues are, combined of these three contracts put together?
- Subramanian NG:** Let me give you the thing. So, what happens is, if you look at my current order book, which is all the contracts that are bagged till date, signed and mobilizing, everything put together, at 100% normalcy the company expects its core revenues to improve by approximately 18% to 20% year-on-year. But please note that these numbers that I talk about are core operating revenues from tipping fees. My project revenues will be recognized as per the IndAS accounting norms. As and when we execute the CAPEX at our ongoing PCMT waste-to-energy project and any other incremental CAPEX that I incur at our Kanjur waste processing site. These are one-off revenue recognition as per the project accounting rules the core operating revenue would be around 18% to 20%, add to that any other CAPEX driven revenue will be sitting as per contract income in my books of accounts in this year and the next.
- Moderator:** Thank you. The next question is from the line of the Depesh from Equirus. Please go ahead.
- Depesh:** Joe sir, any study you are doing anything under consideration for the biomedical waste which has become a very big problem nowadays?
- Jose Jacob Kallarakal:** Presently we are not looking into it because we are seeing large opportunities presently from municipal solid waste. About biomedical waste, the size is of smaller as compared size and it is from city-to-city. So, presently we are seeing lot of opportunities in Municipal Solid Waste.
- Depesh:** Okay. So, biomedical will not come under the municipalities' domain?
- Jose Jacob Kallarakal:** No, that is a different business where we need to have two type of operations, incineration and also cleaning it and recycles. So, there are two different operations.
- Depesh:** And sir, given your planned Rs. 200 crores to Rs. 250 crores CAPEX for the next two years, just want to understand what kind of bandwidth you have to bid for any upcoming projects? Any debt-to-equity or debt-to-EBITDA targets you have in mind beyond which you will not go?
- Subramanian NG:** Depesh, currently my debt-to-equity is around 0.3. And even after the fully drawn down CAPEX and debt related to my waste-to-energy project; the net debt-to-equity will be in the range of around 0.6 to 0.65x. As of today, company has a very healthy balance sheet and we as today's date. We are also talking to various banks to reduce our existing cost of borrowing by 100 to 125 bps. So, our headroom to borrow money for incremental business, if the opportunity so arises, is adequate. The current cash flow from operations is around Rs. 110+ odd crores, and the same is sustainable. And these are during COVID times, so we believe the same cash flows to be available, and that can help us fuel our future growth of around 20% to 25% CAGR as Jose mentioned.
- Depesh:** And lastly sir, sorry to harp on this, but how many contracts have seen price revisions since January of this year?

Subramanian NG: Price revision has been only one which was in Kanjurmarg which was due on March 6th of every year. So, that's the only contract that we got price revision, everything else falls after June, July.

Depesh: After June, July.

Subramanian NG: So, normally what we have seen historically is, after the fiscal year ends, that's when most of the corporations award new contracts. So, normally the new contracts come in the month of May, June, July, thereabout. So, that's how the cycle runs, after the budgetary allocation

Depesh: Okay. So, after June, July only the revisions will happen. So, till then, okay. Sir, now nothing special you can do, because this is like a unprecedented time, right? The oil prices are going up like anything, just like steel companies are passing on the price to the auto companies and all, can't you just talk to the municipalities that you are not able to work under such a margin pressures?

Subramanian NG: We have already applied for minimum wage and for minimum tonnage increases request to the corporation. And this is as per the contract and is also over and above contract requirement. But having said that, Depesh, the corporations have been you making their payments on time regardless of the stress they might be facing internally. So, we are talking to them, and we are also raising these issues, because rise in diesel and fuel prices is not only a problem for a companies like Antony Waste, but also for employees who work in these kind of corporations. So, it's a matter which is well thought, well spoken, and well-raised at various levels.

See, the newer contracts have an escalation which is quarterly, like the ones that we have in PCMC and in Nagpur. So, the newer contracts that the company is bidding for have these metrics of escalation even on a monthly basis. So, that is one of the ways that the corporation will address this problem in future. But for existing contracts, the only redressal option that the company has is to request the various departments, which in turn will request the corporation's finance departments for any additional scope for funds being released to the department.

Depesh: Got it, sir. And also, when the volumes will come back, they will kind of reduce the margin pressure, right, so that will also help?

Subramanian NG: Definitely. We have already seen a slight improvement in our tonnages over the last three months since March 2021 onwards. We are seeing improvement on a sequential bases. We hope that the unlocking of economic activity and related mobility in the economy gathers momentum.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G Hawa & Co. Please go ahead.

Faisal Hawa: Are we taking any steps to cut down on the pilferage that happens at the stage of collection by employees in the dry waste? Because that's where we lose twice, we lose on the tipping fee as well as we lose on the economic value of the dry waste. So, most of the dry waste is pilfered at the end of the collection itself. So, can we do something to really cut down and that?

- Subramanian NG:** Actually Mr. Hawa, when we talk about waste processing per se, the driving revenue for the company's tonnage and the revenue from sale of recyclables is very marginal to our business – and this constitutes not more than 1-1.5% of total revenues. So, the pilferages actually doesn't bother us per se, but our revenue is purely driven by the tonnage and that's of more material importance for us. And our operations are not hit by these kind of minor pilferages.
- Faisal Hawa:** But studies show that dry waste is almost 30% to 35% of the total waste collected in a city.
- Jose Jacob Kallarakal:** Yeah, what you are saying is recyclable waste. The recyclable waste tonnage is lower as compared to organic/wet waste. Also, dry waste includes materials like textiles and broken bottles, plastics and broken things, which have limited recyclable value. So, any tech parts that we will find, any some sort of tin and all that, we will take. But that waste is very marginal, that's what our calculation is. But we get a lot of dry waste which is shredded and convert into refused-derived fuel and this constitutes approximately 30%. But recyclable waste getting pilferage we have no control, there could be some radiwala and all taking it away. But overall what we notice is, the dry waste still constitutes 30% and it's there. Recyclables which have the market value and about 1% to 2% still it is coming to our plants. Going forward, it may reduce because there are more rag pickers in Mumbai compared to what we used to see in the past, so that's what it is.
- Moderator:** Thank you. The next question is from the line of Ankan Jain, Individual Investor. Please go ahead.
- Ankan Jain:** Sorry sir, my line got disconnected last time. What I was asking was about Kanjurmarg, currently we are running at 5,300 tonnes per day, so when this will go to 7,500 tonnes per day as per the contract?
- Subramanian NG:** So, there is a gradual step up as per the contract and this will be taken up gradually. So, that is a step up mechanism. We normally don't comment on project specific information, but this is as per the tender norm. So, there is an incremental shift that happens every three or four years.
- Ankan Jain:** Okay. Sir, but we have read somewhere this IIT and other NGOs were doing some study about the impact there. Is it linked to that report or anything?
- Subramanian NG:** Sorry, that report would be shared with the Bombay High Court and it is not been shared with the company per se. So, I think it should be there in the Justice Department's website, that has not been shared with the company.
- Ankan Jain:** Agreed, but that whatever the report findings, is nowhere connected to increase in the capacity?
- Subramanian NG:** No, that has nothing to do with increase in the capacity, because zone and the area that has been earmarked for the waste processing at Kanjurmarg is earmarked for 7,500 tonnes per day. So, that area is sacrosanct, and the corporation has no comment on that.

- Ankan Jain:** Okay. Sir, I just want you to know, you mentioned that around Rs. 20 crores to Rs. 30 crores need to be spent as a CAPEX there for this project during the next two years. Once that is done, is there any more CAPEX to be done at this project?
- Subramanian NG:** Not immediately, there will always be some maintenance CAPEX for our materials recovery facility and our composting yard. But that will be very insignificant as to the CAPEX that we've already done today. It will be in the range of around 1% to 2% of the existing gross block.
- Ankan Jain:** Okay. Sir, is there any provision for you in the agreement to go upwards of 7,500 also or is 7,500 tonnes per day is final?
- Subramanian NG:** Tender mentions that up to 7,500 tonnes per day is what the project is technically designed to process.
- Ankan Jain:** Okay, fair enough. Sir, now at the Pimpri project, after this investment of Rs. 200 odd crores for the waste-to-energy, is there any other CAPEX needs to be done in this project?
- Subramanian NG:** No. After this CAPEX is done, the plant is up and running, after that there is no incremental CAPEX required,
- Ankan Jain:** Okay. Sir, as per the current time schedule for the Varanasi, have we received the work order for the remaining four zones?
- Subramanian NG:** Yes, we have received the work order for the remaining four zones. The work has already started in surveying those areas. So, we expect the survey to be completed shortly and that is why we have mentioned that the revenue from Varanasi should also tick in fully from September 2021 onwards.
- Ankan Jain:** September 2021, okay. Sir, is this project agreement is also for seven years?
- Subramanian NG:** Varanasi is for seven years.
- Ankan Jain:** Seven years, okay. Sir, in this financial year, the compost volume has gone up by more than 100% or so, any particular reason sir?
- Subramanian NG:** So, we have expanded our compost generation capacity where we doubled the maturity pad in 2019. So, that came up for operations in mid of the last year. So, if you see in Q2 and Q3, we have seen a sequential growth in the tonnage, and now I am able to process significantly more tonnage and able to sale that same to our vendors. So, this is one of the reasons why increase in capacity, full utilization of the same, and also ability to get buyers for my compost. These are all the three factors which has led to me doubling my sale of compost in the current financial year.
- Ankan Jain:** Okay. So, this is, what I want to know is, sustainable for the coming years also?

- Subramanian NG:** Yes. This is a sustainable in coming year, and we are actually working at improving the quality and also increasing the capacity, during the dry season.
- Ankan Jain:** Okay. Sir, just want to know how much revenue this generates, sir?
- Subramanian NG:** It is very marginally, it is less than 1%. As I said, our sale of compost and sale of recyclables together constitute less than 1% to 1.5% of my total operating revenue. So, these are bonuses, as I would say.
- Ankan Jain:** Okay, fair enough. Sir, my last question is about the Note 5 and 6 regarding some pending dues from municipal corporation about that Rs. 8.06 crores and all that, whatever the number. I just want to know, since how long these payments are pending?
- Subramanian NG:** These have been pending for more than three years. So, these pertain to certain disputes and certain redressal forums had to be completed with multiple municipal clients. We expected all these actions to be completed by – 2019 - 2020 but due to COVID, these discussions and court proceedings have been put on hold. We expect to redress once things return to normalcy.
- But having said that, we have recognized and worked with certain corporations like Ulhasnagar and Bhiwandi, which has come out for a settlement, and we have already worked with them. Not all corporations have gone on a hibernation mode, few corporations are still working on this zone. We expect to work with the other clients during the current financial year and try to find a resolution as fast as possible.
- Ankan Jain:** Sir, this amount of Rs. 8.05 crores was earlier Rs. 13.5 crores as on September when you had come out with DRHP, is that a correct amount? Earlier it was Rs. 13.5 crores now it has come down to Rs. 8 crores, correct?
- Subramanian NG:** In the past, in 2019 this amount outstanding and qualified was Rs. 28.5 crores. We have been constantly talking with our customers and clients and explaining the reasons why there has been a dispute. After effective redressal, some collections has been made. This amount today stands at only Rs. 8.05 crores from different municipal corporations, it's not a single corporation, there are multiple corporations involved here and we expect this too to be sorted once things return to normalcy. . .
- Ankan Jain:** Correct. Sir, my last question again pertains to the same note. Sir, you have mentioned that in the other financial assets under current subheading, there is Rs. 74.45 crores in the balance sheet. Is all these amount pertains to minimum wages outstandings only?
- Subramanian NG:** No, no, it's not just pertaining to minimum wages, there is also retention money involved there. See, as per our tender conditions we need to provide for certain receivables which will be paid by the corporation at the end of the contract. So, there is approximately around Rs. 31 crores as retention money, which is good money from existing clients which will be refunded to me at the end of the contract. Approximately Rs. 9.2 crores is a minimum wage reimbursement which is expected from one of my other customers who is currently processing the same. And the

minimum wage issue is around Rs. 42 crores, which is still there. So, that is how the breakup is. Bulk of that money is under retention and reimbursement awaited from my clients.

Ankan Jain: Okay. So, that means the receivables would be Rs. 89.51 crores plus this Rs. 40 crores something, this is the major amounts which are receivables from the corporation, correct?

Subramanian NG: Yes. Though it's not current receivables, these are long-term receivables, because this is payable to the company at the end of contract. If we win a one-year contract, then it will be realized within the one year, if it's a five-year contract or a seven-year contract, accordingly the same gets released to us at the end of the project life.

Moderator: Thank you. The next question is from the line of Maanik Malhotra, Individual Investor. Please go ahead.

Manik Malhotra: Yeah. Actually, my line got disconnected. I just wanted to ask one follow-up question that, I am just looking at the projects on which you are working, so when a tender comes so do you focus on tenders which are coming from the same existing project site or same state or are you focusing on the states where you are not working right now? So, I am just asking this, I just wanted to know whether you are working on clustering strategy, like you are making clusters and then to improve the efficiency.

Jose Jacob Kallarakal: So, the idea is, first thing is, we only bid in those municipality, where the tender is of a international standards which is made by some top four, top five consultants in the country, where it is complete modernization because our company believes in technology and even system to be implemented in which collection as per Solid Waste Management Rule 2016. That is one strategy, wherever any municipality comes up with these types of bids, we are open and we bid.

And second is cluster, so we always like to win contracts in nearby cities We have noticed that when one city comes with a modern type of waste collection and transportation or processing of waste, the neighboring city also would like to implement similar type of contract. So, then those similar contracts are what we we'd like to win. This also helps us to lower our fixed overheads. So, that is the reason we look at cluster based approach. But any part of India, we are open to be bid, provided it fulfills our requirement to bid.

At the same time, we check on the municipalities' financial health. Getting timely payment for the work is an important criteria in our vetting procedure. So, based on all these due diligences, then we analyze and then we bid.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Ankam Jain, Individual Investor. Please go ahead.

Ankan Jain: Thanks for the follow-up. Sir, I had only two questions. One is this Pimpri project where the capacity is 1,000 tonnes per day, is there any provision to increase the capacity in future?

- Jose Jacob Kallarakal:** The plant in this case is waste-to-energy, designed for 1,000 tonnes per day, and 14 megawatts unit. So, we cannot increase the capacity at the moment on that site.
- Ankan Jain:** Okay. And my second question is, we must have already quoted for some of the projects during the course of the year. Is it possible to share only how many number is there in pipeline? How many of that are the waste-to-energy treatment type of thing? Just to understand how big these opportunities is becoming in India.
- Subramanian NG:** In the waste-to-energy zone, there are very few, I would say not more than two projects which are up for under the discussion stage across the country. There is some contract which has been issued from NPTC for biomethanation work. But most of the work that we are looking at and that has been issued by various corporations are in the area of waste processing.
- Jose Jacob Kallarakal:** So, yeah, I will just want to clarify one thing. When municipalities go for waste processing, they decide which technology they prefer. Now if the municipalities do not have larger land and the land is very expensive, and moreover the municipality is rich where they can grant some money for viability gap funding, in such cases they opt for waste-to-energy projects. And there are municipality where land is not expensive, they prefer waste composting methods, that is metal recovery from cum composting. So, the technology is selected by the municipality, based on the land and their financial credibility.
- Ankam Jain:** Okay. Sir, what I actually wanted to ask you was, in between C&T and waste processing project, how many are there for us to grab as on date? And what is the revenue generation opportunities of these projects?
- Subramanian NG:** So, of the pipelines that we have targeting, it's always a mix between waste processing, collection and transportation, because waste processing project takes around one and half to two years of mobilization, as compared to say six month to eight months mobilization period for C&T. Your question on the number of projects that the company is bidding or is looking for, I would say, the business development team is looking around eight projects as of today. Few of them are at advanced discussion stages with the corporations and consultants on the inputs. So, I would say around eight projects are there on the pipeline for us as of today I would say.
- Ankam Jain:** And what could be approximate value of these contracts? Total sir, I don't want individual, total, is it something around Rs. 200 crores?
- Subramanian NG:** No, they are significantly bigger than those; it should be in the range of around Rs. 280 crores to Rs. 340 crores annualized.
- Ankam Jain:** Annualized, correct. Okay. Thank you very much, sir, and all the best.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Jose Jacob for closing comments.

Jose Jacob Kallarakal: Dear participants, we are seeing various municipalities to privatize municipal solid waste management and come up with contracts for the same which ensures good growth momentum for us, and we are confident enough to capitalize on these opportunities. I would like to thank you all to participate on our earnings calls. I hope we could address all your queries adequately. And for any further information, please contact SGA, our Investor Relations Advisor. Please take care. Stay safe. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Antony Waste Handling Cell Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.