



“Antony Waste Handling Cell Limited
Q3 and 9M FY '23 Earnings Conference Call.”

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Moderator:

Ladies and gentlemen, good day, and welcome to Antony Waste Handling Cell Limited Q3 and Nine Months FY '23 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. N. G. Subramanian, Group CFO. Thank you, and over to you, sir.

N. G. Subramanian:

Thank you. Good afternoon and a very warm welcome to everyone present on the call. Along with me, I have Mr. Mahendra Ananthula, Group President (Operations, Business Development and Diversification) and SGA our investor relations advisors. Our investor presentation is now available on the stock exchanges and also on the company's website.

First, I would like to provide some business update. The essential nature of our service, our diverse customer base and recurring revenue streams provides stability to the business and over a period of time, this has also proved right and comfortable for us. A word on the macro aspect, keeping pace with the green energy focus of the world and reducing its carbon intensity, India has planned big for the green energy sector in its financial budget. The government announced a slew of measures for the initiatives related to the green mobility, green buildings and even green equipment. The budget further provides for India's government to provide incentives to urban civic bodies to improve their finances and creditworthiness and help them raise funds through municipal bonds.

Attempts through property tax, governance reforms, and ring-fencing user charges on urban infrastructure will enable cities to improve their creditworthiness from municipal bonds. These are very good positive news for the sector at large. Also since India has an ongoing G20 Presidency, its focus on these parameters bodes well for us.

On the quarter's performance, the nature of our services and our diverse customer base has helped us to report stable revenue line and this is reflected in the company's reporting a year-on-year 6% growth in its operating revenue at INR 158 crores in the third quarter. This growth being driven partly by organic volumes both in waste processing, along with a steady state of operations in our C&T operations, and also, to some extent by the new Nashik C&T project which started operations in December 2022. On the MSW C&T project side, we currently have 16 ongoing projects. The C&T business volumes remain flat on a year-on-year basis at 0.4 million tons in third quarter, and as mentioned earlier, our new Nashik C&T has started operation in December '22. This will add to the volume's growth going forward.

Coming to the MSW processing side, the total tonnage processed during the quarter increased by 7% to 0.64 million tons at our MSW processing projects which include Kanjur, Pimpri Chinchwad and the Greater Noida bio-mining project. An update on the waste-to-energy plant at Pimpri Chinchwad, the project is on track and we expect the operations to start in Q1 of the next financial year.

We would also like to address the key point which underlines this quarter's performance. As you are aware, we work with a lot of municipalities and government agencies in over 14 municipalities to provide integrated solid waste management solutions. This sometimes increases receivables challenges. The company under the guidance of its Board has initiated a process of creating a receivable reserve to reflect the nature of our business, which is aimed at providing comfort to the balance sheet and some cushion thereof. We have initiated disposal by creating a reserve of INR 14.2 crores in the quarter. As we go along, we hope to refine this receivable reserve calculation based on historical track record of managing receivables and adopting a credit default strategy in this limited space.

On a reported basis, the EBITDA is down by 15.4% margin as compared with 21.9% for the same period last year. But on adjusted front, we just considered only core revenues and excluding Ind AS adjustment and this explicit trade loss positioning, the adjusted EBITDA for the quarter would have been 24.8% as compared to 26.3%, reflecting almost steady run margin for Antony.

And for more color and on the operations and business outlook, let me invite Mahendra to takeover. Mahendra has over 30 years of experience with urban infrastructure and waste management sector, with extensive experience in the areas of corporate strategy, project development, sales, and consulting the waste and water urban infrastructure. Prior to Antony, he was at SUEZ, where he had played a strong role in the development of the company's operations. Traditionally it was purely focused on metropolitan cities, It is now diversified geographically and works also in Tier-1 and Tier-2 cities in India.

Mahendra Ananthula:

Thank you, N. G., for the introduction and good afternoon to all. At Antony Waste, the business and strategy has deemed to be the best in C&T and MSW processing sections, and this is exactly what is reflected in the steady growth of our operations over the years. I want to talk about the various contracts that the company has bagged in the due course.

Going forward as well, Antony Waste intends to achieve high level of regularity in waste management and create a strong sustainable model. The company is also evaluating strategies to derisk the business by adding more than non-municipal revenue streams. For achieving this, the company has created a strong team to explore the ancillary waste management businesses like the one which the company has bagged recently, in fact last week, mainly the processing of construction and demolition waste in Mumbai City.

This is a new business segment that we have added in our portfolio. We are happy to let you all know about the details of the significant order which includes collection, transportation, processing and disposal of construction and demolition waste in Mumbai City of 600 tons per day. This 20-year construction contract with BMC is worth INR 1,024 crores, that's little over INR 1,000 crores over the 20-year of commissioning period.

The sustainable material recovery approach is planned to be used here which identify specific C&D materials as commodities that can be reused in new construction projects. This is our first order in this category and that's why it's a big breakthrough for us. Having said this, such repeat or multiple orders are testimony to the confidence our clients have in us. We have a head start because we are an integrated solid waste management company and building a strong track record for the future. Our endeavor to implement a circular economy-based process will continue with our emphasis on increasing our sales of RDF, compost, concrete, sand & aggregates and so on and so forth.

Talking a bit more about the circular economy and creating sustainable living conditions for the citizens in the cities that we operate. We started a recycling business in Varanasi from the waste collected there since last one quarter. In this third quarter of the year, the recycling activity has been going well and the company has effectively recycled about 100 tons at its Varanasi site, preventing this waste from ending up in a local land fields. This is over and above our scope defined by the Nagar Nigam and we are very pleased with the rate at which the project is progressing. We intend to do similar projects in all cities where the company has C&T operations.

In addition, keeping with our cluster-focused business approach, the company bagged a seven-year mechanical power sweeping contract from the Pimpri Chinchwad Municipal Corporation. It's a city where we already have an ongoing waste-to-energy and the collection and transportation contract. So this power sweeping contract, calls for the supply of four power sweeping machines and the daily maintenance of about 160 kilometers of road length.

During the quarter, the bio-mining activities, our consumer integrated waste processing site have progressed very well. Due to the high calorific value of our RDF, demands have been strong, resulting in record RDF sales of over 15,000 tons during the quarter. This trend is looking up based on the response we're getting from our clients.

And to more of the financial aspect, I will ask N. G. to take over from here. N. G., go ahead.

N. G. Subramanian:

Thanks, Mahendra. Let me share the highlight of financial performance. For the third quarter of the financial year ending March 2023, the performance on a consolidated basis, the operating revenue front, the revenue has increased by 6% to INR 158 crores as against INR 148 crores in the same period last year. For the nine-month period, the operating revenue stands at INR 474 crores up 12% on a Y-o-Y basis as against INR 422 crores for the same period last year. Increased volumes in both processing and C&T services as well as price escalation has helped drive this part of the increase in core revenue. And as mentioned earlier, our Nashik C&T project has contributed only for one month of the last quarter.

On the consolidated EBITDA front, the company has registered a de-growth of 5% to INR 24 crores in Q3 FY '23 compared to INR 36 crores in Q3 FY '22 with an EBITDA margin being 15.4%. As mentioned at the beginning of the call, if I were to look at adjusted core EBITDA which is excluding Ind AS and initial provisioning, the consolidated EBITDA would stand at 24.8% and compares against 26.3% for the same period last year. In absolute terms, the adjusted core EBITDA would have been INR 44 crores as compared to INR 42 crores in Q3 '22.

For the nine-month period ending December '22, the consolidated EBITDA as of 7% to INR 129 crores compared to INR 120 crores for the same period last year. The profit before taxes for the quarter stood at INR 19 crores as against INR 23 crores same period last year, and for nine months, it was INR 84 crores versus INR 79 crores for the same period last year. Profit after taxes at INR 16 crores versus INR 19 crores and for the nine-month period, its INR 72 crores versus INR 65 crores.

On the balance sheet side, our net-debt to equity as of 31, December '22 was maintained at 0.4x. The total debt as of 31, December '22 stood at INR 342 crores and net debt is at INR 254 crores. The average consolidated borrowing costs for the company for the period ending December '22 stands at 9.7%. Our receivable days as of December 31, stands at 61 days which if adjusted for the ECL provisioning would still be around 66 days, still better on a sequential basis.

That's from our end. Now we can open the floor for Q&A.

Moderator:

The first question is from the line of Faisal Hawa from H G Hawa & Company.

Faisal Hawa:

So sir, am I to understand that this INR 13 crores to INR 14 crores other expenses increase is due to provisioning that we have put for debtors, which may default in future? So is that the right way to understand? Or is it that we have already lost the money and it will not be coming? So that's one.

Second, sir, in this construction or processing contract that we –have bagged do you see a possibility of also processing the materials that we collect as waste and making some end-products out of it, and if yes, what is the revenue potential for those end-products?

Third is what the Union Finance Minister Nirmala Sitharaman also mentioned in a press conference that a lot of probably AQI because of the waste and the methane gas being released from the dumping yard. So this may become a very big issue in the future. How is the company addressing it so that before it becomes a large press issue, we are able to process this methane gas and also the waste on a war footing way before something untoward God forbid happen?

And fourth is sir, where do we stand on the vehicle scrappage policy? Is there something in the budget for us and are we going to now go forward with it?

N. G. Subramanian:

Thank you, Mr. Hawa. Let me take the first part and then Mahendra can step in for the balance three points. Given the nature of our work which though essential in nature, there is always a time delay in realizing the funds from few of our clients. The company has, after a detailed internal due diligence initiated a process of creating a receivable reserve which is in the nature of expected credit-loss and they are providing a probable delay in receivable. So what we are saying is this INR 14.2 crores is not a write off, it's just a conservative approach of provisioning this money.

Now, the reason that has led to us arriving this number is primarily due to factors like delay in getting work orders, delay in getting approvals for work order, delays in getting inter-departmental approvals for bill processing and release of funds from pre-agreed central channels. So these are the factors which is beyond the company's control stucked in bureaucratic timelines.

So the company have actually gone ahead and kind of factored this, that's a time delay of releasing the funds, so let us make a provision. These are not write-offs. Let me repeat that. These are basically, I was expecting funds to be released in a particular time zone, this is now getting stretched out so that is why I'm making a provision. These are not write-offs and we expect to realize this in the forthcoming time.

Mahendra Ananthula: On the other points, Mr. Hawa, you asked about the C&D contracts. So the revenue that we talked about INR 1,000-odd crores is only from the tipping fee that we are supposed to get from the client. The revenue from the sale, of course, to answer your question directly, I mean, yes. The project is about collection and transportation of C&D waste plus processing into salable product like sand & aggregates, paver blocks, concrete and so on. So the INR 1,000-odd crores is only from the tipping fees. The revenue from the processing of this thing is something that is going to be an upside, okay?

Faisal Hawa: No, but what will be the revenue that we're expecting in processing this waste?

Mahendra Ananthula: So we have done a decent study I mean of this segment. What we have figured out is that this is a new segment that we are trying to create. As of now, we feel in the coming years, in the next one or two years, the revenue from this should be about add to another maybe 10%-odd, although going forward, the future is very bright. So in the next couple of years, you can expect about 10% additional revenue from this in product sales.

Faisal Hawa: 10% of the total turnover of Antony?

Mahendra Ananthula: No. So for example, let's say, in a particular year, our revenue from tipping fees is INR 100 crores, so we can get maybe another INR 10 crores from sale of finished products, processed products.

Faisal Hawa: So but that INR 10 crores would be very margin accretive.

Mahendra Ananthula: So it is marginal. That's what we are saying it's marginal for the time being, but the demand is picking up and going forward, we expect it to go up. I mean, today, we cannot give you a number in terms of how it will be, how much will it be in the next five years, but in the next one or two years, we expect to be definitely more than 10%. Additional 10% from what we have reported. And so our feasibility of the project when we bid also is only on the basis of revenue from processing fee. So that's purely an upside, okay?

So on your question of vehicle scrapping business, I mean that's a very interesting question. I mean this is something which is a subject, which is very close to our heart. We have made decent progress and by the end of this financial year, definitely we should be in a very, very advanced stage of announcing to the market about our first vehicle scrapping facility, the revenue from which we expect to accrue from FY '25 onwards.

Faisal Hawa: So you will announce in the next financial year and...

- Mahendra Ananthula:** So let's say by, and let's say in a year from now that is maybe January, February '24, we'll be announcing our plan and then we'll be implementing it followed by yes, followed by revenue accrual from maybe March, maybe June or July of FY of '24.
- Faisal Hawa:** And about my question, the waste and the methane gas really affecting the AQI of the city. So my pointed question is that if God forbid, any untoward incident happens, then we get blamed for. It could put the entire business at risk. So are we taking any war footing steps to really address this before any kind of such coverage or negative feedback comes in?
- N. G. Subramanian:** So Mr. Hawa in the landfill that we operate which is basically the Kanjur facility, we have a mechanism wherein we extract the methane and we generate power out of it. So the build-up of methane and that leading to the events that we have seen in Deonar is not a possibility at our site, but problem lies with other landfills which are not treated, they have actually dumping grounds. So what you are saying is very true but not in the site that's controlled and operated by Antony Waste Group, this is not an issue because we are tapping the methane, we are extracting and we are generating for one of the same.
- Moderator:** The next question is from the line of Neerav Dalal from Maybank IBG Research.
- Neerav Dalal:** So this is regarding the C&D waste contract from Mumbai City for 600 tons per day. Just wanted to understand how will be the revenue trajectory of this. We're talking about INR 1,146 crores over 20 years, so would it be equal or I believe this will be based on the tonnage that we pick up every day, so some information in terms of how the revenue recognition here will happen?
- And a related question would be, what would be the capex requirements for this contract? And going ahead as we look at processing of this waste, so what are the capex requirements here? Where will it be done and things on that lines.
- Mahendra Ananthula:** So thanks for your question. As far as the C&D, the investment is for this project, the capex requirement for this project is about INR 60 odd crores which is what we'll be doing for both the components, C&D modules as well as the processing plant. Both of that we'll be implementing in the year 1 itself.
- And as far as the revenue is concerned, as I stated earlier that the primary revenue stream for us is the tipping fees. So 600 tons per day times with tipping rate is what will be the revenue. And as per the contract, we are entitled for an annual escalation. So that will further add. So two things will increase the future revenue. One is the organic growth of the tonnage of the quantity, the tonnage and the escalated tipping fees.
- Neerav Dalal:** Yes. So just sticking to this 600 tons would be the optimum waste that we would be carrying, right? So it will be gradual over the period?
- Mahendra Ananthula:** So 600 TPD is actually the client's estimate as per the tender and even the small dictatory that we did at the time of bidding. I mean, we have no reason to believe that it will be significantly higher or lower than 600 TPD. So for the time being, we can continue with the 600 TBD as a number to assume our future revenue projection for year one.

- Neerav Dalal:** Correct. And the revenues would start in from next year? How should one look at from the April, June quarter or how should one look at this?
- N. G. Subramanian:** So Neerav, we have a mobilization period of 12 months, one, and second is the construction debris activity normally is seasonal in nature, so during those months of monsoon, the C&D activity drops and then it picks up during the festival season and the dry season. So this 600 TPD is an approximate number over a period of time, one for the financial year, for example, 12 months period. And secondly, the tender also allows us to plan for a 20% to 25% excess to be managed. So the facility would be in place to process 600 tons per day plus 25%, but the daily tonnage will swing depending upon the market conditions and the seasonal factors.
- Neerav Dalal:** And just very quickly on staying on this. So the builders or the sites, so you would be contacting them or how will this work happen because there will be multiple sites across?
- N. G. Subramanian:** So normally what happens in this section is each local ward officer, so when a building is getting redeveloped or anything, they need to get the local ward office approval, then, that's how the process of flow of information will happen where in a particular ward, the ward officer in-charge of redevelopment gets, the builder gets in touch with such people and they kind of make an estimate of the total tonnages they like to pick up, and they make the builders get in touch with us, and we are supposed to pick up the waste, weigh it as a weighbridge and give a certificate that this is a tonnage that's been shipped from that particular site. So that's how he clears his dues, he clears his responsibility. So any what do you say, any excess or deficiency, he needs to be answered to the corporation based on the estimates.
- Neerav Dalal:** And just generally in terms of the contracting, how is the visibility that you have? What are the number of contracts that you have paid for? And in the C&D what more are you looking at? Are there other regions where such similar contracts are coming out?
- Mahendra Ananthula:** I mean there are few projects in the pipeline. I mean, they are still in the drawing board stage but most of the metropolitan cities are the first one to be off the block. I mean they are contemplating tenders.
- Neerav Dalal:** So that's on the C&D but generally, in terms in terms of our C&T business waste...
- Mahendra Ananthula:** For the C&T business, I mean, notably, I would point out two specific tenders, some of our tenders are coming to an end, so those definitely are going to come up. So those are the ones which are our first priority in terms of focus areas. But then, apart from that, there are few more cities, especially in the South zone that we are trying to target. Today, we cannot talk about specific cities, but I mean broadly, I can say something in the South zone is looking promising.
- Moderator:** The next question is from the line of Dixit Doshi from Whitestone Financial Advisors.
- Dixit Doshi:** Sir, I have a question on our Slide number 22 of the presentation. Just wanted to understand about the accounting. So if I go on to Slide 22, their the current quarter EBITDA you have mentioned is around INR 34.3 crores. If I add back the provisions which we have done is INR 14 crores so the EBITDA could be INR 48 crores and our core EBITDA is INR 30 crores. So is my understanding right that the project business has the EBITDA of INR 18.6 crores?

- N. G. Subramanian:** So no. The Ind AS accounting part, the contract and other also includes revenue from power sweeping and sale of RDF and scrap over there. So this would not be the right way of looking at it, because there is a decent amount of money sticking there. So I would say, all the contract and others of INR 64.6 crores of revenue line around INR 48 crores would be my contract revenue purely, the balance being my sale of RDF sale of compost and sale of scrap and revenue from my power sweeping contracts.
- Dixit Doshi:** And similarly for the nine months, how much it would be out of INR 192 crores?
- N. G. Subramanian:** I would say that would be around INR 168 crores would be my contract revenue.
- Neerav Dalal:** INR 168 crores. So for nine months, there would be an EBITDA of around INR 30 crores from the project.
- N. G. Subramanian:** Yes. For nine months, yes, because the EBITDA margins in the project revenue is basically a book entry that we have, we just calculate it as the project IRR of around 10.2%. So it's a just the number that we plug in based on the capex that we have done Pimpri Chinchwad and the Kanjur projects.
- Dixit Doshi:** So just to understand, so let's say, once this project starts, from next year onwards, the project revenue will not be there, so this INR 30 crores EBITDA will no longer be there from next year?
- N. G. Subramanian:** Right. So what happens is that from the contract section, the revenue goes out, the project expenses also goes off, one. Second is, then you'll see the revenue from core operations starting and that will add to my MSW processing line item. So what you see at INR 129.7 crores, that will increase by the processing component which is going to come from both sites.
- Dixit Doshi:** So I think four new projects are going to give us the revenue from let's say, this quarter or next year. So one is PCMC, the Pimpri Chinchwad. The second is Nashik which already has started. Then something is going to come from NDMC and Kanjurmarg as well?
- N. G. Subramanian:** So the first three points are right, we have incremental revenue coming from Nashik, incremental revenue PCMC waste-to-energy in the next year and the NDMC contract would be ramped up completely, which is actually ramped up from February 15 onwards, so we should be having that completely in our plate. The Kanjur facility would be part of my enhanced processing of fresh waste. So it's an ongoing project that's not only incremental revenue significant from my tipping fee section, but that will be implemented sale of RDF and compost. But having said that these sale of by products, they don't enjoy the same margins that I have in my processing site.
- Dixit Doshi:** So, let's say, once all these project starts, the annual revenue potential from PCMC, Nashik and NDMC?
- N. G. Subramanian:** We normally don't comment about site-specific numbers, but it will be fair to assume that the annualized number on a steady state of affairs based on budgetary allocation from the corporation, you will be looking around INR 82 crores and INR 95 crores annualized contribution comfortably, I mean, I'm not even including NDMC's I get 100% steam, so once NDMC starts itself will contribute around INR 95 crores of revenue. So we should see in at

around INR 130 crores, INR 140 crores of revenue in that site. And these are conservative numbers only.

Dixit Doshi: So just to conclude, so Nashik has already started, PCMC said from Q1 FY '24, and NDMC from when?

N. G. Subramanian: NDMC should start from February, we already scaled up our entire site, we have pending confirmation from the client to confirm the same. So once that is done, we will have 100% sign-off on that part. And your Kanjurmarg will have incremental revenue from sale of RDF and compost. Again, these are all seasonal element, so that will come in, as and when it comes.

Dixit Doshi: Now, one more question. On this PCMC project, Pune project, so I was just going through over the past con-call, so just to understand the capex for this Pune project is INR 250 crores, of which, approx INR 50 crores, we will be getting the grant and INR 110 crores we will be speaking debt, and let's say INR 40 crores, INR 50 crores would be through internal accruals. And it was mentioned that this can generate INR 65 crores of peak revenue top-line, and if I assume, let's say, 40% EBITDA margin also, then it's around INR 25 crores EBITDA, with around INR 10 crores of amortization and INR 10 crores of interest, then we will be hardly earning like INR 4 crores, INR 5 crores. So the RoE will be in the single-digit in this project. Is it a fair understanding?

N. G. Subramanian: Mr. Doshi, there are two assumptions that can improve on the current. The numbers that you are saying is based on very conservative system. Antony has never executed a waste-to-energy project in its lifetime. So we have been very conservative and trying to be sales so that we at least cover our base numbers and cost, one. Second is the PLF that we assumed when we are arriving at the revenue line, these are all 75% PLF. Going by the track-record that we have seen in similar plants set up by Hitachi, it can be as high as 85% and can even touch 95% during the parts of the project life.

Third more importantly, there is also tipping fee component which is linked to the escalation. So over the last two years, we have seen a significant spike in the cost of fuel and labor cost. So that will also add to our top line a bit. So these are the three positive factors which can improve the return dynamics. But yes, the point is, why did we bid so competitively is something that we wanted to work with the client who is strong, who pays you on time. The revenue is range but my exposure to the state electricity boards are zero, my clients pays me, which is Pimpri Chinchwad Municipal Corporation pays my revenue. So these were the conditions that we took in forward that capex is something which we didn't negotiate and compromise on. So we went with Hitachi Zosen and Isgec. So we are paying top dollar for the capex. So the returns that you're seeing is for not taking any risk here.

Going forward this will improve when we are able to indigenize certain parts of the construction and we are able to understand the dynamics of running a waste to energy plant. Today, we don't want to compromise on quality and on serviceability and we don't want to take chances here. So these are the numbers, that is what we have on the drawing book today but we will revisit this once the plan starts.

- Dixit Doshi:** And just last one question. After this provision, how much would be currently more than one-year-old receivable?
- N. G. Subramanian:** I think currently more than one-year-old receivables would be less than around INR 40 odd crores, but these are all due as and when the project closure happens. So the tendering terms clearly state that the retention money which is retained by the client and released at the end of the project line. So those would be more than one year, which is the case with most of our contracts in this scenario.
- Dixit Doshi:** Let's say, out of INR 40 crores if we exclude the retention money, then the disputed amount or the delayed payment...
- N. G. Subramanian:** That is at INR 8 crores.
- Moderator:** The next question is from the line of Manav Vijay from Deep Financial Consultants.
- Manav Vijay:** Sir, first of all, on the provision that we have made of around INR 14 crores or so, if you can tell us in our history so far how much amount we have written-off?
- N. G. Subramanian:** So we have not written-off any money historically, these are the dues which is delayed for us because there are changes in the administrator. So in most of the corporations, let it be the BMC, Nagpur, Pimpri Chinchwad or even Navi Mumbai, Thane for example, Delhi, we don't have standing committees at these places, which can pass the budgetary approvals, which can vote on these norms. So there is a delay because the very structure of organization is not that. So unless and until the standing committee is elected and they are able to vote and pass the budgetary expense, these things are getting delayed, and that is the reason why we have taken a provision.
- So we are not taking any write-off, these are getting delayed for factors which neither the people in control of the corporation will be able to do it nor is the company able to swing it because the people who are supposed to approve these documents are not in place.
- Manav Vijay:** And going forward, should we factor in any more provisions or this is or should we consider this INR 14 crores as one-off?
- N. G. Subramanian:** So this was discussed in our Board multiple times to have a methodology to approach this expected credit loss, as we call it. I mean, in the past we were very client-specific, very project-specific but that's not the right way. When you're looking at multiple clients, we have around 19 municipal corporation that will work.
- So we need to adopt a methodology. So we are looking at an actuarial study to be done in this aspect, especially in the absence of the probability of default risk of municipalities in this area. We are not able to come out with a tier plan, but we are reaching out to experts who can quantify this, maybe 1% or 0.5% of the revenue should be set aside, that is something that we're talking about. But how to arrive at that ratio is something that we're looking at experts to provide that data to us.

So what we understand today, is based on our reading, these delay, it's a one-time thing. Never in the history of BMC for over the last 180 years of its existence has the budget's been passed by the administrator alone. So this has only twice in its history that happened. I mean similarly these kind of events, we don't expect to repeat frequently. So we believe this could be a one-off thing, but we will keep revisiting this whether we need to rationalize this, where we need to quantify this, where we need to have a steady to prove this and have a methodology to support us.

Manav Vijay: Now, sir, moving to the next question of basically, this new project that we have got of C&D, so now the processing of this waste will be happening at the Kanjurmarg or BMC is going to give you another piece of land for this?

Mahendra Ananthula: No, this is not under Kanjurmarg, this is going to be a different site.

N. G. Subramanian: This is entirely in the Western zone. So we will be locating as sales in the Western zone, the western suburb area where the processing will be taken care of. It will be away from the residential zones.

Manav Vijay: And when basically BMC released this contracts, so was it only one single contract of 600 TPD or there were actually multiple contracts and Antony got only one contract?

N. G. Subramanian: There were two packages. One was for the Western suburbs, the other one was for Eastern suburbs. We bid for both. We won the western suburbs. So there were two packages.

Manav Vijay: Possible to share the name of the company got Eastern zone project.

Mahendra Ananthula: Metro Waste. It's a Delhi-based company called Metro Waste.

Manav Vijay: My next question is, sir, on the NDMC project that we had won last year. So now you just mentioned that from the month of February, I would say from this month only, the full ramp-up will happen, and it was close to INR 1,000 crores project for a 10-year. So from quarter 1 onwards or let's say for FY '24, we should build a revenue of around INR 95 - 100 crores?

N. G. Subramanian: Yes. That will be a safe assumption because part of the capex was supposed to be procured by the corporation and handed over to us. So there was a time delay was at that part and those entire asset that was given. We have also built our required asset base. So we already communicated to the client that these are in place so please allow us to grant the COD. So we believe we should be in a position to ramp-up the entire facility officially from the month of February onwards.

Manav Vijay: My last question to you, sir. So every concall we talk about almost at 20% to 25% sales growth every year, so the variation in the quarter can certainly happen. Now this year, in nine-month, we are running very low in terms of the sales growth. I think we have some 5%, 6% growth is what we have been able to do, ex of the contract revenue. Now you believe that quarter 4, you will be in a position to catch up or you will fall short?

N. G. Subramanian: So we never told that we'll be growing at 25% year-on-year every year. We told about 25% CAGR growth, because the nature of business that we have, the growth is lumpy. And for the

nine-month period, I mean, we are already reporting a core revenue growth of 12%, it's not 8% or less than, one. And second is, over the last three quarters, the company has been bagging contract, let it be the power sweeping contract in Pimpri Chinchwad or the Nagpur and all the C&D contracts. So the company has been bagging contracts.

Now, the nature of business is it takes us almost six to nine months or even a year to mobilize the asset and start reporting the revenue. So the time of bagging a contract or signing an LOA and the revenue recognition is a time part of it. So we are still confident of reporting it CAGR growth of 25% over three to four years. It is not going to happen 25% year-on-year, it will be lumpy growth, it will be staggered with more of a step-up growth, it's not a linear growth for us.

Mahendra Ananthula: I think you should probably look at the way the EPC companies or the construction companies I mean, worked at. I mean, they are dependent on these government tenders, and there are many years when there are hardly any tenders and then comes a time when the market is full of tenders. So the EPC companies win lot of contracts and which has a cascading effect on the future revenue in few years down the line when they start including those contracts. So we are in a similar business, I mean, dependent on the government for the tender. Because of the multiple reasons which you are probably aware of, I mean projects often get delayed, but sooner or later they happen and that's how our growth is never a smooth curve.

Moderator: The next question is from the line of Richard D'souza from SBI Mutual Fund.

Richard D'souza: So just a couple of questions from my side. One is, you were talking of this provisions of about INR 14 crores. So, just a book-keeping question, what was the exact provision for the third quarter? Because you're mentioning it both for INR 14 crores for the quarter and the nine months?

N. G. Subramanian: The entire amount of INR 14.2 crores is for Q3, Richard. It's not over Q1 and Q2 and Q3, it's only about Q3.

Richard D'souza: It's only for Q3. Because your statement in the presentation was saying it was for Q3 and for nine months so I thought this booking was for nine months kind of a thing. Yes. And even if you strip that down and calculate your core operating margin, your core operating margin seem to be under pressure. Now, why is that the case? While your revenues have been growing at a handsome clip, but your margin seem to be under pressure.

N. G. Subramanian: Two factors that has led to that, Richard. There is a margin fall year-on-year basis on core operating section by around 160 odd bps. The two factors being the higher transportation costs associated with shipment of RDF from our Kanjur site and second is we have written-off all our start-up expenses and at the Nashik project.

Since the Nashik project started in the last month of the third quarter instead of capitalizing and trying to make it a deferred revenue expenditure, we wrote it off completely. And most of the cement companies are almost 400 kilometers to 800 kilometers away from the Kanjur side, so the initial part of the RDF sale, the transportation has the highest chunk of the cost and it's been neutral to a negative EBITDA business in the past, but that is improved now.

- Mahendra Ananthula:** Also, Richard, especially for the RDF segment, we are in the growth phase. We are actually trying to make sure the cement companies actually get used to our RDF and switch over from conventional coal to RDF on a sustainable basis. So this has been, especially this year has been the phase for being the next year. We'll have to spend lot of time and energy and patience on acquiring customers.
- Richard D'souza:** Yes. But just to play the devil's advocate, that mean RDF has an alternative fuel for cement companies, it seems to be quite profitable for them because the energy costs had gone up quite a bit. But what you're saying is that they're not willing to pay the increased transportation cost of anything like that though it is beneficial for them?
- Mahendra Ananthula:** I mean that's true. The cost of coal definitely has gone up and so on but what it so happened that the cement companies are very, very tough guy to negotiate with. And so while they are negotiating with us, they are negotiating hard, okay? So they are not easy to give us a high rate just because the coal prices have gone up. So it's a never-ending battle. But the good thing is that as compared to last year, our realization, net realization per ton of RDF have gone up significantly. So that's a positive sign.
- N. G. Subramanian:** Yes. And to add to that, Richard, historically, what has happened is the cement companies were receiving RDF which was more like a wet mixed garbage which has not gone well with most of the cement companies, so they are very skeptical about the quality and the sustainability of the supply of RDF. So that has been one of their main concerns in the past which we over the last two quarters, three quarters have been able to address them by consistently supplying them well settled and relatively less damped RDF which is what has been a positive for us. So as Mahendra was saying from a significant negative zone, we are now not only in the neutral but in a positive zone when it comes to pricing for the company.
- Mahendra Ananthula:** Yes. So and also to add, so one of the things that we are now talking to cement companies about is to benchmark the calorific value of RDF vis-a-vis the coal. We are trying to find our product on thermal equivalent basis. So that's the strategy that we want to adapt and adopt it going forward.
- Richard D'souza:** So just to break this 160 bps further, I mean what would you attribute it to this increased transportation cost and what would be the write-off of startup expense?
- Mahendra Ananthula:** So I would say, the bulk of this impact would be my transportation costs because I actually would be around more than 150 bps would be right from transportation. The startup cost of Nashik is not as significant as the transportation cost. The third quarter we saw a record shipment of RDF which we couldn't budget in our plan. So we couldn't have tie-ups with appropriate logistics head to 15,000 tons, so that we could benefit from the pricing.
- Richard D'souza:** And one last question from me. There have been talks basically of some large contracts being coming up somewhere in Delhi region, in Ghazipur and other places where there were methane emissions and all that, and the existing contract was, I mean it had ended. So any news on those particular contract or are they out for bidding because with the Delhi elections, municipality elections being over, are they again out for bids or there is still some time...

- Mahendra Ananthula:** So not yet because if you, you probably are aware that MCD had a change in terms of -- earlier there were three different corporation. The unification of the three different corporations to one common MCD is something which happened middle of this year, six months ago or so and then came the sudden reservations in which there is a significant change of guard. So the project is still in the drawing board stage and they have not yet come up with, we are following the project closely. As and when it comes up, we will be one of the serious business.
- Moderator:** The next question is from the line of Ravi Lodhka from Agarwal Investments.
- Ravi Lodhka:** Sir, I wanted to know last quarter nearly 10,000 RDF and this quarter nearly 15,000 tons of RDF is there. So what will be the future capacity each year company want to ensure?
- Mahendra Ananthula:** Yes. So for us production of RDF is not the problem because we definitely can generate and or produce as much RDF as possible as the demand and this thing. So what I mean is that supply is not the constraint. But we are very optimistic that in the next financial year, we will at least double the sales of RDF quantity.
- Ravi Lodhka:** Sir, in the last concall, that is of quarter 2, you mentioned that CWIP is due to the Nashik project equipment purchased, it is not giving to the transfer to the corporations, right? So it needs to be included in assets. So is my understanding correct?
- N. G. Subramanian:** Sorry, which project are we talking about?
- Ravi Lodhka:** Nashik project, sir.
- N. G. Subramanian:** Nashik, the asset belongs to the company, we don't have to transfer it to the client here. So this assets completely belong to the company's book, they will be sitting in your plant and machinery system.
- Ravi Lodhka:** So sir, earlier you told this is actually included in CWIP, so it is to be converted into assets and machinery?
- N. G. Subramanian:** Yes. This will be converted into assets in the books of accounts. So because we started putting them to use from December so the balance sheet as of 31st of December onwards, the CWIP will strip into plant and machinery.
- Ravi Lodhka:** And sir one last question. If you can give EBITDA margin of each segment in presentation, then it will be quite useful for us?
- N. G. Subramanian:** I appreciate that. Mr. Lodhka, but this is slightly commercial importance for us and it's something that we hold on to it, so we will not be able to disclose segment-wise EBITDA margins.
- Moderator:** Mr. Lodhka. May we request that you return to the question queue for follow-up questions. We'll take the next question from the line of Bhagwat from Prosperity Wealth Management.
- Bhagwat:** My question is regarding the income tax demand order received in this quarter. What is the amount of total demand as per the order and company's estimate of this impact?

- N. G. Subramanian:** Yes. So we got an assessment order done for the FY 2021 where the total dues payable by the company was around INR 12.6 lakhs. The same has been paid and their duress and the same has been disputed, and we will be contesting the same the CIT appeals. So the total amount demanded and paid is INR 12.68 lakhs for the year. We have not yet received any other assessment orders over any other previous years from the income tax department till now.
- Bhagwat:** So sir, demand is INR 12.6 lakh you are talking about, sir?
- N. G. Subramanian:** Yes.
- Moderator:** The next question is from the line of Ketan Chheda, retail investor.
- Ketan Chheda:** From the business updates that you share normally on a quarterly basis, we see that from the past five to six quarters, there is no increase in the volumes of C&T as well as the MSW processing from the existing projects. Could you throw some light on why is there no increase in these numbers?
- N. G. Subramanian:** So what has happened is over the last couple of quarters the incremental business has been coming from sites like Varanasi and Jhansi, which are on door-to-door unit counts, so the tonnage doesn't get reflected in the numbers. So despite the fact that you'll see the core operating revenue from C&T operations increasing, the tonnages doesn't go because we are built not on tonnages on all our sites only on few site. So the data which is auditable and that can be shared, it's only those sites where our billing is on a tonnage basis. So that is one of the reason why you will see that the total tonnage information is almost flat trajectory despite the operating revenue from C&T increasing. So we see, another is a contract specifically tells us that bill me on a tonnage basis, I will be able to add that to my reporting number.
- Ketan Chheda:** The other question is on the EBITDA margin front, I know. I mean, there is a trend of the margins going to the past three years, so what is the expectation going forward? Do we look forward to increasing EBITDA margins in the future?
- N. G. Subramanian:** So Ketan over the last three years, the proportion of revenue from contract which has a lower-margin business has been increasing significantly, so that is one of the key drag on my reported EBITDA margin. So as and when the construction phase of my Pimpri Chinchwad waste-to-energy gets completed, only after that will I be able to see an upward swing on my margins happening because of the absence of this contract revenue, the same being reflected by increases action core processing revenues. So that can be my tipping point which would be in FY '24 onwards.
- Ketan Chheda:** And another question I had is, to one of the previous participant's questions on the new projects adding revenues, you mentioned about INR 100 crores to 120 crores will be added, did I get that number right?
- N. G. Subramanian:** Yes. That is right. Over an annualized number. Now, they will not come from Q3 or Q4, they will be an annualized number which can come either from Q1 and onwards or from Q2 onwards, because Pimpri Chinchwad for example, though we are commissioning end of Q1, it will not run at 70% or 80% PLF, we want to start it around a 40% PLF. So it's a ramp-up period. So,

we'll not see the entire 100% of revenue recognition in the very first quarter from that particular site, for example. But on a steady state after everything becomes normal, INR 160 crores of annualized revenue is what we can expect from these four contracts that we have bagged.

Moderator: Mr. Chheda. May we request that you return to the question queue for follow-up questions. We'll take the next question from the line of Harshil Patel, retail investor.

Harshil Patel: Yes. So I wanted to understand that why we are not presenting segment results because from each of the business we are getting different margins, right? And as per the Indian Accounting Standard, we have to assess the segment from the perspective of Ind AS 108. So first question is on that, why we are not presenting segment-wise results? First thing.

Second thing, why we have not disclosed the amount of income tax demand, the amount of income tax demand into the results? That is second question.

Third question is on the expected credit loss on disputed receivables because we have few disputed receivables, we are not making any adjustments towards the time value of money as per Ind AS 109. So these are various few places which I would like the management to give some update on appropriate in a accounting recognition and measurement is a principle when they are publishing results. Thank you.

N. G. Subramanian: Yes. So going to your first question, we don't provide segmental information details for two things, one is the accounting standards clearly define Municipal Solid Waste in a single section, so we don't have to provide any further breakup of the work that we do. More importantly, this is also a very significantly competitive industry where in if I were to give the collection, transportation and the waste processing business section margins openly them my ability to bid for new contracts and everything will be very much challenged and it is a public domain area which is something that we would like to be going against, so that is something that we are looking forward very acutely.

On the income tax question, sir, we have just reported the numbers that has been informed to us by the income tax authority. They have never claimed nor such orders nor any assessment order saying that this is the expenses that is being doubted or asked for. So as and when we get information from the authority the same will be disclosed in the numbers.

And third, on the time value of the value or the receivable which is getting stuck or we are getting hobbled because of the delay in payment, the management is of the view that we would start making an expected credit loss for now and also hire or appoint an actuarial to help us identify the best way to go in and quantify this amount and have the same disclosure in the financials. We will definitely have that thing in our book, sir.

Harshil Patel: And to add to it, when we are presenting other expenses, can we have this few line items like the power and fuel which is a major item of the other expenses, then expected credit loss or any the line item which are needed portions. When most of the companies are giving the breakup of other expenses in certain line item, so I would request management, if they keep on putting more disclosure then it is better for you as well as for the investors to understand from the face of the results itself instead of having or keep on explaining over the call.

- N. G. Subramanian:** Definitely. Point taken. We will check with our auditors and our systems, whether the same items can be disclosed, and if there is anything stops us from doing that, we'll have that same discussed, and we'll have that thing put out either as a schedule or as an annexure. We will check and get back to you on that.
- Moderator:** Mr. Patel, may we request that you return to the question queue for follow-up questions. We'll take the next question from the line of Faisal Hawa from H G Hawa & Company.
- Faisal Hawa:** Yes. So do you have any estimate on what are the carbon credit that we have accrued so far in the last three to four financial years? And what is our view on the carbon credits that is going to now accrue to us on the various projects. Do we get any part of it or it will go directly to all the municipalities? And are we renegotiating contracts from there because in future carbon credit will get very valuable.
- Mahendra Ananthula:** So surely, I mean, carbon credit definitely has come back. So in our Kanjur project, all the carbon credit revenue if at all it comes will accrue to BMC. The only projects where we have a substantial stake in the future carbon credit revenue is PCMC waste energy plant, where 90% of the revenue will come to us and 10% will go to PCMC. But that is something which will happen only after the project is commissioned. So we have already started talking to few companies to work with us on assessing this revenue.
- Faisal Hawa:** And sir, can you give a quantum as to how many tenders we are now going to bid in the next six to seven months? The value of it as and when they are bid for?
- Mahendra Ananthula:** So, I mean if I were to give a broad number, probably three to four tenders is what we plan to do. Especially, large ones, I am talking about only the large ones. I mean not the routine ones. The real big ones would be about three to four in the next three to four months. But other than that, we are also actively looking at some of the non-municipal revenue projects. The current list like Mr. Hawa mentioned about the auto risk the end-of-life vehicle scrapping facility, so that is something which is like emerging plan. So we are currently focusing on some of these non-municipal initiatives.
- Faisal Hawa:** And sir, what is the revenue that we could expect from this Bangalore, this South Bay City which you mentioned? Could it be like almost half the size of Mumbai Kanjurmarg project that we are already having?
- Mahendra Ananthula:** Sorry, are you referring to the Mangalore project?
- Faisal Hawa:** You referred that there is a South based City contract...
- Mahendra Ananthula:** Okay.
- Faisal Hawa:** That will be a very big one. So would it be commensurate to the Bombay, Kanjurmarg project or it will be much smaller?

Mahendra Ananthula: So this is actually a C&T contract. So this technically you should not compare it with the Kanjur facility which is a processing facility but yes, significantly larger. One of the larger projects that this would be one of our larger projects.

Faisal Hawa: And do you see any potential in redeveloping landfill which have been abandoned like Deonar landfill, and refurbishing the land in such a manner that it can be reused again for residential? This is also internationally a very big business. On top of it, the Mulund dumping yard being made into a racecourse, so those could be like very big contracts for us. So are we tying up with somebody internationally to develop these kind of expertise?

Mahendra Ananthula: First of all, it's a very interesting question, because this entire concept of bio-mining is, I mean I would say, the jury is still out whether it is feasible to do that on a sustainable basis in larger cities or not. Having said this, we are very careful that whichever bio-mining project or so-called redevelopment of landfill project that we've talked about, if we take up, we had to be very, very clear about the revenue model. I mean, our belief is that most of the projects, bio-mining projects are not commercially viable. So we are doing one such first project and apart from Kanjur project, we have one such projects in Greater Noida. We decided to take that up only because it was financially viable.

So even going forward, we will be taking up these bio-mining projects only if the tipping rates, tipping fee rate is viable and the revenue from sale of RDF makes business sense.

Moderator: Thank you. Ladies and gentlemen due to time constraints, we will take that as the last question. I now hand the conference over to Mr. N. G. Subramanian for closing comments. Thank you, and over to you, sir.

N. G. Subramanian: Thank you all for taking time out and attending this earnings call. We have tried to answer as much of your requirement. We remain confident that our long-term focus on our sustainable growth methodology and enhancing focus on the circular economy, transforming our business through technology and trying to use as much automation as possible will help us in meeting the changing needs of our clients and our customers and the people that we work around with. I hope we have been able to address all of your queries. For further any information that you need, please try and get in touch either with me or with our Investor Relations Advisors Pratik or Jigar at Strategic Growth Advisors. Thank you.

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.