



“Antony Waste Handling Cell Limited
Q3 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Antony Waste Handling Cell Limited Q3 earnings conference call hosted by Equirus Securities. 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 the date of this call. These statements are not the 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. Depesh Kashyap from Equirus Securities. Thank you and over to you Sir!

Depesh Kashyap: Thanks Aruna. On behalf of Equirus Securities, I welcome you all to 3Q FY2021 earnings conference call of Antony Waste Handling Cell Limited. From the management, we have with us today Mr. Jose Jacob, Chairman and Managing Director, Mr Shiju Jacob, Executive Director and Mr. N G Subramanian, Head of Accounts and Finance. I now hand over the call to Mr. Jose for his open remarks post which we can open the call for Q&A session. Over to you Sir.

Jose Jacob: Good evening everyone on the call. Along with me, I have Mr. Subramanian, Head of Finance and SGA our Investor Relations Advisors and I hope and pray that you and your families are safe and healthy and secure in this pandemic season. So we have uploaded our investor presentation on the stock exchange and the company’s website. Firstly, I would like to welcome our new shareholders and congratulate every shareholder of the company, employes, customer, business partners, investment bankers and others who have made our IPO listing successful.

We were delighted to see such a strong form of our IPO of 9.52 million equity share of face value added of Rs.5 at an issue price of Rs.350 per equity share. The breakup of these shares consisting of fresh issue of 2.5 million equity shares and Offer for sale of 6.8 million equity shares. Our shares got listed on BSE Limited and National Stock Exchange of India Limited on January 1, 2021. This is our first conference call and therefore I would like to give a brief introduction of our company business and the industry it is catering to that is municipal solid waste.

When we talk about Indian municipal solid waste as an industry, we are a leading player with an established track record of around 20 providing full spectrum of MSW services, which includes solid waste collection, transportation, processing, and disposal service across India majorly catering to municipalities. We are also among of the very few players

who have pioneered in MSW collection and transportation sector. We have inhouse expertise in landfill construction and management in a scientific manner. We are focused on the emerging areas in India like waste energy and more importantly in the area of bio-mining of legacy waste.

Now moving on to three broad business areas that is

- a) The municipal solid waste, collection, and transportation projects: So this service involves door to door collection of municipal solid waste from household, commercial establishments, and other bulk waste generator from a designated area through primary collection vehicles like compactors, dump and tipper and transportation of this material to the proper facility, and transfer station or on landfill disposal site. These contracts are given by municipal authority and only have tenure of 7 to 10 years. The municipalities invite tenders for either the whole of the city or parts of the city. Currently we have 12 such ongoing projects in the service. All the contracts that we have are typically multiyear contracts and our current outstanding duration of all bulk of the contracts is approximately 8 years. These contracts have price escalation model either as a fixed percentage or is made up variable components like either linked to the specific components like HSD in Wholesale Price Index and to the minimum wage of that particular State, and these provide adequate protection for our operating margin.
- b) Second business we have is MSW processing projects. So these projects involve sorting and segregation of multiple solid wastes within the municipality. Both the contracts C&T and MSW projects are mutually exclusive contracts. The work involves composting, recycling, shredding, and compressing of the waste into refuse derived fuel, as required. Currently, we have two large ongoing projects. Normally tenure of such processing contracts are longer, which is around 21 to 25 years. One of our processing projects is located at Kanjurmarg, Mumbai, which has a concession period till 2036 and the second one at Pimpri Chinchwad has a concession agreement till 2040.
- c) The third business is contract and other service, which involves mechanized road sweeping with the use of power sweeping machines, manpower, comprehensive maintenance, consumables, safe disposal of waste, requirements of completion of the cleaning operation of the designated area. We have four such ongoing projects with an average outstanding duration of accounts for at least seven years.

As of today, we have executed more than 25 projects of which 18 are still ongoing projects. During our journey of over two decades, we started the business with waste C&T and progressed to solid waste management working with more than 14 Municipal corporations. We have come a long way in the field of solid waste management with adoption of latest

technologies and innovations. By doing this we have shown that we are Not Just pioneers in a Solid Waste Collecting and Transportation but have also have rich experience in MSW Processing. Our Kanjurmarg project is the largest single location waste processing plant across Asia. The project tenure is of 25 years starting from 2010 till 2036. The technology that we have is that of bio-reactor with a capacity of 6,500 tonnes per day and a scientific landfill of 250 tons per days. Additionally, we also have a material recovery and composting facility with an installed capacity of 1,000 ton per day. Currently we have a gas to energy plant where the landfill gas is converted into power of 0.97 megawatt and we are planning to double this capacity soon. Currently the power generated is used for captive consumption. Currently, we handle more than 5,000 tons of waste per day in Kanjurmarg facility and this facility caters to approximately 60% of total waste generated in the City of Mumbai. This project has been designed to handle 7,500 tons per day. Since start, we have processed approx. 7.63 million tons of waste at this site. For the current fiscal year till January 2021, we have processed 1.23 million tons which compares against 1.59 million tons handled in the whole of last year.

Now I will briefly share few highlights on the Indian MSW service industry. The industry size is estimated to be Rupees 50 billion. Increasing population with higher urbanization would lead to higher per capita waste generation in India. Urbanization coupled with changing lifestyle patterns, increasing disposable incomes, have paved way for consumerism and have also contributed to higher waste generation in urban India. Over last few years along with Urbanization, we have also seen our industry leaning more towards technological changes like mechanized primary waste collection & sweeping, GPS-enabled vehicle and RFID-enabled bin tracking system etc. to bring in more efficiency and transparency. This augurs well for a technology driven MSW service player like us.

Various initiatives taken by our government like Swachh Bharat Mission, to keep India clean and focusing on hygiene has led to a multifold increase in the spending on solid waste management by various municipal corporations. This initiation has taken a new shape in this budget with an allocation of more than Rs. 1.4 lakh crores over a period of next 5 years towards Urban Swachh Bharat Mission 2.0. This is expected to drive the Indian MSW industry towards a more efficient Collection, Transportation and Processing of Solid Waste. MSW generation is expected to grow at a CAGR of ~9% from 2020 to 115 Million TPA by Fiscal 2025. The MSW Management market which is currently estimated at Rupees 5,000 crores in FY2020 and is expected to reach around Rupees 9,800 crores by FY2025 -a CAGR growth of 14.4%.

As an organization, we are constantly striving on improving Environment, Social and Governance parameters. We have a ESG policy approved by our Board that identifies focus material areas for responsible stewardship that impacts our business activities.

We see significant tailwinds and our confidence that growth momentum will continue through the coming period for all our businesses. I now hand over the conference to Mr. Subramanian, Head of Finance.

N G Subramanian:

A very good evening to all the participants. I will share the highlights of our financial performance. This is the second consecutive quarter where we have demonstrated operational flexibility in a very difficult operating environment. We are committed to holding on to the operational efficiency and cost savings as the volumes turn positive again. For Q3 FY2021, the performance on consolidated basis, the company has reported an operating revenue of Rs.118 Crores as compared to Rs.106 Crores in Q2 FY2021 reflecting a growth of 12% on a quarter-on-quarter basis lead by growth in waste collection and processing. When we talk about operating revenue, we talk about how revenue from collection and transportation and MSW processing revenues here. The total revenue, which includes contract income from construction accounting as per Ind-AS 115 and others, which include sale of compost, sale of RDF and sale of scrap has actually increased by 6% to Rs.127 Crores in Q3 FY2021 as compared to Rs.120 Crores in Q2 FY2021. EBITDA is up by 11% sequentially and is at Rs.37 Crores versus Rs.33 Crores earned in Q2 FY2021 with a margin at 28.6% versus previous quarters at 27.4%. The improvement in margin is driven by consistent and continuous efforts to control our project cost and improve overall operational efficiency. The profit before tax stood at Rs.22 Crores for Q3 FY2021 as against Rs.18 Crores in Q2 FY2021, which is up by 23% with a PBT margin at 17.1%. Consolidated profit after tax stood at Rs.19 Crores for Q3 as against Rs.18 Crores for Q2, which is up by 9% sequentially with a PAT margin at 15.3%.

Coming to business wise performance, the MSW C&T revenue is up by 12% sequentially at Rs.81 Crores. The growth is on account of increase in the volume handled, which rose by 8% in Q3 versus Q2 FY2021. The MSW processing revenue is up by 10% at Rs.36 Crores as compared to Rs.33 Crores in Q2. The improvement is reflective of the waste processing volumes.

On the balance sheet front, our net debt to equity as of December 31, 2020 is 0.5x an improvement over 0.6x levels as of March 2020. Total consolidated net debt on the books as on December 2020 stood at Rs.202.8 Crores. Cash on bank balances is approximately around Rs.40.9 Crores reflecting a net debt level of Rs.161.9 Crores. Net worth of the consolidated entity stood at approximately Rs.336 Crores. The current receivable days as of

December 31, 2020 stood at 60 days versus 64 as of March 2020 and we shall continue to try and reduce it further. That is all from my end and now am opening the floor for Q&A.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Esha Savla from Arya Securities. Please go ahead.

Esha Savla: Good evening. I have a couple of questions. My first question is can you give some idea about MSW industry and what are the parameters that shows that this industry will grow and how can you benefit from it?

Jose Jacob: I just spoke about the industry, the Swachh Bharat pan India level. In the past it was more conventionally managed with manual handling being the norm. Municipal solid waste pan India level is around Rs.5000 Crores business and we believe that in the next five years, it will go to Rs.9800 Crores and most of the municipalities are privatizing their operation because there is a pressure from Swachh Bharat Abhiyan and there is a team, which comes from the central government to evaluate their performance and they are given ranks based on that due to which they need to improve the present waste management system and that is the reason there is a lot of this pan India level coming up fortunately for us.

Esha Savla: Okay Sir and then Sir I wanted to ask you about the Swachh Bharat mission, that was started earlier so how have we got benefits from that and also now in the budget Urban Swachh Bharat Mission has been announced so how that would be helping us?

Jose Jacob: So our business the municipal solid waste business has been evolving and in the past wherever collections, transportation, or waste process, we have to bring in our capital 100%. The Swachh Bharat mission they are willing to invest anywhere from 40% and may be more in future. This is a good opportunity for companies like us because our investment for new projects will not be very high. We have seen traction here and for example, we recently won a contract where almost 100% of the Capex was provided by the government. So these initiative will definitely help our industry going forward.

Esha Savla: Okay Sir and my last question would be on the technology front that how well advanced are we and what is the scope of improvement that you are looking going ahead? Thank you.

Jose Jacob: We believe in bringing the best of ideas and technology in our business. In Kanjurmarg we brought in bioreactor technology, which is predominately used in North America. We brought in waste composting technology where the entire material recovery facility was imported from the U.S. and even the composting technology. In our system, we have tried to reduce the manual quotient to bare basic requirement when it comes to processing and as

a result of this we are able to produce high quality compost. There is a good demand for our compost and we are selling around close to 2,000 tonnes per month of the same. We are constantly looking for the best proven technology, best ideas. Our entire system is based on an ERP build around strong processes being built to help manage our operations. For the waste to energy technology, we have tied with a company for EPC who has built around 120 such plants worldwide and they are running them very well. We always evaluate and that is the reason we have done well in the last 20 years.

- Esha Savla:** Thank you Sir. That is it from my side. Good luck for Q4.
- Moderator:** Thank you. The next question is from the line of Anurag Goyal from Ampersand. Please go ahead.
- Anurag Goyal:** Good afternoon Sir. Just wanted to understand as you mentioned that currently you are working on 18 sites, so are there any pipeline for the new sites that are under bidding or contracting?
- Jose Jacob:** So for the next 12 months we are very excited because there a lot coming up in all 'A' rated municipalities and as you know because of the pressure from the central government and this evaluation for all the municipalities. And to get better, I think all the municipalities are issuing tenders and we are confident that we will getting a good share of this business. We just do not go and bid. We do proper due-diligence of the corporations. We check their finances and if the funds are there, only then we bid and we also look to our criteria of 20% return on equity and based on that we bid so that we keep the company safe and profitable.
- Anurag Goyal:** Typically what is the in terms of years, what is the duration of the contract?
- Jose Jacob:** Duration is approximately eight years, which is when we do collection and transport on municipal solid waste from house to house. For waste processing, the tenures are longer and these are typically from 21 to 25 years.
- Anurag Goyal:** So this Kanjunmarg side, we have for longer duration?
- Jose Jacob:** Yes. We have for longer.
- N G Subramanian:** Just to add on that waste possessing projects are normally at those mentioned of really long duration of 20 to 25 where the entire cities or the bulk of the cities waste gets processed at a single location. So that is why the tenure is longer. For collection and transportation, it averages from seven to ten years that is what the life of an asset is and that is how it has been the tendered out by municipalities currently.

Anurag Goyal: Another question is Sir if you see so all the municipalities normally who give this contract they already have contract either to you or someone else right, so since the period of the contract is seven to eight years minimum so normally what is the period in which this contract comes for renewal like every year 10 proposals or across India or 15 or 20 kind of renewals or the bidding comes in this thing?

Jose Jacob: Currently, approximately 75% of municipal solid waste in India is not scientifically processed. It is just openly dumped. All this has to be done scientifically and therefore the existing tenders which are going on with a life of 7-8 do not worry us as we need not wait for somebody to renew. There is a huge opportunity in the waste processing side and as far as collection and transportation many municipalities where collecting and transportation is done in being managed in a very conventional way. Like they still use garbage dumpers with manual labors and all that, so they are also in process of privatization and modernization their existing system. So, there is an opportunity. Recently we won two contracts about seven to eight months back where the municipality had never privatized this activity. They had small operators, but they went for a modern system. So there is a lot of modernization happening in waste C&T and processing area.

Anurag Goyal: Got it and normally any contract that you got it what is the pay way period and how much amount that you will need to invest to execute that project?

N G Subramanian: So it depends upon each and every project. The tender would specify the kind of work, so it would be very difficult to kind of give a thumb rule to that extent. For example, if a collection and transportation can be purely primary collection than transportation to the disposal site or it could be a door-to-door collection to a disposal site. The tender can also include road sweeping as part of the tendering. So normally what we have seen for collection transportation is the gross fixed asset turn of around 1x to 1.25x. These projects are of seven to ten years. After the initial capex round, we do not need to invest incremental Capex unless and until that tonnage increases by 25% to 30% over and above the tonnage estimated at the beginning of the contract.

Anurag Goyal: Understood and in the presentation slide number 27 you mentioned that revenue from operations are based on the current projects and you had given differently a 22, 23, and 24, but the numbers are missing?

N G Subramanian: Ours is a annuity-based model. So when you are talking about revenue these are the contracts that we already have. The increase in the revenue is from price escalation and from tonnage increase, so we are estimating that these would keep on going in an incremental phase.

- Anurag Goyal:** Irrespective of whether you get the new projects or not?
- N G Subramanian:** Yes irrespective if we are bagging new projects, this is what my trend will be.
- Anurag Goyal:** Okay it is just a presentation and not the numbers that you give?
- N G Subramanian:** Yes.
- Anurag Goyal:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Aarush Oberoi from Victor Delta Securities. Please go ahead.
- Aarush Oberoi:** Sir I have a couple of questions. So the first is that what are the different geographies that you plan to track now?
- Jose Jacob:** So definitely we are in Maharashtra, we have in presence in the North and so we have no problems going pan India level and our idea is when we win a contract we have a strategy of cluster- based businesses. So we try to win the cities nearby, which will help reduce our cost overheads and that has been our strategy. At the same time we are open to enter any new parts of the country as long as it fits in the financial criteria and where the municipalities' finances are well. The projects that we want to bid for should be financial well-funded and based on our pre-sent conditions we then bid.
- Aarush Oberoi:** So any new municipalities you are planning to work with?
- Jose Jacob:** Yes, there are a few of them in line and we are looking at that.
- Aarush Oberoi:** Okay and the second is that any new order to be started in the coming quarters that would add to our revenue?
- N G Subramanian:** Currently, we have bid for a couple of contracts. Once we bag a contract normally, there is a lead time of around six to eight months for mobilization of the assets. So even if we sign a LOA today, it will take six months for us to generate the revenue out of it, but yes we are definitely in talks with a few municipalities. They are in the tendering stage. We have already submitted a few tenders.
- Aarush Oberoi:** How confident are you to bag those orders?

N G Subramanian: A decent amount of time and effort is spent by the company when we bid for a contract. So our strike rate has normally been higher because a decent amount of planning goes in doing a micro plan studies, the road plan of that area, understanding the best judicious mix of assets that needs to be deployed. The potential increase that can be captured and then costing gets worked out and then we sit and understand the potential for looking at the efficiencies of growth in that particular geography and then accordingly we bid. So given the scientific approach that the company adopts in bidding, our strike rate has been high. We have always adopted this approach, so if we get a contract at a particular price we are definitely are sure of the margin and return on equity. If the pricing is not correct, we do not bid for such contracts.

Aarush Oberoi: Okay thank you. That was helpful.

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

Anupam Gupta: Good evening Sir. A couple of questions. The first is what is the status of the increase in state for the two subsidiaries for Kanjurmarg and PCMC?

N G Subramanian: Sorry can you repeat the question Anupam.

Anupam Gupta: The stake in the two subsidiaries was going to increase because of the conversion of the...

N G Subramanian: under the new Companies Act, the transfer of shares cannot be done in a physical form. It has to be in Demat. The stake increase is pending for certain documents to be received from our Brazilian partner to enable opening their demat account. And once these are done we will get that moving on that part.

Anupam Gupta: Okay and secondly for the PCMC Capex what is the revised time? I think there was a months delay during this time after the IPO, but what is the timeline for start of Capex and completion of Capex?

N G Subramanian: So Anupam yesterday we had our board meeting wherein the right issues was completed so we are moving in the Rs.40 Crores of the IPO proceeds from Antony Waste to AG Enviro as the equity component and that will be pushed down to the into the system. We have also informed the lenders about the same and we are working on a pro-rata loan disbursement. The Capex work in the meanwhile has already been initiated. It will go full throttle by the end of March. So we expect the timeline of commencement of activity to be around 18 plus two month. We would be completing our construction in the same time.

- Anupam Gupta:** So basically end of 2022 broadly?
- N G Subramanian:** End of 2022 and may be mid of 2023 actually because that is 18 months construction phase.
- Anupam Gupta:** Understood. That is it. Thank you.
- Moderator:** Thank you. The next question is from the line of Priyanka Singh from Atidhan Securities. Please go ahead.
- Priyanka Singh:** Good afternoon Sir. I have a couple of questions. Sir before starting I would like to thank for the very detail presentation. It is really very helpful. Coming on the question side can you share more details about your Kanjurmarg site and what is the scope to increase the business activities at this site?
- Jose Jacob:** So Kanjurmarg as I said we are presently processing around 5,000 tons and the plant capacity is around 7,500 tons. So the tonnage that is being processed will increase as years pass by as per the contract terms. We have two technologies there. One is bioreactor landfill where the waste is put in a cell and where it will decomposed and landfill gas which is generated will be tapped and generated into energy. Presently we are producing electricity of close to 1 megawatt, which is being used for captive consumption and going forward, we are looking forward to increasing this capacity. If there is excess generation of power, we can sell at a rate of Rs.3.50 paisa. We also have a Material recovery and composting facility which processes another 1,000 tons per day. From the organic fractions, we generate high quality compost and it is sold to a fertilizer companies like KRIBHCO and RCF. We have noticed a lot of demand for good quality compost and given the demand, we are planning to increase that capacity as well.
- N G Subramanian:** Just to add a bit of color on the revenue side, for every ton of waste that enters the Kanjurmarg facility, the corporation pays on a per ton basis and the revenues from sale of compost, RDF and recyclables are all incidental and adds to our bottom line.
- Priyanka Singh:** Okay got it and also can you explain how does this bidding system happen?
- N G Subramanian:** It is quality cum cost-based bidding so there is ranking and marking system followed for the bidding process. There is a technical qualification and only those bidders who have past experience of waste collection and transportation and waste processing are qualified to bid for such contracts and so there is an entry barrier. Based on that only, those operators who have such experience can bid and also nowadays a mark-based methodology is being followed. All the municipalities want good operators to take up the contract so it is not purely lowest bidder win types which get approved. Municipalities have started assigning

weights on technical parameters to give contracts to companies who are technically sound and then the projects are awarded. Most of the bids are prepared by the top four to five consultants in the country because, being long term contracts the municipality prefers tenders are awarded to good operators who have a technical proven base. First there is the expression of interest. Then there is a technical bid and then thereafter the financial bid is opened.

Priyanka Singh: Okay got it and lastly revenue from operations based on current projects will be growing for the next few years so what would be the reason behind this? Is it because of the escalation slog or something?

Jose Jacob: Partly historically over the last 20 years what we have seen is the tonnage increases in a particular geography. For example in cities like Navi Mumbai and Mumbai there is an organic growth in tonnage that we have noticed over the last couple of years and also the escalation, which kicks in. So the escalation is linked to the minimum wage in certain contracts. They are also linked to the HSD component of the fuel so those things add to the top line. So the combination of organic increase and tonnage plus escalation that kicks in.

Priyanka Singh: Got it. Thank you Sir.

Moderator: Thank you. The next question is from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: Sir you tonnage has improved sequentially, but can you give a guidance like how it is like from a pre COVID levels in the Kanjurmarg and in the C&T operations please?

Jose Jacob: So Depesh we will not be able to give you site wise performance, but what we have seen is that generally since the June and July onwards there has been a significant increase in tonnage and from August onwards, it is almost strongly back. The commercial activity and waste generation from the areas that we service has improved significantly. Now are we out of the woods. The answer to that is cautious yes. We are still on minus 3% to minus 5% from our pre COVID levels in certain cities, but we have seen a very good traction from the beginning of this year. So may be the Q4 is going to show that we are finally out of the woods.

Depesh Kashyap: Sir your revenue share of C&T segment has increased in the nine months periods and the processing has come down so just wanted to understand like what kind of revenue share do you target over the next two to three years?

Jose Jacob: Depesh this was predominantly in Q2 and Q3 if you look at a nine month number the Q2 and Q3 were the worst of the COVID so the base generation has started declining in the two processing zones that we had Mumbai and PCMC because the base generation has decline sharply so that way significant shift in the C&T versus waste processing, but going forward we will be going back to historical trend lines of 50% to 55% of C&T and around 45% to 50% of processing.

Depesh Kashyap: So like how many processing contracts do you plan because I think one is already in the pipeline right so are you bidding for more processing contracts or will you bid only for C&T right now and may be after the PCMP starts you will start bidding for new processing on that?

Jose Jacob: We are definitely looking at a mix of contracts right now. There is also a lot of bio-mining contracts that are coming up, which is basically mining of legacy waste in cities. Lot of cities have waste dumping grounds. Cities like Greater Noida, Delhi, Mumbai, and Bengaluru are all going for bio-mining contracts. You go to any city they already have a dumping ground, so the corporations in those cities are actually looking at ways of excavating and kind of rejuvenating those spaces. So we will be looking at a lot of different mix of projects. The criteria for us it should match a threshold of the returns that we want and of course the quality of the corporation finances so if these two things are right we will definitely go for contract, but it will be a mix of both C&T and processing.

Depesh Kashyap: Got it Sir and Sir the EBITDA margin in this quarter though was better sequentially it is better, but the nine months period obviously our revenues were lower because of the COVID time and the margins also lower so how do you see the margins shaping up for the next few quarters?

Jose Jacob: Depesh the reason the Q3 margins were better than Q2 is the factor of two things. One is during Q2 a lot of auto axillary entities were not working so we could not get decent amount of spare parts. My costs were kind of squeezed out, and there was a startup expense of Varanasi, which came in the Q3, so that is why you can see some change in my EBITDA numbers for the nine-month period. Going forward our margins would be tracking the historical levels of around 28% to 30% and with higher processing being added you will definitely be moving towards the upper side of 30%.

Depesh Kashyap: That is great. Last question Jose Sir, in your presentation you mentioned that the user fee collection in Noida right so just wanted to understand how that is shaping up? Are the users actually paying you the fees and do you think this model is scaleable in other cities as well because that will considerably reduce the collection risk?

Jose Jacob: What we have noticed is whenever we are going to collect user fee, they are paying most of them and what I understand and most of the municipalities when I meet I tell them that the user collection model will reduce the stress of the municipality on their finances so this model can definitely replicate in many municipal areas where this is a very well do and they want to pay for such services and going forward I believe that Pan India levels this user fee model collection will be implemented.

Depesh Kashyap: Got it Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Saurabh Agrawal an Individual Investor. Please go ahead.

Saurabh Agrawal: Thank you for the opportunity. I would like to ask what are the entry barriers in our business?

Jose Jacob: So I said there is a quality cum base bidding process so first we have a expression most of bids they have expression of interest and in that they have entry barriers like you know only those operators who have certain experiences like who have done 1000 tons or 2000 tons per day or who have processed some x amount of tonnage waste and then after there is a technical evaluation where marking is given based on the previous experience, operations and all that and afterwards the financial bid is open and off late they are given marking. They have got contract to operators whose technical number one and they do not check whether if he has to be lowest also. So that is part of the tender. There is a formula fixed for that. So interchanging and most of the municipalities are having consultants top four or top five consultants to prepare such tenders so most of the bids are for international standards, which also is helping us.

Saurabh Agrawal: That was helpful Sir and I would like to know are we interested in business in East India like right now in the ongoing projects I did not find any business in East India why is it so?

Jose Jacob: So I would say like many municipalities are in the process of preparing bids because it was all traditionally conventionally done, collection, manual loading and all that and they were not aware of the good private operators and all who can really do good job and they are now in the process of modernizing and before I told you also 75% of the municipal solid waste is just dumped openly anywhere here and there and now because of legalization and the courts are after all the municipalities that they have to modernize their current collection system and waste processing and due to which a lot of bids are coming up and there is a good opportunity going forward for us.

Saurabh Agrawal: Okay thank you. That was all from my side. All the best.

- Moderator:** Thank you. The next question is from the line of Anupam Gupta from IIFL Capital. Please go ahead.
- Anupam Gupta:** Thanks for the opportunity again Sir. I just wanted to get your sense on the waste collection trend so you have given the numbers for 3Q what is the trend we are seeing in the Q4 both for processing as well as for C&T?
- N G Subramanian:** These projects are more like an annuity model for us so what you see for quarter is normally a reflection of what is expected to be going forward. If we bag a contract for seven years or ten years the performance is very simple. Our job is to pickup the garbage generated from a particular place, transport it and we bill the corporation on the tonnage basis. These are long term almost an annuity kind of a model so it has a very high predicability in the revenue generation and the cost structure.
- Anupam Gupta:** What I was referring to was basically that in your view was 3Q fully recovered in terms of base for both processing and C&T and versus 3Q? If it was not fully recovered will 4Q see some significant or slightly higher growth than what the normal would be?
- N G Subramanian:** So Q3 C&T operations have recovered significantly, but still not near the pre COVID levels. In waste processing, we are almost back to pre COVID levels.
- Anupam Gupta:** Okay so basically Q4 can still see some shift from that angle as recovery happens for C&T?
- N G Subramanian:** Yes.
- Anupam Gupta:** Okay understand. Thank you.
- Moderator:** Thank you. The next question is from the line of Nitin Shakhder from Green Capital Single Family Office. Please go ahead.
- Nitin Shakhder:** Good afternoon to Shiju and Jose and welcome to the Indian Capital Markets. My question is strategic in nature? In 2012, 2013, and 2014, you had done one project for the Delhi NCR? Now if I look at the spread of projects and all your current assignments, your spread of Delhi NCR strategically should increase right because the governments in Delhi NCR in terms of the state government and central government is a huge potential working with NBNC can you just a little bit about strategic viewpoint of the company in terms of how to enter the North and take away more of the market share there in terms of waste management because it is a great opportunity? Thank you.

Jose Jacob: So as we said most the municipalities are preparing the bids. The bids are not yet out. So they are in the process and definitely we are looking and we have won few contacts there, which you can see. So there is a lot of potential there and definitely we will be bidding, but during the COVID period most of the municipalities are very busy in managing this issue of pandemic and they did not have time to prepare this. Now they are all under process of bids making tenders. So that way we look forward to bid in those municipalities in the future.

Nitin Shakhder: Do you work more also with the resident of welfare associations because their prime objectives of giving out waste management and segregation in colonies and in areas or do you only work with the municipalities?

Jose Jacob: We have a specific job, work with the municipalities and our contacts are with the municipalities.

N G Subramanian: We have seen a higher level of engagement happening at the grass root level especially in certain cities where a closer association with bulk generators is a possibility.

Nitin Shakhder: Okay great. That is all from my end and I think that from a Rs.1000 Crores market company, we should be aim to become a Rs.10,000 Crores market company. You are in a great industrial space and please create wealth for your investors and continue to have the faith. Thank you.

Moderator: Thank you. The next question is from the line of Saurabh Shroff from QRC Investment Advisors LLP. Please go ahead.

Saurabh Shroff: Good evening gentleman and thanks for taking my question. My first question is just very basis. On slide 27 you have given your 10-year number of projects and revenue history? I just wanted to understand what happened between 2015 and 2020 for the sharp jump in revenues, which is almost five-fold and there has been a very small increase in the number of projects so is it that this is the time during which we have won some big projects on some of the bigger municipalities and if that is the case which one are these?

Jose Jacob: As I said it is because of Swachh Bharat Pan India level and every municipality wants to modernize and due to which we are getting an opportunity to win a lot of contracts and that is one of the reasons.

N G Subramanian: What has happened is also the nature of the contacts or the size, so the privatization of the municipal solid waste has a initial phase in India and it is only in the last couple of years we have seen large number of cities privatizing their work so the scope of work and the size of the contracts have been remarkably higher over the last four to five years and that is what

you will see in the kind of the number of projects that we had in 2010-2015. There were smaller projects and smaller prices, but what we are now seeing and what the company has capitalized is on bigger contracts with certain clients with very good financial profile and that is what the trend will be for the company going ahead.

Saurabh Shroff: Thank you. Secondly some of the past projects that we had, which you have highlighted on one of the other slides what was the reason for us either to not win the bid or somebody else getting the contract away from us if you can sort of just help us understand what are the competitive dynamics in the industry and who are your main competitors?

Jose Jacob: So in the past we used to take contracts where the size was small. So now our strategy is to bid into only those municipality where the waste generation is at least around 200 tons per day, so there is a minimum level of tonnage to be produced and another thing is we target to achieve, like we like to earn say 20% as an ROE and also the municipalities where the waste emission will be at least 200 tons per day because there is much bigger size municipalities where we have better opportunities.

Saurabh Shroff: Sir all the past projects are in a way willingly given up either because of the scale or the financial parameters not being met?

N G Subramanian: Exactly so these were smaller contracts and we felt that there were so many other contracts coming up where were fitting our criteria both operationally and financially that we went with letting go of the old contracts and bagging newer contracts.

Saurabh Shroff: Who are our main competitors?

N G Subramanian: There are very few large, organized players in the industry, and most of them are unlisted. We have Ramky Enviro as one of them. There is BVG. There is Global Enviro. There are very regional specific players, but from a nation-wide exposure, the competitors are very few.

Saurabh Shroff: And just looking at the current projects is there a move from municipalities that over time they want the same company to be sort of doing the C&T sweeping and the processing as well is that the trend that is visible because in some cases unless I have misunderstood this Pimpri and Kanjurmarg where you have your MSW processing are you also doing all of the other waste management for those municipalities as well?

Jose Jacob: So initially they like to have separate contract for collection and transportation and waste processing because giving one single contract for the entire process from C&T to waste process is a bit of a risk for the municipalities and also most of the operators also do not

want to do that. So that is one of the reasons but may be one or two contracts we were given the entire CL, I think somewhere, but most of the municipalities are looking to have two different contracts. One of the reasons is collection and transportation contract that will be seven to ten years where the line for the asset is not more than ten years and waste processing is 25 years. So these two contracts have you know awarding these two contracts it is a complex issue for the municipality.

Saurabh Shroff: Okay and you said that even we prefer to not even the operators do not prefer to do end to end given a choice? Even you would prefer to not expose yourself to a same municipality is that the case.

Jose Jacob: That is the case and another thing it is a complex game like your vehicle is life is only for ten years and if the problem for municipality to award 25 years contract even for collection and transportation.

Saurabh Shroff: And if they could easily give a 25-year contract right and it would just mean that you modernize your fleet after ten years or nine years or whatever the useful life? I mean that is the norm that is fine and finally you have not broke up, but qualitatively if you could explain in the three-business line what is the profitability like for us between C&T processing and others?

N G Subramanian: These are tender sensitive information which we will not be able to share at this stage.

Saurabh Shroff: No I am not looking for numbers? Even if it is possible to share which one is more or less profitable just at least grade them if you could?

N G Subramanian: I would not be able to give you any to that extent.

Saurabh Shroff: Okay and my final question is that you mentioned that your growth from existing comes from increase in tonnage over time as urbanization and I guess practices improve and escalation so what is this escalation amount typically? Is it linked to an index because you mentioned that it is linked to the minimum wage in the state, but I guess other than there are fuel cost, etc., lot of other things that go in so what is this escalation linked to?

N G Subramanian: For any waste management-based processing and collection transportation the main operating cost would be labor and fuel and so the tender clearly mentions that there is a weightage that is assigned to the rate which is awarded. A certain percentage of the rate is assigned to the fuel component, which is the HSD component or the wholesale price index and certain weightage is assigned to the minimum wage of that particular state. So any change therein gets reflected on the rate that has been awarded to the operator. In the past

these kinds of calibrations was done on an annual basis, but over the last five years we have seen the frequency of calibration has significantly improved. In certain contracts, it is on a quarterly basis and in certain contracts; it is even on a monthly basis. So that is the kind of escalation matrix that is being awarded.

Saurabh Shroff: So basically if fuel prices let us say were to go up by let us say Rs.10 a liter over the next three months in the ensuing quarter you would get that sort of compensated and your pricing would go up to that extent is that fair?

N G Subramanian: Yes that understanding is right.

Saurabh Shroff: So basically there will be a mismatch at the most for one months to three months, but otherwise you should get back into the sort of linked pricing?

N G Subramanian: Yes. These are very project specific. Certain times it is on the same month itself. Certain times it take a couple of months.

Saurabh Shroff: And across the board your payments terms are 60 days for all your clients and all municipalities across projects and geography?

N G Subramanian: So it is different for different geographies, but yes the weighted average, since this is a service industry and we are an essential service provider, our payment cycles are very much in line and it is improving further on. We have seen the fact that even during COVID times and even among the front runners there so we had managed to be on the ground throughout the entire period so receivables even during this tough time for the corporations and for the companies like Antony were still on good grounds. So 60 days is what we have been working. It has come down from 64 to now 60. We are constantly working and trying our best to kind of bring it even closer to may be 45 to 50, but that is the target that we are working internally.

Saurabh Shroff: Okay thank you very much. This is a very helpful call. Wish you all the best.

Moderator: Thank you. Ladies and gentlemen, due to time constraint this was the last question. I now hand the conference over to Depesh Kashyap from Equirus Securities. Over to you Sir for closing comments.

Depesh Kashyap: Thank you everyone for joining the call and on behalf Equirus Securities I would like to thank the management for giving us the opportunity to host the call. Jose if you have any closing comments please go ahead.



*Antony Waste Handling Cell Limited
February 11, 2021*

Jose Jacob: I would like to thank you all for participating on our earning call. I hope we could attend all your queries adequately and for any further information, please contact SGA our investor relation advisor. Please take care and stay safe. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, with this we conclude today conference call. Thank you for joining us and you may now disconnect your line.