

To

Dt.12.09.2023

Hyderabad Integrated MSW Limited  
Level 11B, Aurobindo Galaxy,  
Hyderabad Knowledge City,  
Hyderabad-500081  
CCG/HYD/AMT-1/2023-24/216

Dear Sir,

**Issuance of letter for amount funded to Hyderabad Integrated MSW Limited towards Integrated Municipal Solid Waste Management including Compressed Bio Gas Plant.**

This is to confirm that the Company (M/s Hyderabad Integrated MSW Ltd) has availed project specific term loan of Rs.265.62 Crore from State Bank of India CCG Branch Banjara Hills Hyderabad for Integrated Municipal Solid Waste Management project at Survey No.173, Jawahar Nagar Village, CRPF Road, Near Army Dental College, Kapra Mandal, Medchal District - 500087, Hyderabad, Telangana and 5.4 ton/day compressed bio gas plant with cost of Rs.12.90 Crore is part of the funded project.

The Ministry of New and Renewable Energy has implemented National Bioenergy Programme where in Central Financial Assistance will be given to eligible projects which includes Biogas Programme and the company wants to participate in the said programme with an eligible grant of Rs.4 Crore.

This letter is issued by State Bank of India solely for the purpose to enable the company to participate in the above programme and should not be used by any other person or for any other purpose. Accordingly, State Bank of India do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this letter is shown or into whose hands it may come without our prior consent in writing.

Thanking You

Yours Faithfully,



Authorised Signatory  
State Bank of India – CCG Branch



## Hyderabad Integrated MSW Limited: Appraisal Note

### Brief about the company:

Hyderabad Integrated Municipal Solid Waste Ltd (HIMSW Ltd) is established as subsidiary of Ramky Enviro Engineers Ltd (REEL) on 23.04.2009 after concession agreement was entered between Greater Hyderabad Municipal Corporation (GHMC)

& Ramky Enviro Engineers limited (REEL) on 21<sup>st</sup> Feb 2009, for waste management in Greater Hyderabad Municipal Corporation area. The activity of the company commenced during February 2012.

Project take off delayed due to 1. Delay in handover of project facilities by GHMC, 2. Non handover of GHMC infrastructure in as is where is basis condition 3. Delay in appointment of Independent Engineer and, 4. Petition by a section of GHMC employees against privatization.

GHMC before awarding additional services under the concession had taken all necessary approvals from their respective authorities and have assured the company that they will compensate adequately their employees. Hence, the Company doesn't foresee any issue with regard to Petition by a section of GHMC employees against privatization.

The concession was granted for a period of 25 Years from COD with an extension of 20-25 Years if mutually agreed upon. As such, the present concession agreement is valid upto 20.02.2037.

At present, REEL holds 36.52% and Mumbai Waste Management Ltd (MWML) holds 63.48% in the preference shares of HIMSW. REEL holds 74% and Ramky IWM Pvt Ltd, another subsidiary of REEL holds 26% in MWML. Ramky IWM Pvt Ltd is a 100% subsidiary of REEL. Entire equity in HIMSW is held by REEL.

The concession agreement specified scope of work and the order of the activity of waste disposal as under:

1. Primary & Secondary collection
2. Transportation of MSW
3. Upgrading, operation & Maintenance & Management of Existing transfer station



4. Development of new transfer station
5. Treatment & Disposal (T&D) of MSW
6. Reclamation & Alternative use of existing dump
7. Development of Waste to Energy.

But due to various issues, GHMC has entrusted and HIMSW is carrying out only Treatment & Disposal (T&D) of waste since February 2012 wholly at Jawaharnagar site. The COD for the T&D was 18.02.2012. But as per the obligation under concession agreement and as entrusted by GHMC, the company is also carrying out Reclamation & Alternative use of existing dump at Jawaharnagar. The company has set up the facility of reclamation & Capping of Existing waste In the period 2012-2014 at a project cost of about Rs 450.00 cr. Company has availed Term Loan of Rs 225 cr from Axis Bank Limited for T&D operations in FY 14-15 and present outstanding balance is Rs.164 cr; the account is regular with Axis Bank. The existing assets of the company are approx. Rs 504.00 cr, of which Rs 340.00 cr is of T&D activity and remaining Rs 160.00 cr pertains to reclamation and alternative use of existing dump facilities.

Hyderabad MSW Energy Solutions Pvt Ltd, another subsidiary of REEL has recently commissioned 19.8 MW power plant at GHMCs site at Jawaharnagar, Hyderabad.

At present, activities at item No. 1, 2, 3, 4 are being done by GHMC.

After series of deliberations, Transportation of MSW, upgrading, O&M of existing 17 transfer stations in GHMC area is being handed over to HIMSW i.e. activities at 2,3 and 4 have been entrusted to HIMSW, w.e.f. 01.12.2020. Activity at S No.1 viz. primary collection of waste from households, commercial establishments continues to be done by GHMC.

#### Activity and revenue model:

The municipal waste management involves the following stages:

Activity/ Nomenclature	Description
Primary collection	Manual collection of waste from households and industries using Autos.
Secondary Storage	Storing in Bulk Garbage Bins at designated places



Secondary transport	The garbage stored in Secondary storage bins are transported in trucks to Transfer Stations using Hook Lift loaders.
Transfer Stations	The garbage is now dumped at Transfer Stations (17 no in Hyderabad)
Tertiary transfer	The garbage will be transported from Transfer station to processing centre by Tippers.
Treatment and Disposal Centres	The garbage will be processed using Trommels wherein RDF (Refused Derived Fuel) and compost will be separated.
Development of waste into energy	The RDF will be used to produce energy using boilers and power will be produced.

By virtue of the Concession agreement signed with GHMC, the company has the following rights :

1. Design(D), Finance (F), Build (B), O (Operate), T(Transfer), by itself or through persons identified by it.
2. To market, sell or dispose recyclables, electricity, methane, RDF, compost, residual inert matter and retain revenues from sale of such products.
3. To utilize GHMCs existing Infrastructures like dumper bins, vehicles, transfer stations etc.,

The activity initially commenced with processing of 2000 TPD in 2012, which was later enhanced to 4000 TPD in 2013 and 6000 TPD in 2017. The existing capacity of T&D plant is 7000 TPD.

The company is at present managing the following activities :

Nature of activity	Site	Remarks
Treatment & Disposal	Jawaharnagar	New sites yet to be identified by GHMC
Secondary collection and Transport	Uppal and Kapra	GHMC proposes to continue the existing arrangement for other 28 circles.



Capping & Reclamation	Jawaharnagar	GHMC proposes to develop new capping and reclamation sites at Fathullaguda, Gandhamguda & Shamshiguda.
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The company has adopted the following technology for treatment of the waste :

Mechanical Biological treatment system is a type of waste processing facility that combines a sorting facility with a form of biological treatment such as composting or anaerobic digestion. MBT plants are designed to process mixed household waste as well as commercial and industrial non-hazardous wastes.

Thermal Incineration of waste materials converts the waste into ash, flue gas and heat. The heat generated by incineration is used to generate electric power.

#### Revenue model:

The company at present is getting revenue from the following sources :

1. Tipping Fee on Weighing basis of MSW received at T&D facility.
  2. Service Charges from Waste Generators (Residential/Commercial)
  3. Sale of products recovered viz., compost, RDF & recyclables
- Tipping fee:

As per the concession agreement, GHMC agrees and undertakes to pay to concessnaire, the Tipping Fee, which shall be only fee paid by GHMC to the concessionarie for performing the services under this agreement.

The tipping fee as per concessionarie aggrement is having three components

1. Primary & Seconday collection and Transportation of waste upto transferstation: 40% of Tipping fee
2. Transfer station management & Transportation of waste from transfer stationto the Pocessing facility : 20% of Tipping fee

Treatment & Disposal : 40% of Tipping fee



## **Present project and proposed Term Loan:**

During July 2020, HiMSW has obtained order from GHMC for approval for undertaking transportation of MSW from transfer station to processing facilities, transfer station management and also modernization of transfer stations, i.e. item no. 2,3 and 4 of the activities enumerated in the concession agreement. The scope of new services are as under:

### **1. Transportation to the processing site:**

- Tertiary transportation is from the Collection & Transfer Points to the Processing Site.
- All the collected waste from the generators would be stored in portable compactors, both wet and dry in separate containers and would be transported to the processing plant with hook loader vehicles.
- From all ULBs, the Portable compactors would carry the waste and transported by hook loader Vehicles to the Processing Site of the cluster.

### **2. Development and operation of collection & transfer points (CTPs):**

The company have to convert the existing 17 Transfer stations in Hyderabad and also develop 60 new CTPs as per the requirement. These locations are important to collect the waste from the primary vehicles and to transport to the processing sites as also act as collection of recyclables centre. All the collected recyclables will be stored in 1100 Ltr bins or if the space permits will be stored in a separate portable compactor. The recyclable waste collected shall be transported to the processing plants for further processing, sale and for final disposal.

GHMC need to handover the encumbrance free lands for construction of CTPs to the concessionaire. As such, work of carrying out civil/ electrical works of collection transfer points (CTPs) is expected to be implemented over period of time, but the company can utilize the existing transfer points for commencing the revised operations w.e.f. 01.01.2021.

The following are the various components of CTPs.

1. Pre-Engineered Building (PEB) shed with proper signage, approach road, ventilation, lighting, green belt, water facility and other amenities.
2. Static/ portable compactors
3. Hook lifts trucks.
4. 16/14 m3 Containers



5. Washing Platform as per the availability of land.
6. 1,100 litres bins for storage of recyclables.

The estimated waste generation is around 5800-6400 Tons per day. To handle tertiary transportation, the company is modernizing 17 Transfer stations which are having capacity to hold in the range 400-500 Tons of waste and another 60 Collection transfer points to handle the remaining waste, i.e. each hold 30 to 50 Tons.

### **3. Transfer station management & Transportation of waste from transfer station to the Processing facility:**

Presently TS management & tertiary transportation is being entrusted, for which the company is eligible for additional 20% of Tipping fee.

To undertake the above activity, the company needs to procure vehicles, bins, compactors and also construct/ upgrade transfer stations/ CTPs, for which the capex requirements are as under:

Type of Asset	No. of units	Cost of each unit (Rs cr)	Total Cost (Rs cr)
26 tonne Hook lift vehicles (31 GVW Vehicle)	95	0.54	51.30
Portable Compactors in CTPs	134	0.145	19.43
Bins in Transfer stations	60	0.055	3.30
Static Compactors in Transfer stations	20	0.62	12.40
Civil/Electrical Cost of collection transfer Points	60	0.22	13.20
Construction cost of Transfer station Big	10	1.00	10.00
Construction cost of Transfer station Small	7	0.75	5.25
Contingency			3.27



<b>TOTAL project cost</b>			<b>118.15</b>
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The Project cost and Means of finance details are as under:

<b>Cost</b>	<b>Amount</b>	<b>Means of finance</b>	<b>Amount</b>
Buildings/ Civil works	28.45	Term Loan	82.00
Vehicles	51.30	Internal Accruals	36.15
Machinery	35.13		
Contingency	3.09		
<b>TOTAL</b>	<b>118.15</b>		<b>118.15</b>

### **Proposal for Sanction / Approval / Confirmation**

#### **Proposal for Sanction**

- (i) Term Loan-I of Rs. 82.00 Crore with a door to door tenor of 7 years 5 months including a moratorium period of 0 years and 5 months and average maturity of 3 years and 9 months.
- (ii) Term Loan-II amount of Rs 158.62 Crores by way of takeover from Axis Bank with a door to door tenor of 5 years and 6 months including a moratorium period of 0 months and 0 years and average maturity of 3 years 0 months.
- (iii) FBWC limits of Rs 25.00 Cr.





**Justification for the proposal :**

i) Term Loan-I of Rs. 82.00 Crore with a door-to-door tenor of 7 years 5 months including a moratorium period of 0 years and 5 months and average maturity of 3 years and 9 months.

HIMSW has entered into concession agreement with GHMC for a period of 25 Years from Commercial Operations Date (COD) and concession agreement expires on 20.02.2037. As per the concession agreement, GHMC agrees and Undertakes to pay Tipping fee to the concessionarie for performing the services under this agreement. The quoted tipping fee Rs.1431 per ton of MSW(Called as Base Tipping fee and is at Rs 2045/- per ton for FY21) . The tipping fee as per concession aggrement is having three components

1. Primary & Secondary collection and Transportation of waste upto transferstation: 40% of Tipping fee
2. Transfer station management & Transportation of waste from transfer stationto the Processing facility : 20% of Tipping fee
3. Treatment & Disposal : 40% of Tipping fee

We have obtained opinion of Law Officer on the concession agreement, who opined that (I) Necessary permission to be taken from GHMC for substitution of the lender and (ii) REEL to execute necessary binding agreement/ undertaking for execution of the project as REEL is still the principal concessionaire as per Novation agreement. We are stipulating the two documents as pre disbursement conditions.

Presently the company is carrying out only activity 3 and getting 40% of Tipping fee as of now. During July 2020, HiMSW has obtained order from GHMC for approval for undertaking activity 2. The company can leverage their existing experience in handling the waste in GHMC area by undertaking the new activity which will improve their top line as well as profitability.

The new activities that are being entrustedby GHMC to the company are :

**1. TRANSPORTATION TO THE PROCESSING SITE**

- Transportation of the waste from the Collection & Transfer Points to theProcessing Site.



- Storing in portable compactors, both wet and dry in separate containers and would be transported to the processing plant with hook loader vehicles.

## 2. DEVELOPMENT AND OPERATION OF COLLECTION & TRANSFER POINTS (CTPS):

The company have to convert the existing 17 Transfer stations in Hyderabad by upgrading them with required storage bins and space. Further, the company needs to develop 60 new Collection and Transfer Points as per the requirement of GHMC. These locations are vital to collect the waste from the primary vehicles and to transport to the processing sites as also act as collection of recyclable centre.

In order to carry out the activity 2, the company has to incur the following capex.

### Cost of the project :

Type of Asset	No. of units	Cost of each unit (Rs cr)	Total Cost (Rs cr)
22 tonne Hook lift vehicles (31 GVW Vehicle)	95	0.54	51.30
Portable Compactors in CTPs	134	0.145	19.43
Bins in Transfer stations	60	0.055	3.30
Static Compactors in Transfer stations	20	0.62	12.40
Civil/Electrical Cost of collection transfer Points	60	0.22	13.20
Construction cost of Transfer station Big	10	1.00	10.00
Construction cost of Transfer station Small	7	0.75	5.25
Contingency			3.27
<b>TOTAL project cost</b>			<b>118.15</b>



The company proposes to meet the cost of the project by availing the term loan of Rs 82.00 Cr and with its existing cash and cash equivalent of Rs 36.15 Cr with a debt equity ratio of 2.27:1.

The key parameters of the term loan is as under:

Debt/ Equity	2.27:1
Tenor of loan	7 years 5 months
Moratorium	5 months
Repayment period	7 years
Gross avg DSCR	2.14
Min DSCR (year)	1.18 (2020-21)
DSRA	3 months Principal+ Interest

For the Period FY 2021 to FY 2029:

Sensitivity Analysis	Av DSCR (Gross)	Min DSCR	Min DSCR
		FY 2020-21	FY 2021-22
Normal	2.14	1.18	1.82
Decrease of sales by 5%	1.70	0.93*	1.58
Increase of operating cost by 10%	1.69	0.92*	1.54
Increase in rate of interest by 3%	1.96	1.04	1.61
Decrease in sales by 5% and Increase in rate of interest by 3%	1.55	1.04	1.36

\* We are proposing TL-I instalments to commence from July 2021. Lower DSCR is on account of C&T activity commencing from January 2021.

We recommend for sanction of TL of Rs 82.00 cr to meet the cost of the project on account of the following:



1. The activity is backed by concession agreement valid till 2037, whereas we are proposing loan with repayment till June 2028. The activity is of most importance recognized by Govt. of India as part of Swach Bharat and as part of Solid Waste Management Rules 2016.

2. We are stipulating DSRA equivalent to 3 months principal and interest for TL-I, which shall be built by December 2021, by which date the capex is expected to be completed in all respects. Out of DSRA equivalent to 3 months principal and interest and BG equivalent to 3 months now available with Axis Bank for TL-II, the company agreed to continue 3 months DSRA and BG will be released at the time of takeover of the limits. The company will either keep DSRA in the form of TDR or Bank Guarantee equivalent to 3 months instalment and interest. The DSRA will be built within 3 months from the date of first disbursement as DSRA will be released by Axis Bank upon receipt of all the dues and satisfaction of their charges in ROC etc which will take around 3 months of time.

ii) Term Loan-II amount of Rs 158.62 Crores by way of takeover from Axis Bank with a door to door tenor of 5 years and 6 months including a moratorium period of 0 months and 0 years and average maturity of 3 years 0 months

HiMSW has implemented its maiden capex involving Treatment and Disposal (T&D) facility including construction of compost plant, RDF plant, inert management facilities, landfill etc during 2012-14, by raising short term loan from Axis Bank and unsecured loans from group companies. Axis Bank has sanctioned a Rupee Term Loan of Rs 225.00 cr to repay the short term loan and unsecured loans from group companies on 20.12.2014.

The capex was completed during 2012-14. Axis Bank has financed the project by repaying the short term loan with Axis Bank of Rs 125.00 cr and remaining Rs 100.00 cr towards repayment of unsecured loan from the holding company.

As per the TEV report the company has provided list of tangible fixed assets created/ under charge with Axis Bank for FY14 & 15 are Rs 317.40 cr and Rs 402.66 cr respectively. Hence, project cost is assumed at Rs 402.66 cr. Assets purchased list is furnished as Annexure to the TEV report. Revenue projects and DSCR are not available with the company and hence could not be verified by the TEV consultant.



However, as per Axis Bank's sanction letter dated 20.12.2014, the following financial covenants are stipulated :

- (a) Gross DSCR shall not be lower than 1.10 throughout the tenor of the loan.
- (b) Debt to Equity ratio shall not be more than 3. Debt is defined as Senior Debt, Subordinated Debt, lease obligation, Unsecured debt Other than the promoters unsecured loans ( i.e. excluding noninterest bearing USL).

The TEV report mentioned that HiMSW implemented its maiden Capex involving Processing and Disposal (P&D) facility including construction of Compost Plant, RDF Plant, inert Management Facilities, Landfill etc during 2012-14 by raising Short Term Loan from Axis Bank and unsecured Loans from Group Companies. Axis Bank sanctioned a RTL of Rs.225 Crore to repay the Short Term Loan and Unsecured Loans from Group Companies on 20.12.2014.

The security prescribed for the loan was first charge by way of hypothecation over all the projects movable assets , both present and future (excluding assets for which company raised equipment finance and commercial vehicle loans).

We propose to continue the existing repayment terms stipulated at Axis Bank.

Accordingly, We recommend for takeover of the Term Loan based on the following : - TEV Study report dated 21.01.2021 has certified that the project is technically feasible and economically viable.

- Average Gross DSCR and Performance and financial indicators analysis depict satisfactory position.
- The estimated cash accruals of the project are satisfactory to meet repayment obligation.
- The Company is externally rated AA by India Ratings
- RAROC is estimated to be at 35.28% for the FY 2020-21
- The DSRA equivalent to 3 months principal and interest will be available.
- Pledge of 30% shares in HiMSW will be available for the exposure.

(iii) FBWC limits of Rs 25.00 Cr

Presently the company is not enjoying working capital limits from any Bank and requested us to sanction a working capital limit of Rs 25.00 Cr.



The company raises bill on GHMC at monthly intervals for the processing, disposal. GHMC appointed Environment Protection Training and Research Institute (EPTRI) for vetting the quality of work, measurements etc. After EPTRI's vetting, the GHMC is taking 2 to 3 months time and some times 4 months for payment of bills. As such, the company requested for meeting working capital requirements arisen out of time taken in realization of bills for CC limit of Rs25.00 cr.

We recommend for the same as the performance of the company is improving year on year. The Working capital facility will be secured by the entire current assets of the company. The current assets of the company include mainly receivables, prepaid expenses, balances with government authorities etc.



