



SMC Ranking
★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	Waste Management
Total Issue (Shares) - Offer for sale	5,700,000
Total Issue (Shares) - Fresh Issue	1,166,667
Net Offer to the Public	6,866,667
Issue Size (Rs. Cr.)	202-206
Price Band (Rs.)	295-300
Offer Date	4-Mar-20
Close Date	6-Mar-20
Face Value	5
Lot Size	50 Per Equity Share

Issue Composition

	In shares
Total Issue for Sale	6,866,667
QIB	3,433,333
NIB	1,030,000
Retail	2,403,333

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	51.10%	48.87%
QIB	48.90%	38.30%
NIB	0.00%	3.85%
Retail	0.00%	8.98%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. Reduction of the aggregate outstanding borrowings of the Company on a consolidated basis; and
2. General corporate purposes (collectively, referred to herein as the "Objects")

Book Running Lead Manager

- Equirus Capital Private Limited

Name of the registrar

- Link Intime India Private Limited

About the Company

Antony Waste Handling Cell Ltd. (AWH) is one of the top five players in the Indian MSW (Municipal Solid Waste) management industry with an established track record of 17 years, providing full spectrum of MSW services which includes solid waste collection, transportation, processing and disposal services across the country, primarily catering to Indian municipalities. The company is among the select few who have pioneered in MSW (Municipal solid waste) collection and transportation sector. As of January 1, 2020, Company had a fleet of 1,089 vehicles and 6,579 full-time employees, on a consolidated basis. The company counts Municipal Corporation of Greater Mumbai, North Delhi Municipal Corporation, New Okhla Industrial Development Authority, Nagpur Municipal Corporation and the Greater Noida Industrial Development Authority as its clients. The company is also currently undertaking a project for Jaypee International Sports.

Strength

A leading service provider in MSW management sector with end-to-end capabilities:

The Company believes that its established track record of 17 years, scale of operations, diversified geographic presence, vertical integration and strong position in the MSW management sector enables it to identify and win new contracts. A combination of its efficient and systematic project management and execution skills has helped the company establish its reputation as one of the key players with end-to-end capabilities for executing a host of complex municipal solid waste management projects.

Strong track record of project execution:

The Company has an established track record of 17 years in executing solid waste projects. Having undertaken more than 25 projects as of January 1, 2020, of which 17 are ongoing, it has demonstrated track record as a comprehensive service provider equipped with the resources to handle large-scale projects for municipalities and private players. The company believes that its strong track record has enabled it to bid for, and be awarded, large-scale projects by its customers. The Company was awarded Kanjurmarg landfill project by MCGM in Fiscal 2010. It is one of the largest single location waste processing plants in Asia. As on December 31, 2019, the site has a bio-reactor landfill with a capacity of 4,000 TPD, and a sanitary landfill of 250 TPD. Moreover, the site also has a material recovery and compost facility with a capacity of 1,000 TPD. As of December 31, 2019, it had processed approximately 6.17 million metric tons of waste at its Kanjurmarg site since Fiscal 2010.

De-risked business model with diverse portfolio of projects:

The company portfolio of 17 ongoing projects as on January 1, 2020, comprises eleven MSW C&T projects, two MSW processing project and four mechanized sweeping projects. Its project portfolio is diversified across services provided, counterparties, project duration, nature of contracts and geographical areas where it operates.

Strong base of modern and well-maintained fleet of vehicles:

The Company owns modern vehicles, which help the company in operating its projects more efficiently. As of January 1, 2020, the company had a fleet of 1,089 vehicles. The company procures the components of its vehicles mostly from leading international suppliers, such as BUCHER Municipal AG and Compost System GmbH, who have been amongst its preferred vendors for over four years. Given the nature of its contracts, it actively monitors movement of its vehicle fleet equipped with GPS system. This system enables the company to operate on optimal utilization as well as maintain its vehicles.

Strategies

Capitalize on the growth opportunities in the MSW management sector by continued focus on bidding for MSW projects: The MSW Management market is estimated at INR 30,000 Million for Fiscal 2018 and is expected to reach INR 62,000 Million by Fiscal 2023 at a CAGR of 15.6%. MSW generation is expected to grow at a CAGR of 5% (Fiscal 2018-23) to reach 70 Million TPA by Fiscal 2023 from 55 Million Tons Per Annum (TPA) in Fiscal 2018. In a major cleanliness drive, the Central Government has set a target to move up from 25% to 100% scientific processing and disposal of Municipal Solid Waste by 2019 under 'Swachh Bharat Mission'. Thus the MSW management sector in India is poised for significant expansion and it intends to partake in the sectoral growth and the company believes that its past experience, financial strength, acumen and resultant credentials will make it eligible to bid for most projects that come up for bidding in the MSW management sector.

Continue with rational selection of projects and strategically expand its geographical footprint: The Company plans to continue to expand into states with high GDP, growing urbanization, high standard of living, favourable geographic and climatic conditions. Besides, the company also intends to continue to evaluate bidding with financial and strategic partners for projects and technologies which form a part of MSW management value-chain but are not a part of its core competence.

To move up the MSW value chain by increasing its presence in the emerging waste management areas in India like WTE domain: As on January 1, 2020, its portfolio of 17 ongoing projects, comprised eleven MSW C&T projects, two MSW processing (including WTE) project and four mechanized sweeping projects. MSW based WTE and E-waste recycling are emerging waste management areas in India. Hence, it believes that WTE segment offers huge potential in the long run. It further believes that with assured raw material and a power off-take agreement, the business offers limited risks and will help in improving predictability of its cash-flows. The Company, through its step-down subsidiary Antony Lara Renewables Energy Private Limited ("ALREPL"), has been awarded a contract for setting up and operating a WTE plant having a capacity of up to 1,000 TPD by PCMC. Its subsidiary ALESPL has been operating a 0.4 MW landfill gas-to-energy plant at Kanjurmarg facility since the year 2014, which has been upgraded to 1.37 MW with the electricity produced being used for internal consumption. The company intends to continue to bid for commercially viable WTE projects from financially strong municipalities and private players.

Continue to focus on enhancing operational efficiency: The Company intends to continue to focus on improving its project execution and operational efficiencies in order to maintain its credentials as well as profit margins. The company attempts to utilize advanced vehicles, equipment and technologies as well as project management tools to increase productivity and maximize asset utilization. As the company expects to continue using a large fleet of vehicles, it expects to continue using its centralized procurement system to gain bargaining power with its vehicle suppliers, and further reduce its procurement costs. It intends to continue upgradation of its information and communication technology infrastructure and other internal processes to reduce manual intervention and improve reliability and efficiency of its business and operations.

Risk Factors

Dependent on municipal authorities: The Company is dependent on municipal authorities for a substantial proportion of its business and revenue. Many Municipalities have been struggling to fund various solid waste management projects from their own revenue receipts and are highly dependent on state/central grants/budget allocation.

Have had negative cash flows: The Company has had negative cash flows in the past and may have negative cash flows in the future.

Depend on a limited number of customers: The Company depends on a limited number of customers for a significant portion of its revenue. The loss of any of its major customer due to any

adverse development or significant reduction in business from its major customer may adversely affect its business, financial condition, results of operations and future prospects. material adverse effect on its business, results of operation or financial condition

Peer comparison

As per the RHP, the company doesnot have listed industry peers in the India.

Valuation

Considering the P/E valuation on the upper end of the price band of Rs. 300, the stock is priced at pre issue P/E of 10.14x on its estimated annualised FY20 EPS of Rs. 29.58. Post issue, the stock is priced at a P/E of 10.61 x on its EPS of Rs. 28.29. Looking at the P/B ratio at Rs. 300 the stock is priced at P/B ratio of 3.15x on the pre issue book value of Rs.95.11 and on the post issue book value of Rs. 118.18 the P/B comes out to 2.54x.

On the lower end of the price band of Rs.295 the stock is priced at pre issue P/E of 9.97x on its estimates annualised FY20 EPS of Rs. 29.58. Post issue, the stock is priced at a P/E of 10.43x on its EPS of Rs. 10.43. Looking at the P/B ratio at Rs. 295, the stock is priced at P/B ratio of 3.10x on the pre issue book value of Rs. 95.11 and on the post issue book value of Rs. 118.18, the P/B comes out to 2.50x.

Industry overview

Currently, around 80% of the municipal solid waste generated in India is being collected and transported whereas only 25% gets processed. The Indian Waste Management Services market is in its growth stage and is gaining global attention. In order to tackle the mounting problem of solid waste, the Ministry of Environment and Forests (MoEF) legislated Waste Management and Handling Rules promoting the involvement of private agencies in waste collection, treatment and disposal. The MSW Management market is estimated at Rs. 30,000 Million for FY2018 and is expected to reach Rs. 62,000 Million by FY2023 at a CAGR of 15.6%. Increasing participation of professional players in collection and transportation services and development of scientific recycling and disposal methods for management of MSW is expected to be key driver for the market.

Outlook

Antony Waste Handling Cell intends to capitalise on the growth opportunities in the MSW management sector by continued focus on bidding for MSW projects. It is dependent on municipal authorities for a substantial proportion of its business and revenue. Also it is dependent on a limited number of customers for a significant portion of its revenue. The loss of any of its major customer due to any adverse development or significant reduction in business from its major customer may adversely affect its business. Moreover, the major portion of the issue is offer for sale. Only 35 crore will come to the company raised through fresh issue. A high risk taker may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	March 04, 2020
Bid/Offer Closing Date	March 06, 2020
Finalisation of Basis of Allotment with the Designated Stock Exchange	March 12, 2020
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	March 13, 2020
Credit of Equity Shares to depository accounts of Allottees	March 16, 2020
Commencement of trading of the Equity Shares on the Stock Exchanges	March 17, 2020

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-19 (9 Months)	Period ended 31-Mar-19 (12 Months)	Period ended 31-Mar-18 (12 Months)
Total Operating Income	218.62	283.69	276.14
Total expenditure	152.15	207.51	206.39
Operating Profit	66.47	76.18	69.75
OPM%	30.40	26.85	25.26
Other Income	7.00	14.82	14.64
PBDIT	73.47	91.01	84.39
Depreciation	10.58	18.33	12.70
PBIT	62.89	72.67	71.68
Interest	13.92	24.99	22.89
PBT	48.97	47.68	48.79
Tax	11.12	13.26	8.90
PAT	37.84	34.42	39.88

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-19	As on 31-Mar-19	As on 31-Mar-18
Non-current assets			
Property, plant and equipment	88.13	60.61	41.47
Capital work-in-progress	15.03	15.10	0.00
Intangible assets	119.37	105.00	0.00
Intangible assets under development	12.15	8.19	105.59
Financial assets			
Trade receivables	37.31	33.03	28.40
Loans	2.75	2.21	1.92
Other financial assets	157.11	150.65	119.02
Deferred tax assets (net)	9.08	9.19	6.36
Income tax assets (net)	7.69	7.05	5.78
Other non-current assets	4.52	9.68	6.14
Total Non- Current Assets	453.14	400.69	314.68
Current assets			
Inventories	0.07	0.09	0.05
Financial assets			
Trade Receivables	57.84	55.68	44.27
Cash and Bank balances	20.16	19.57	31.49
Other bank balances	2.38	2.38	2.11
Loans	2.12	1.84	5.44
Other financial assets	21.00	12.79	18.03
Other current assets	26.02	13.75	8.19
Assets held for sale	3.84	3.99	3.81
Total current assets	133.42	110.10	113.39
Total Assets	586.56	510.79	428.07
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	118.55	105.51	80.60
Other financial liabilities	2.04	2.19	2.00
Provisions	37.67	30.30	21.34
Deferred tax liabilities (net)	13.11	11.56	8.38
Total non-current liabilities	171.37	149.57	112.32
Current liabilities			
Financial liabilities			
Borrowings	31.08	30.71	30.68
Trade payables	0.00	0.00	0.00
-Total outstanding dues of micro enterprises and small enterprises	0.97	1.09	0.00
-Total outstanding dues of creditors other than micro enterprises and small enterprises	40.27	35.12	31.60
Other financial liabilities	84.43	71.09	69.17
Other current liabilities	4.53	4.85	3.88
Provisions	5.27	4.61	3.99
Current tax liabilities (net)	5.27	7.33	7.26
Total current liabilities	171.83	154.80	146.58
Total liabilities	343.20	304.37	258.90
NET Worth	243.36	206.42	169.18
Net worth represented by:			
Equity share capital	7.15	7.15	1.31
Other equity			
Equity component of compound financial instrument	102.00	102.00	117.30
Reserves and surplus	67.83	40.94	1.51
Equity attributable to owners of the parent	17.70	15.01	12.01
Non-controlling interests	66.38	56.33	49.06
Total Equity	243.36	206.42	169.18

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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