



**SMC Ranking**

★ ★ ☆ ☆ ☆ (2/5)

**Issue Highlights**

Industry	Waste Management
Total Issue (Shares) - Offer for sale	6,824,933
Total Issue (Shares) - Fresh Issue	2,698,413
<b>Net Offer to the Public</b>	<b>9,523,346</b>
Issue Size (Rs. Cr.)	298-300
Price Band (Rs.)	313-315
Offer Date	21-Dec-20
Close Date	23-Dec-20
Face Value	5
Lot Size	47 Per Equity Share

**Issue Composition**

	In shares
Total Issue for Sale	9,523,346
QIB	4,761,673
NIB	1,428,502
Retail	3,333,171

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	51.10%	46.23%
QIB	48.90%	36.94%
NIB	0.00%	5.05%
Retail	0.00%	11.78%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

**Objects of the Issue**

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

1. To finance PCMC WTE Project through investment in subsidiaries
2. To pay-off company's consolidated borrowings by infusing debt in Subsidiary-AG Enviro
3. To meet general corporate purposes

**Book Running Lead Manager**

- Equirus Capital Private Limited
- IIFL Securities Limited

**Name of the registrar**

- Link Intime India Private Limited

**About the Company**

Incorporated in 2001, Antony Waste Handling Cell Limited is one of the leaders in India's Municipal Solid Waste Management (MSW) industry. The business is offering a full spectrum of MSW services i.e. solid waste collection, processing, transportation, and its disposal across the country. It also plays a leading position in the landfill construction and management sector. The company's key business operations include MSW C&T, MSW processing, and Mechanized sweeping project. As of August 31, 2020, Antony Waste has 17 MSW C&T, 2 MSW processing, and 4 mechanized sweeping ongoing projects. The company is undertaking many projects of Navi Mumbai Municipal Corporation (NMMC), Thane Municipal Corporation (TMC), Pimpri Chinchwad Municipal Corporation (PCMC), Mangaluru Municipal Corporation (MMC), New Okhla Industrial Development Authority (NOIDA), and Greater Noida Industrial Development Authority (GNIDA). It has a waste processing plant at the Kanjurmarg site.

**Strength**

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

The company focused on sustainable growth through careful selection of projects, reasonable bidding and thrust on cost management which have contributed significantly to its evolution as one of the key players in the MSW management sector. It believes that its ability to identify, win and execute new municipal contracts has been a core component of its growth. In addition to significantly expanding its scale and scope of operations, it has enhanced its geographic footprint across India. It believes that its established track record of more than 19 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.

**Strong track record of project execution:**

The company has an established track record of 19 years in executing solid waste projects. Having undertaken more than 25 projects as of November 15, 2020, of which 18 are ongoing, it has a 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. Kanjurmarg site (which is being currently run by Antony Lara) in Mumbai is a key success story of scientific landfill in India. As of November 15, 2020, it had processed approximately 7.63 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 18 ongoing projects as on November 15, 2020, comprises 12 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. By diversifying its internal capabilities and ongoing project portfolio across multiple municipalities with favourable dynamics, It believes that it has been able to pursue a broader range of projects in urban or semi-urban areas with limited counter-party risk, and therefore, optimize its business volume and operating margins.

**Access to technology backed vehicles and equipment enables it to manage its operations efficiently:**

It has have consistently invested in its fleet of vehicles. As of November 15, 2020, it owns a fleet of 1,147 vehicles, of which 969 were equipped with GPS technology, which allows to operate its projects efficiently. It procures the components of its

vehicles and equipment mostly from leading international suppliers, including Compost System GmbH. The company believes that vehicle ownership provides it with a competitive advantage and helps it meet its service level commitments in a cost-effective manner.

## Strategies

**Capitalize on the growth opportunities in the MSW management sector by continued focus on bidding for MSW projects:** The management and Handling Rules promoting the involvement of private agencies in waste collection, treatment and disposal. The MSW Management market is estimated at INR 50,000 million for FY2020 and is expected to reach INR 98,000 million by FY2025 at a CAGR of 14.4%. MSW generation is expected to grow at a CAGR of 8.9% (Fiscals 2020-25) to reach 115.00 million TPA by Fiscal 2025. The company believes that its past experience, financial strength, acumen and resultant credentials will make the company eligible to bid for most projects that come up for bidding in the MSW management sector. The company will continue to pursue a broad range of projects in urban or semi-urban areas with limited counter-party risk and healthy operating margins.

**Continue with rational selection of projects and strategically expand its geographical footprint:** The Company believes that, its experience in operating multiple project sites, existing presence across various geographies and service verticals combined with in-depth understanding of operating efficiencies, cost pressures and regulatory landscape, law and order situation of the prospective customers will help it in scientific selection of projects and calibrated growth by avoiding projects that may require significant investments in vehicles or manpower or which may prove to be economically unviable. The company will also 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 November 15, 2020, its portfolio of 18 ongoing projects, comprised 12 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. The Company, through its step-down subsidiary 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. 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.

**May require high working capital:** The company operates in an industry which may require it to have high working capital. Its inability to meet such working capital requirements may have a material adverse effect on its business, financial condition and results of operations.

**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.

### 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. 315, the stock is priced at pre issue P/E of 12.35x on its actual annualised FY20 EPS of Rs. 25.52. Post issue, the stock is priced at a P/E of 13.65x on its EPS of Rs. 23.08. Looking at the P/B ratio at Rs. 315 the stock is priced at P/B ratio of 2.81x on the pre issue book value of Rs.112 and on the post issue book value of Rs. 141.64 the P/B comes out to 2.22x.

On the lower end of the price band of Rs.313 the stock is priced at pre issue P/E of 12.27x on its actual annualised FY20 EPS of Rs. 25.52.Post issue, the stock is priced at a P/E of 13.56x on its EPS of Rs. 23.08. Looking at the P/B ratio at Rs. 313, the stock is priced at P/B ratio of 2.79x on the pre issue book value of Rs. 112 and on the post issue book value of Rs. 141.64, the P/B comes out to 2.21x.

### Industry overview

Indian municipal solid waste management services market is an INR 500bn industry which is expected to grow at a CAGR of 14.4% till FY 2025 driven by increase in urban population, changing consumption patterns, improved awareness of modern methods of waste management, increased participation by private players and investments by ULBs towards scientific disposal of such waste. MSW in India generally consists of compostable/biodegradable, recyclables and inerts. Compostable/ biodegradable/ organic items are food waste, from households, retail/wholesale markets and institutions such as hotels and restaurants, which account for around 48% of the overall waste composition. Recyclables include paper, plastics, metal and glass and account for 19% of the total MSW composition while the balance 33% comprises of inert waste. The Indian Waste Management Services market is in its growth stage and is gaining global attention. Due to the high cost involved for having a sustainable solid waste management, Government along with Urban Local Bodies (ULBs) are increasingly participating with the private sector through public private partnerships to find sustainable solutions for the Waste Management Industry. To tackle the growing menace arising out of waste generation, the Government has initiated several schemes at central, state, and local levels with Swachh Bharat Mission being the major one which was launched in 2014. This scheme was given a 28% hike in funds allocation during the Union Budget for the financial year FY 2020-21 with a total allocation of INR 123 Billion since the government wants to focus on better waste management. Swachh Survekshan is another scheme which monitors the performance of Swachh Bharat Mission. During Jan 2020, Swachh Survekshan was conducted in 4,242 cities, 62 cantonment boards and 92 Ganga towns.

**Source: Company RHP**

### 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 85 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:**

<b>EVENT</b>	<b>INDICATIVE DATE (On or about)</b>
Bid/Offer Opens Date	December 21, 2020
Bid/Offer Closing Date	December 23, 2020
Finalisation of Basis of Allotment with the Designated Stock Exchange	December 29, 2020
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	December 30, 2020
Credit of Equity Shares to depository accounts of Allottees	December 31, 2020
Commencement of trading of the Equity Shares on the Stock Exchanges	January 01, 2021

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

<b>Particulars</b>	<b>Period ended 30-Sep-20 (9 Months)</b>	<b>Period ended 31-Mar-20 (12 Months)</b>	<b>Period ended 31-Mar-19 (12 Months)</b>
Total Operating Income	207.39	450.51	283.69
Total expenditure	155.504	324.951	207.513
<b>Operating Profit</b>	<b>51.89</b>	<b>125.56</b>	<b>76.18</b>
OPM%	25.02	27.87	26.85
Other Income	7.709	14.101	14.829
<b>PBDIT</b>	<b>59.60</b>	<b>139.66</b>	<b>91.01</b>
Depreciation	15.54	24.24	18.33
<b>PBIT</b>	<b>44.06</b>	<b>115.42</b>	<b>72.67</b>
Interest	14.15	30.24	24.99
<b>PBT and exceptional items</b>	<b>29.90</b>	<b>85.17</b>	<b>47.68</b>
<b>Exceptional items</b>	<b>0.00</b>	<b>3.22</b>	<b>0.00</b>
<b>Profit before tax</b>	<b>29.90</b>	<b>81.96</b>	<b>47.68</b>
Tax	0.854	19.88	13.00
<b>Profit After Tax</b>	<b>29.05</b>	<b>65.29</b>	<b>34.68</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-20	As on 31-Mar-20	As on 31-Mar-19
<b>Non-current assets</b>			
Property, plant and equipment	128.09	137.85	57.58
Right of use assets	2.00	2.26	3.03
Capital work-in-progress	2.06	0.55	15.10
Intangible assets	117.93	118.74	105.00
Intangible assets under development	13.82	13.93	8.19
Financial assets			
Trade receivables	30.78	27.21	33.03
Loans	3.01	2.94	2.21
Other financial assets	143.32	137.89	150.65
Deferred tax assets (net)	12.92	8.62	9.19
Income tax assets (net)	10.66	10.46	7.31
Other non-current assets	1.73	1.92	9.68
<b>Total Non- Current Assets</b>	<b>466.32</b>	<b>462.38</b>	<b>400.95</b>
<b>Current assets</b>			
Inventories	0.07	0.10	0.09
Financial assets			
Trade Receivables	79.28	85.83	55.68
Cash and Bank balances	46.99	25.48	19.57
Other bank balances	15.89	10.00	2.47
Loans	2.90	3.75	1.84
Other financial assets	82.08	74.21	23.70
Other current assets	10.54	6.86	4.34
Assets held for sale	3.50	3.50	3.99
<b>Total current assets</b>	<b>241.25</b>	<b>209.72</b>	<b>111.69</b>
<b>Total Assets</b>	<b>707.57</b>	<b>672.10</b>	<b>512.64</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	129.99	145.13	105.51
Other financial liabilities	1.59	3.04	2.19
Provisions	51.55	43.69	30.30
Deferred tax liabilities (net)	12.11	13.16	11.56
<b>Total non-current liabilities</b>	<b>195.23</b>	<b>205.02</b>	<b>149.57</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	32.40	30.44	30.71
Trade payables			
-Total outstanding dues of micro enterprises and small enterprises	2.82	2.41	1.09
-Total outstanding dues of creditors other than micro enterprises and small enterprises	47.45	51.69	35.12
Other financial liabilities	93.60	74.53	71.09
Other current liabilities	7.61	8.11	6.44
Provisions	6.87	6.38	4.61
Current tax liabilities (net)	6.10	6.94	7.33
<b>Total current liabilities</b>	<b>196.84</b>	<b>180.49</b>	<b>156.39</b>
<b>Total liabilities</b>	<b>392.08</b>	<b>385.51</b>	<b>305.96</b>
<b>NET Worth</b>	<b>315.49</b>	<b>286.60</b>	<b>206.68</b>
Net worth represented by:			
Equity share capital	12.79	12.79	7.15
Other equity			
Equity component of compound financial instrument	0.00	0.00	102.00
Reserves and surplus	217.17	197.69	41.20
Equity attributable to owners of the parent	<b>23.00</b>	<b>21.05</b>	<b>15.04</b>
Non-controlling interests	85.53	76.12	56.33
<b>Total Equity</b>	<b>315.49</b>	<b>286.60</b>	<b>206.68</b>

## RANKING METHODOLOGY

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

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