

Antony Waste Handling Limited

IPO Note

(**CAUTIOUS**)

Analyst:

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IPO details

| Key Data | |
|--------------------------------|-------------------------|
| Issue Opens | 15-Dec-20 |
| Issue Closes | 17-Dec-20 |
| Equity Shares Offered (in mn.) | 18.77 |
| QIB | Up to 50% |
| NIB | Min 15% |
| Retail | Min 35% |
| Face Value (Rs) | 10 |
| Price Band (Rs) | 286-288 |
| Max. Issue Size (Rs mn) | 5,405 |
| Lot Size (Eq. Shares) | 50 and multiple thereof |

| Valuation | @ 313 per share | @ 315 per share |
|--------------------------|-----------------|-----------------|
| Market Cap (mn) | 8,854 | 8,910 |
| Net Debt (Rs mn) | 1,401 | 995 |
| Enterprise Value (Rs mn) | 10,255 | 9,905 |
| EV/ Sales | 2.3 | 2.2 |
| EV/ EBITDA | 8.2 | 7.9 |
| P/E | 11.4 | 11.5 |

* Calculated on EPS of FY17

Source: Red Herring Prospectus, Dealmoney Research

| | Pre Issue | | Post Issue^ | |
|----------------|-------------|-----------|-------------|-----------|
| | # mn Shares | % Holding | # mn Shares | % Holding |
| Promoters | 30.0 | 52.4% | 12.7 | 21.6% |
| Public | 27.3 | 47.6% | 27.3 | 46.5% |
| Others | 0.0 | 0.0% | 0.0 | 0.0% |
| Offer for sale | | 0.0% | 17.4 | 29.6% |
| Fresh Issue | | 0.0% | 1.4 | 2.4% |
| Total | 57.3 | 100.0% | 58.7 | 100.0% |

Object of the issue

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

Recommendation

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. with EPS at Rs 27.5 for FY 20, the stock is available at a P/E of 11.5x. We recommend to remain **CAUTIOUS** over the issue.

Company Profile

- ❑ Antony is one of the top five players in the Indian MSW management industry with an established track record of more than 19 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.
- ❑ Antony is among the select few players who have pioneered in both MSW collection and transportation sector. Antony is among the key players in landfill construction and management sector with in-house expertise for construction and management of landfills in a scientific manner. It is also present in the emerging waste management areas in India such as MSW based WTE.
- ❑ 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.
- ❑ Antony Waste is currently undertaking projects for the Municipal Corporation of Greater Mumbai (“MCGM”), the Navi Mumbai Municipal Corporation (“NMMC”), the Thane Municipal Corporation (“TMC”), Pimpri Chinchwad Municipal Corporation (“PCMC”), the North Delhi Municipal Corporation (“NDMC”), the Mangaluru Municipal Corporation (“MMC”), New Okhla Industrial Development Authority (“NOIDA”), Nagpur Municipal Corporation (“NMC”) and the Greater Noida Industrial Development Authority (“GNIDA”). They are also currently undertaking a project for Jaypee International Sports.

Source: Red Herring Prospectus, Dealmoney research

Strengths

- ❑ **A leading service provider in MSW management sector with end-to-end capabilities:** one of the top five players in the Indian MSW management industry with an established track record of more than 19 years, providing full spectrum of MSW services which include solid waste collection, transportation, sweeping, processing and disposal services across the country, primarily catering to Indian municipalities.
- ❑ **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.
- ❑ **Diversified business model:** It has a 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.

Strengths

- ❑ **Access to technology backed vehicles and equipment enables it to manage its operations efficiently:** As of November 15, 2020, the company owns a fleet of 1,147 vehicles, of which 969 were equipped with GPS technology, which allows to operate its projects efficiently. The company procure 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.
- ❑ **Experienced Promoters and management team with strong domain expertise:** The individual Promoters, namely Jose Jacob and Shiju Jacob associated with the company since its incorporation, have an experience of more than 19 years in the solid waste management industry. Further, 2 of its Promoters also serve as Whole Time Directors on its Board and have been intrinsically involved in the business operations. They have a qualified key management team, with diversified experience in the areas of operations, logistics, marketing and finance, which assists the Board in implementing its business strategies and furthering its growth. They will continue to leverage the experience of its Promoters and management team and their understanding of the solid waste industry, to take advantage of current and future market opportunities.

Future road ahead

- **Capitalize on the growth opportunities in the MSW management sector by continued focus on bidding for MSW projects:** 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. The MSW Management market is estimated at ₹ 5,000 crore for Fiscal 2020 and is expected to reach ₹ 9,800 crore by Fiscal 2025 at a CAGR of 14.4%. MSW generation is expected to grow at a CAGR of 8.9% (Fiscal 2020-25) to reach 11.50 crore TPA by Fiscal 2025.
- **Continue with rational selection of projects and strategically expand the 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.
- **Moving up the MSW value chain by diversifying into the emerging waste management areas:** :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.

Future road ahead

- ❑ **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.

Summary Financials

Income Statement

| Rs cr | FY19 | FY20 | H1FY21 |
|---------------------------|-------|-------|--------|
| Total Operating Income | 283.7 | 450.5 | 207.4 |
| Total expenditure | 207.5 | 325.0 | 155.5 |
| Operating Profit | 76.2 | 125.6 | 51.9 |
| OPM% | 26.9 | 27.9 | 25.0 |
| Other Income | 14.8 | 14.1 | 7.7 |
| PBDIT | 91.0 | 139.7 | 59.6 |
| Depreciation | 18.3 | 24.2 | 15.5 |
| PBIT | 72.7 | 115.4 | 44.1 |
| Interest | 25.0 | 30.2 | 14.2 |
| PBT and exceptional items | 47.7 | 82.0 | 29.9 |
| Exceptional items | 0.0 | 3.2 | 0.0 |
| Profit before tax | 47.7 | 85.2 | 29.9 |
| Tax | 13.0 | 19.9 | 0.9 |
| Profit After Tax | 34.7 | 65.3 | 29.1 |

Balance Sheet

| Rs cr | FY19 | FY20 | H1FY21 |
|-------------------------------------|--------------|--------------|--------------|
| SOURCES OF FUNDS | | | |
| Equity Share Capital | 7.2 | 12.8 | 12.8 |
| Other equity | 143.2 | 197.7 | 217.2 |
| Shareholders Funds | 150.4 | 210.5 | 230.0 |
| Non controlling interest | 56.3 | 76.1 | 85.5 |
| Total Loans | 136.2 | 175.6 | 162.4 |
| Other liabilities | 44.1 | 59.9 | 65.2 |
| Total Liabilities | 387.0 | 522.1 | 543.1 |
| APPLICATION OF FUNDS | | | |
| Property, plant and equipment | 57.6 | 137.9 | 128.1 |
| Right-of-use Assets | 3.0 | 2.3 | 2.0 |
| Capital work-in-progress | 15.1 | 0.6 | 2.1 |
| Intangible assets | 105.0 | 118.7 | 117.9 |
| Intangible assets under development | 8.2 | 13.9 | 13.8 |
| Investment in joint venture | - | - | - |
| Trade receivable | 33.0 | 27.2 | 30.8 |
| Current Assets | 111.7 | 209.7 | 241.2 |
| Inventories | 0.1 | 0.1 | 0.1 |
| Sundry Debtors | 55.7 | 85.8 | 79.3 |
| Cash & Bank Balance | 22.0 | 35.5 | 62.9 |
| Other Assets | 33.9 | 88.3 | 99.0 |
| Current liabilities | 125.7 | 150.0 | 164.4 |
| Net Current Assets | -14.0 | 59.7 | 76.8 |
| Other Non Current Asset | 179.0 | 161.8 | 171.6 |
| Total Assets | 387.0 | 522.1 | 543.1 |

Key Risks

- ❑ Dependent on municipal authorities
- ❑ May require high working capital
- ❑ Depend on a limited number of customers

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