

## Antony Waste Handling Cell Ltd

### Leading Player in Municipal Solid Waste.

Incorporated in 2001, Antony Waste Handling Cell Limited (AWHCL) is engaged in offering Municipal Solid Waste (MSW) management services. Company are 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. Company is among the select few players who have pioneered in both MSW collection and transportation sector. It has in-house expertise in landfill construction and management sector.

**Positives:** (a) Presence in the fast-growing MSW management industry with end-to-end capabilities (b) Strong track record of project execution (c) Long term contracts with municipalities (d) Experienced promoters and management team with strong domain expertise.

**Investment concerns:** (a) Business is dependent on municipal authorities for a substantial proportion of the revenue (b) This business involves receivables risk from municipalities, which can lead to financial instability for the company. This also restricts further investment in asset development (c) Business dependent on a limited number of customers for a significant portion of the revenue.

**Outlook & Valuation:** For Antony to grow its business it needs to win new contracts from municipalities. The top 5 clients contributed 81.8% of the revenue of the Fiscal year 2020. So in the future if a company is not able to win an existing major contract again, it will impact the financials adversely. Further, the business involves receivables risk from municipalities, which restricts the future growth opportunities. Financial conditions may be adversely affected if new municipal solid waste projects are not awarded to the company. So considering the valuation of P/E of 11.5x on FY20 basis (at the upper price band), **we recommend "NEUTRAL" rating on the issue.**

### Key Financials

Y/E March (₹ cr)	FY18	FY19	FY20
<b>Net Sales</b>	276.1	283.6	450.5
% chg	-	2.7	58.9
<b>Net Profit</b>	39.9	34.7	62.1
% chg	-	-13.1	79.0
EBITDA (%)	25.3	26.8	27.8
EPS (Rs)	22.5	20.4	27.5
P/E (on FDEPS)	23.4	25.3	11.5
ROE (%)	24.5	18.2	20.1
RoCE (%)	30.1	26.5	30.2
EV/EBITDA	12.7	12.1	7.5
EV/Sales	3.2	3.2	2.1

Angel Research; Note: Valuation ratios based on pre-issue outstanding shares and at upper end of the price band

## Neutral

Issue Open: December 21, 2020

Issue Close: December 23, 2020

Face Value: Rs.5

Present Eq. Paid up Capital: Rs12.8 cr

Offer for Sale: 0.68 cr share

Fresh issue: Rs85 cr

Post Eq. Paid up Capital: Rs14.1 cr

Issue size (amount): Rs300 cr

Price Band: Rs313-315

Lot Size: 47 shares and in multiple thereafter

Post-issue implied mkt. cap: \* Rs886cr - \*\*Rs891cr

Promoters holding Pre-Issue: 51.1%

Promoters holding Post-Issue: 46.2%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

### Post Issue Shareholding Pattern

Promoters	46.2%
Others	53.8%

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## Company background

Incorporated in 2001, Antony Waste Handling Cell Limited is engaged in offering Municipal Solid Waste (MSW) management services. The service range of the company includes solid waste collection, transportation, processing and disposal services to Indian municipalities. It has in-house expertise in landfill construction and management sector.

Company primarily undertake: (i) MSW C&T projects which involve door to door collection of MSW from households, slums, commercial establishments and other bulk-waste generators (community bins) from a designated area through primary collection vehicles like compactors, dumper placers and tippers and transportation of these materials, to the processing facility, transfer station or a landfill disposal site.; (ii) MSW processing projects which involve sorting and segregating the waste received from MSW C&T, followed by composting, recycling, shredding and compressing into RDF.

The company is a part of Antony group, which has a diversified business model including ancillary and automotive body-building industries. Antony Waste Handling Cell Ltd has completed 25 projects for municipalities and private players till November 30, 2018. The company mainly takes MSW processing projects, MSW C&T projects, and mechanized sweeping projects.

Some of the major clients of the company are Municipal Corporation of Delhi (MCD), Jaypee International Sports, and Kalyan Dombivali Municipal Corporation (KDMC).

## Issue details

AWHCL is raising ₹85 cr through fresh issue & Private equity fund selling 6,824,933 equity shares through offer for sale in the price band of ₹313-315.

### Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	13,075,780	51.1	13,075,780	46.2
Public	12,512,978	48.9	15,211,391	53.8
Total	25,588,758	100.0	28,287,171	100.0

Source: Source: RHP, Note: Calculated on upper price band

## Objectives of the Offer

- Part-financing for PCMC WTE Project through investment in the subsidiaries of the Company, AG Enviro and/or ALESPL
- Reduction of consolidated borrowings by infusing debt in the subsidiary - AG Enviro (for repayment / prepayment of portion of their outstanding indebtedness)
- General corporate purposes, subject to the applicable laws.

**Consolidated Profit & Loss Statement**

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
<b>Total operating income</b>	276.1	283.6	450.5	207.3
% chg	-	2.7	58.9	
<b>Total Expenditure</b>	206.4	207.5	325.1	155.3
Traded goods consumed	2.9	3.7	1.1	0.1
Project Expense	33.4	28	38	10.4
Employee benefit expense	64.0	66.3	114.9	73.6
Other Expenses	106.1	109.5	171.1	71.2
<b>EBITDA</b>	69.7	76.1	125.4	52.0
% chg	-	9.2	64.7	
(% of Net Sales)	25.3	26.8	27.8	25.1
Depreciation & Amortisation	12.7	18.3	24.2	15.5
<b>EBIT</b>	57.0	57.8	101.2	36.5
% chg	-	1.4	75.0	
(% of Net Sales)	20.7	20.4	22.5	17.6
Interest & other Charges	22.8	25.0	30.2	14.1
Other Income	14.6	14.8	14.1	7.7
(% of Sales)	5.3	5.2	3.1	3.7
<b>Recurring PBT</b>	48.8	47.6	85.1	30.1
% chg	-	-2.4	78.6	
Exceptional item	-	-	-3.2	-
Tax	8.9	13.0	19.8	1.0
<b>PAT (reported)</b>	39.9	34.7	62.1	29.1
% chg	-	-13.1	79.0	
(% of Net Sales)	14.5	12.2	13.8	14.0
<b>PAT attributable to:</b>				
<b>Owners</b>	29.4	27.4	42.3	19.7
<b>Minority interest</b>	10.5	7.3	19.8	9.4
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	13.5	12.5	27.5	7.7
% chg	-	-7.4	120.5	

Source: Company, Angel Research

**Consolidated Balance Sheet**

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
<b>SOURCES OF FUNDS</b>				
Equity Share Capital	1.3	7.2	12.8	12.8
Other equity	118.8	143.2	197.7	217.2
<b>Shareholders Funds</b>	<b>120.1</b>	<b>150.4</b>	<b>210.5</b>	<b>230.0</b>
<b>Non controlling interest</b>	<b>49.1</b>	<b>56.3</b>	<b>76.1</b>	<b>85.5</b>
<b>Total Loans</b>	<b>111.3</b>	<b>136.2</b>	<b>175.6</b>	<b>162.4</b>
Other liabilities	31.7	44.1	59.9	65.2
<b>Total Liabilities</b>	<b>312.2</b>	<b>387.0</b>	<b>522.1</b>	<b>543.1</b>
<b>APPLICATION OF FUNDS</b>				
Property, plant and equipment	40.0	57.6	137.9	128.1
Right-of-use Assets	1.5	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	105.6	8.2	13.9	13.8
Investment in joint venture	-	-	-	-
Trade receivable	28.4	33.0	27.2	30.8
<b>Current Assets</b>	<b>113.4</b>	<b>111.7</b>	<b>209.7</b>	<b>241.2</b>
Inventories	0.1	0.1	0.1	0.1
Sundry Debtors	44.3	55.7	85.8	79.3
Cash & Bank Balance	33.7	22.0	35.5	62.9
Other Assets	35.4	33.9	88.3	99.0
Current liabilities	115.9	125.7	150.0	164.4
<b>Net Current Assets</b>	<b>-2.5</b>	<b>-14.0</b>	<b>59.7</b>	<b>76.8</b>
Other Non Current Asset	139.2	179.0	161.8	171.6
<b>Total Assets</b>	<b>312.2</b>	<b>387.0</b>	<b>522.1</b>	<b>543.1</b>

Source: Company, Angel Research

**Consolidated Cash Flow Statement**

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
Loss before tax	48.8	47.7	82.0	29.9
Depreciation	12.7	18.4	24.2	15.5
Change in Working Capital	(29.8)	(37.6)	(19.5)	(10.5)
Interest Expense	18.4	19.3	23.9	11.0
Direct Tax Paid	(8.5)	(14.1)	(20.9)	(7.1)
Others	(5.5)	(2.9)	6.0	(1.9)
<b>Cash Flow from Operations</b>	<b>36.1</b>	<b>30.7</b>	<b>95.8</b>	<b>37.1</b>
(Inc.)/ Dec. in Fixed Assets	4.1	(62.2)	(107.4)	(4.5)
Changes in investment	(1.3)	(4.5)	(10.2)	(6.3)
Interest income received	11.3	13.0	13.9	7.6
<b>Cash Flow from Investing</b>	<b>14.1</b>	<b>(53.7)</b>	<b>(103.7)</b>	<b>(3.2)</b>
Changes in Borrowings	(10.1)	33.9	42.5	(0.5)
Interest paid	(16.2)	(16.5)	(21.1)	(11.4)
Dividend on preference share	(3.1)	(5.6)	-	-
Others	(0.1)	(0.8)	(7.5)	(0.5)
<b>Cash Flow from Financing</b>	<b>(29.5)</b>	<b>11.1</b>	<b>13.9</b>	<b>(12.4)</b>
Inc./ (Dec.) in Cash	20.7	(11.9)	5.9	21.5
<b>Opening Cash balances</b>	<b>10.9</b>	<b>31.5</b>	<b>19.6</b>	<b>25.5</b>
<b>Closing Cash balances</b>	<b>31.5</b>	<b>19.6</b>	<b>25.5</b>	<b>47.0</b>

Source: Company, Angel Research

**Key Ratios**

Y/E March	FY18	FY19	FY20
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	23.4	25.3	11.5
EV/Sales	3.2	3.2	2.1
EV/EBITDA	12.7	12.1	7.5
<b>Per Share Data (Rs)</b>			
EPS (Basic)	22.5	20.4	27.5
EPS (fully diluted)	13.5	12.5	27.5
<b>Returns (%)</b>			
Angel ROIC (Pre tax)	49.4	25.6	30.4
ROE	24.5	18.2	20.1
ROCE	30.1	26.5	30.2
<b>Turnover ratios (x)</b>			
Receivables (days)	58.5	71.7	69.5
Inventory (days)	0.1	0.1	0.1
Payables (days)	41.8	46.6	43.8
Working capital cycle (days)	16.8	25.2	25.8

Source: Company, Angel Research (Valuation at the upper price band)

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