

**Details of the Issue**

Price Band	₹ 313 - ₹ 315
Issue Size	₹ 300 Cr
Opening Date	Dec 21, 2020
Closing Date	Dec 23, 2020
Face Value	₹ 5
Bid Lot	47
Listing on	BSE, NSE

**Objects 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 general corporate purposes.

**Lead Managers**

Equirus Capital Private Limited  
IIFL Holdings Limited

**Registrar**

Link Intime India Private Ltd

**Offer**

Fresh Issue	₹ 85 Cr
OFS *	₹ 215 Cr

\*Leeds, Guildford, Cambridge and Tonbridge Ltd. are the selling shareholders

**Investment Details**

No. of shares at cut-off	611
Max. Amount to be paid	₹ 1,92,465

**Minimum Bid**

Quantity	47
Amount	₹ 14,805

Source: RHP, GEPL Capital Research

**Company Background**

Antony Waste Handling Ltd. (AWML) is one of the top five players in the MSW management industry, providing full spectrum of MSW services which includes **solid waste collection, transportation, processing and disposal services** across the country, primarily catering to Indian Municipalities. (Source: Frost & Sullivan Report).

**Key Business Activities** - (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 (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 (iii) **Mechanized sweeping projects** which involve deploying of power sweeping machines, manpower, comprehensive maintenance, consumables, safe disposal of the waste

**Key Clients** - 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")

As on November 15, 2020, their portfolio consists of **18 ongoing projects**, comprised 12 MSW C&T projects, two MSW processing (including WTE) project and four mechanized sweeping projects.

**Promoters** - Jose Jacob Kallarakal, Shiju Jacob Kallarakal and Shiju Antony Kallarakal

**Strengths & Strategies****End-to-end capabilities in MSWM**

AWML is among the key players in sanitary as well as bio-reactor landfill construction and management sector with in-house expertise for landfill construction along with its management. It also has an established track record of more than 19 years

**Cluster Project Approach**

As of November 15, 2020, AWML has five ongoing projects clustered around the MMR and six ongoing projects clustered around NCR regions. By leveraging the manpower and equipment that is setup at nearby sites, it attempts to rationalize managerial costs and overheads, thus achieving economies of scale. 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 the Kanjurmarg site since Fiscal 2010.

**Moving up the value chain**

The Indian waste-to-energy market is in its nascent stage and holds huge potential in the long run. With increasing energy demand and government initiatives, WTE market is anticipated to see more PPP (Public Private Partnership) based projects. The company is currently engaged in bio-mining at our Kanurmarg site, as this forms an integral part of the bio-reactor landfill and also intends to continue to bid for bio-mining projects

**Project across several states**

AWML is currently undertaking projects in multiple States / Union Territories such as Maharashtra, Uttar Pradesh, Delhi, Karnataka, Rajasthan, Haryana and Punjab. AWML plans to continue to expand into states with high GDP, growing urbanization, high standard of living, favourable geographic and climatic conditions. Municipal waste management services have been controlled by relevant municipal corporations with only 30-35% being managed by professional waste management players.

### COVID - 19 Update & Key Risk Factors

Of the current order book of 18 ongoing projects, 17 projects have been awarded by municipal corporations, which present risks towards budgetary allocations and municipal spending. Projects are awarded on price competitiveness and competition in the bidding process could be sticky.

For example, in each of Fiscals 2020, 2019 and 2018, the company secured two, five and one new contracts respectively, as we note, the contract wins have also been very variable.

The business is currently concentrated to a select number of customers, any adverse development with such customer, including as a result of a dispute with or disqualification by such major customers, may result in AWML experiencing a significant reduction in cash flows and liquidity. As on September 2020, the **top 5 customers constituted ~78% of revenues.**

### Valuation & Recommendation

MSW projects are typically awarded following a competitive bidding process and satisfaction of prescribed technical and financial pre-qualification criteria. There are approximately 25 participants in the MSWM market offering various services. Many infrastructure and environment services companies are present in this market. The awarding of contracts also depends on the grants and budget given by states to their municipalities.

Although future growth may come from moving into more geographies, and Waste To Energy projects, the contract wins in the past have been unstable. Although existing contracts with an average tenure of 7-10 years provides some comfort on the revenues going forward, we would remain cautious considering the variability of contract wins in the past and increasing competitive intensity.

**The offer is priced at a ~6x EV/EBITDA of FY20 and ~20x P/E on annualized H1FY21 EPS. We recommend a subscribe rating for potential listing gains.**

### Financial Snapshot

Particulars (₹ million)	H1FY21	FY20	FY19	FY18
Equity Share capital	127.94	127.94	71.51	13.08
Net worth	2,299.63	2,104.81	1,503.52	1,201.16
Total Revenue	2,151.01	4,646.11	2,985.18	2,907.78
Net Profit / (Loss) after tax	290.50	620.76	346.82	398.84
Earnings per share (in ₹)	7.68	27.48	12.46	13.45
NAV per Equity Share (in ₹)	89.87	136.81	111.74	91.86
Total Borrowings	2,089.11	2,093.76	1,838.01	1,525.65

(In ₹ million except per share data)

Source: RHP, GEPL Capital Research

## NOTES

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