

JINANAND

Research Analyst

Stock Conviction

Antony Waste Handling Cell Ltd

Waste 2 Wealth



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SEBI Registration No.: INH000008215

April 25, 2023

Key Data

Rating	Buy - Initiating new buy
Sector	Waste Management
Current Market Price	Rs. 250
Target Price	Rs. 330
Time Horizon	3 to 4 Quarters

Stock Data

Shares Outstanding	2.83 crores shares
Market Capitalisation	Rs. 707 crores
52 Week High / Low	High Rs. 369 / Low Rs. 234
Face Value	Rs. 5
Exchange Code	NSE: AWHCL / BSE: 543254

Investment Highlights

- ❖ Antony Waste is a proxy listed play in overall waste management space in India. Looking at its financials & operating metrics we believe Antony Waste is fully poised to unlock the potential of Municipal Solid Waste (MSW) management in India.
- ❖ It is 2nd largest domestic player with more than 2 decades of operational excellence. Its strong track record of executing several contracts in last 2 decades, gives comfort to Company's ability to winning new contracts to drive growth.
- ❖ The Company has end to end management capabilities of MSW. It has presence across the entire value chain of MSW services which includes MSW collection & transportation, MSW processing & disposal projects, landfill construction & management, mechanised sweeping and in the emerging waste management area in India which is MSW based Waste to Energy (WTE).
- ❖ The WTE plant will start generating revenue from FY24, which will improve the processing revenue. Compost & RDF sales have also been improving. The multi-year order nature provides long term revenue visibility.

- ❖ The Company has recently bagged mechanical sweeping (161 km per day) contract from Pimpri Chinchwad Municipal Corporation. This 7 years contract is worth 80 Cr.
- ❖ The Company has entered into a newer segment and has bagged collection, transportation, processing and disposal of construction and demolition waste in Mumbai City from BMC of 600 tons per day. This 20 years contract is worth 1024 Cr.
- ❖ It operates largest single location waste processing plant in Asia, where it processes 60% of waste generated in Mumbai.
- ❖ In FY22 Company has diversified revenue streams. It has 62% revenue contribution from MSW C&T, 23% from MSW Processing and balance 15% from contracts & other activities.
- ❖ For the FY 2019-22 Company has given strong financial performance. It showed a CAGR of 31% in Revenue, 25% in EBITDA, 43% in Net Profit and 41% in cash flow from operations.
- ❖ The Company follow cluster based approach for growth and also focuses on municipal corporations with strong financials & credit ratings. They are selling recyclables and RDF to get an extra source of revenue.

Catalyst

Traditionally MSW was collected & transported by local municipal corporations. Over the years government has opened this space for private players, and hence this value migration will remain a significant tailwind for the Company.

What we don't like

Company's revenue is depended on municipal corporations, which leads to high trade receivable days and penalties for breach of contracts.

Believe it or not!

Of the total municipal solid waste generated in India, only 30-35% gets scientifically processed and remaining is deposited at dump yards.

Quarterly Updates

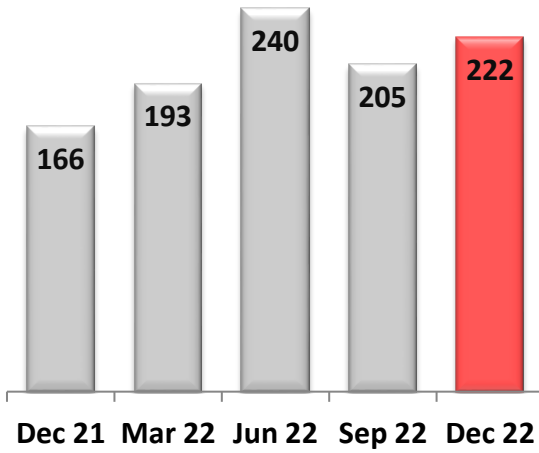
Quarterly P&L (Crores)	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Revenue from Operations	165.81	192.84	239.68	204.56	222.31
Raw Material	0.23	0.28	0.26	0.21	0.08
Employee Cost	52.69	45.26	49.93	54.77	55.22
Project Cost	5.80	30.89	64.74	27.17	45.58
Other Expenses	70.85	70.28	76.17	76.64	87.16
EBITDA	36.24	46.12	48.58	45.76	34.26
EBITDA Margin (%)	21.86	23.92	20.27	22.37	15.41
Depreciation	8.67	8.52	8.31	8.37	9.62
EBIT	27.56	37.60	40.27	37.39	24.64
EBIT Margin (%)	16.62	19.50	16.80	18.28	11.08
Finance Cost	4.91	4.00	5.55	6.36	6.00
PBT	22.65	33.59	34.72	31.04	18.64
Tax Expense	3.65	8.16	6.07	3.53	2.62
PAT	19.00	25.43	28.65	27.51	16.02
PAT Margin (%)	11.46	13.19	11.95	13.45	7.21
Total Comprehensive Income (Owners)	13.03	20.06	23.20	23.32	12.00
Non Controlling Interest	5.98	5.37	5.45	4.19	4.02
Earnings Per Share (Rs.)	4.61	7.09	8.20	8.24	4.24

Quarterly Highlights	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Revenue from MSW C&T	109	108	115	116	114
Revenue from MSW Processing	39	38	41	45	44
Revenue from Contract & Others	18	47	84	44	64
Cumulative Waste Processed (mmt)	10.61	11.01	11.66	12.23	13.13
Owned Vehicles Fleet	1150	1221	1754	1959	2091
Debtors Days	74	70	77	72	61

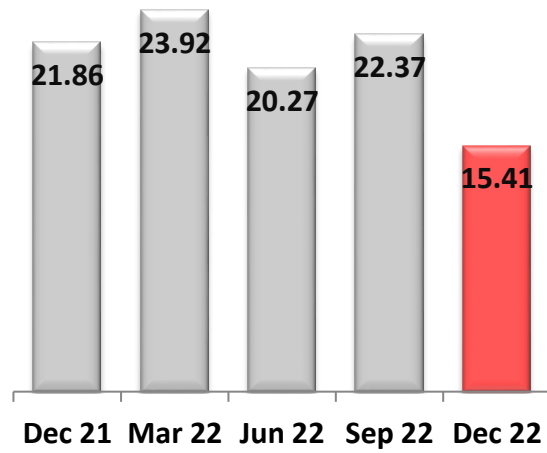
- ❖ The total operating revenue for Q3FY23 was Rs. 222.31 Cr (+8.67% QoQ). Company has shown a lower EBITDA of Rs. 34.26 Cr due to provision of receivables by Rs. 14.20 Cr.
- ❖ Total operating revenue for Q4FY23 has improved by 14% YOY.
- ❖ Nashik C&T project started operation in Dec 2022.
- ❖ RDF sales were 19226 tons in Q4FY23 against 15337 tons in Q3FY23.
- ❖ The total tonnage handled for Q4FY23 stood at 1.04 mt (+9% YoY), due to scaling up of its Collection & Transportation and Waste Processing operations.
- ❖ In its C&T business for Q4 FY23 the Company managed 0.41 mt (+6% YoY), while Waste Processing business handled about 0.63 mt (+10% YoY).
- ❖ Recently CARE has upgraded companies rating from BBB to BBB+.
- ❖ The total debt as of Dec 22 stood at Rs. 342 Cr and net debt is at Rs. 254 Cr.

Quarterly Charts

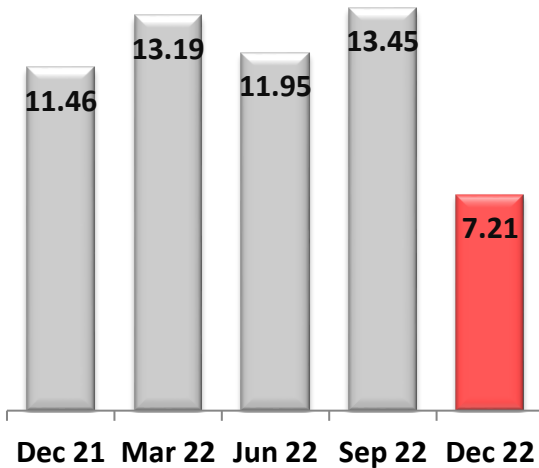
Revenue (Crores)



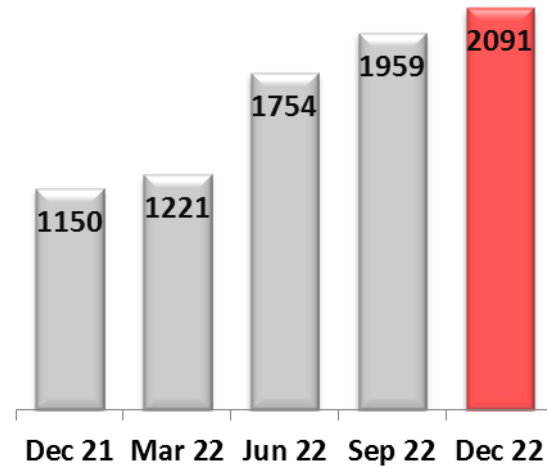
EBITDA Margin %



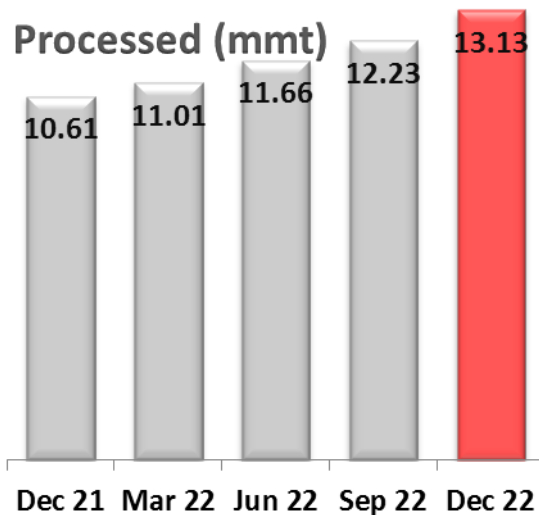
PAT Margin %



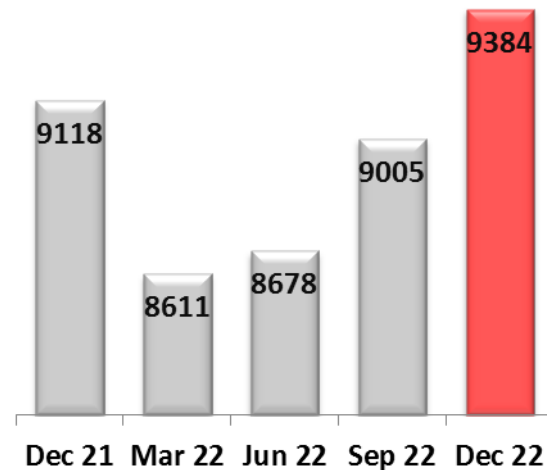
Owned Vehicles Fleet



Cumulative Waste Processed (mmt)



Full Time Employees



Financials (Consolidated)

Balance Sheet (Rs. in Crores)	Mar 18	Mar 19	Mar 20	Mar 21	Mar 22
Equity Share Capital	1.30	7.20	12.79	14.14	14.14
Other Equity	138.50	171.90	211.27	333.68	402.62
Networth	139.80	179.10	224.06	347.82	416.77
Minority Interest	45.90	56.20	75.81	94.78	115.93
Interest Bearing Liabilities	80.60	105.50	145.13	84.53	102.36
Lease Liability	0.00	0.00	3.04	3.31	3.22
Other Liability	29.70	41.90	54.97	68.26	89.23
Non-Current Liabilities	110.30	147.40	203.14	156.10	194.82
Interest Bearing Liabilities	52.40	61.40	64.20	64.81	67.93
Lease Liability	0.00	0.00	0.92	1.12	1.10
Trade Payables	31.70	36.20	54.26	60.91	87.11
Other Liability	61.90	56.00	63.14	67.21	81.11
Current Liabilities	146.00	153.60	182.52	194.06	237.25
EQUITY AND LIABILITIES - TOTAL	442.00	536.30	685.53	792.76	964.76
Net Fixed Assets	40.00	72.70	138.40	124.75	123.28
Right to use Assets	0.00	0.00	2.19	2.19	2.27
Intangible Assets	105.60	113.20	132.68	132.24	173.15
Trade Receivables	13.60	61.50	40.71	43.35	38.04
Other Assets	141.40	179.00	161.83	178.64	281.74
Non-Current Assets	300.60	426.40	475.81	481.16	618.48
Cash & Cash Equivalents	33.60	22.00	35.47	128.26	92.80
Inventories	0.10	0.10	0.10	0.09	0.13
Trade Receivables	72.30	55.70	85.83	89.51	127.69
Other Assets	35.40	32.10	88.32	93.74	125.66
Current Assets	141.40	109.90	209.72	311.60	346.28
ASSETS - TOTAL	442.00	536.30	685.53	792.76	964.76

- ❖ The Networth of the Company has grown at 30.13% CAGR in last 5 years.
- ❖ Trade Receivable to Sales ratio has been reduced from 30% to 25% in last five years.

Financials (Consolidated)

P&L Account (Rs. in Crores)	Mar 18	Mar 19	Mar 20	Mar 21	Mar 22
Revenue from Operations	288.25	298.53	464.61	480.76	666.79
Change (%)	0.87	3.57	55.60	3.48	38.69
Raw Material	56.46	31.77	28.60	13.30	50.13
Employee Cost	64.18	66.33	114.87	154.14	191.54
Other Expenses	86.25	111.32	181.48	183.05	258.62
Total Expenditure	206.89	209.42	324.95	350.49	500.29
% of Sales	71.77	70.15	69.94	72.90	75.03
EBITDA	81.36	89.11	139.66	130.27	166.50
Margin (%)	28.23	29.85	30.06	27.10	24.97
Depreciation	12.54	17.69	24.25	31.22	33.31
EBIT	68.82	71.42	115.41	99.05	133.19
Finance Cost	22.66	24.57	30.25	28.46	20.49
Exceptional Item	0.00	0.00	18.22	0.00	0.00
PBT	46.16	46.85	66.94	70.59	112.69
Tax Expense	7.68	15.34	19.79	6.52	22.29
PAT	38.48	31.51	47.15	64.07	90.40
Total Comprehensive Income (Owners)	28.87	24.72	27.36	45.04	67.89
Earning Per Share (Rs.)	110.38	18.37	17.78	17.14	24.00

- ❖ The total gross revenue from operations of the Company has grown at 18.47% CAGR in last 5 years.
- ❖ The revenue from MSW C&T and MSW Processing is showing a steady growth of 25% CAGR in last 5 years.
- ❖ The EBITDA of the Company has grown at 17.52% CAGR in last 5 years.
- ❖ The PAT of the Company has grown at 20.48% CAGR in last 5 years.
- ❖ The PAT for the year Mar 22 is Rs. 90.40 crores whereas Cash PAT for the same year was Rs. 123.71 crores.
- ❖ In the year Mar 20 the Company has shown exceptional item loss of Rs. 18.22 crores, which includes w/off of trade receivables and IPO expenses.
- ❖ The employees to sales cost has been reduced from 32% in Mar 21 to 29% in Mar 22.

Financials (Consolidated)

Cash Flow (Rs. in Crores)	Mar 18	Mar 19	Mar 20	Mar 21	Mar 22
Profit Before Tax	46.16	46.85	66.94	70.59	112.69
Depreciation	12.54	17.69	24.25	31.22	33.31
Change in Working Capital	-13.42	-36.81	-6.81	9.41	-38.77
Total Tax Paid	-8.54	-14.06	-20.92	-17.11	-20.70
Other Operating Activities	12.91	15.97	44.97	17.39	19.61
Cash Flow from Operating Activities (A)	49.65	29.64	108.43	111.51	106.15
Capital Expenditure	-8.70	-62.23	-107.41	-18.49	-110.10
Free Cash Flow	40.95	-32.59	1.02	93.02	-3.95
Change in Investments	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	12.18	8.74	-8.96	-14.28	-30.18
Cash Flow from Investing Activities (B)	3.48	-53.49	-116.37	-32.77	-140.28
Equity Capital Raised	0.00	0.00	0.01	85.00	0.00
Debt Raised / Repaid	-10.13	33.95	42.46	-60.02	20.95
Other Financing Activities	-22.30	-22.03	-28.62	-28.64	-16.81
Cash Flow from Financing Activities (C)	-32.43	11.92	13.85	-3.67	4.14
Net Change in Cash (A + B + C)	20.70	-11.93	5.91	75.07	-29.98
Opening Cash Balance	10.88	31.50	19.57	25.48	100.55
Closing Cash Balance	31.58	19.57	25.48	100.55	70.57

- ❖ The Company is having a positive cash flow from operating activities in all the last 5 years.
- ❖ It is observed that large amount of cash is invested in working capital and that also specifically in trade receivables.
- ❖ We have also observed that in the last 5 years trade receivables to sales ratio have reduced from 30% to 25%.
- ❖ Majority of the operating cash flow is used in doing capital expenditures; we have observed that Company is also raising debt to finance these capital expenditures.
- ❖ In Dec 2020 Company has come out with an IPO and has raised Rs. 85 crores.

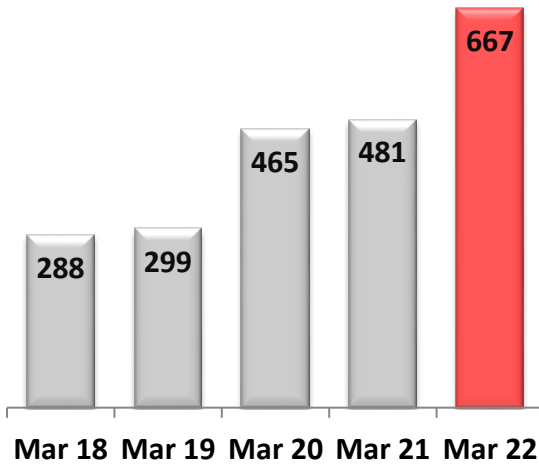
Financials (Consolidated)

Key Ratios	Mar 18	Mar 19	Mar 20	Mar 21	Mar 22
Return Ratios (%)					
ROCE	23.25	18.66	22.94	16.54	18.31
ROE	20.72	13.39	15.72	14.48	16.97
Growth (%)					
Revenue	0.87	3.57	55.63	3.48	38.69
EBITDA	9.52	9.53	56.73	-6.72	27.81
EBIT	8.88	3.78	61.59	-14.18	34.46
PAT	8.06	-18.11	49.64	35.89	41.10
Per Share Data (Rs.)					
EPS	110.38	18.37	17.78	17.14	24.00
BVPS	537.69	124.38	87.59	122.96	147.33
Solvency Ratio (x)					
Debt / Equity	0.72	0.71	0.71	0.35	0.33
Net Debt / Equity	0.54	0.62	0.59	0.06	0.15
Valuations (x)					
P/E	2.25	13.50	13.95	14.47	10.33
P/BV	0.46	1.99	2.83	2.02	1.68
EV / Sales	0.46	1.67	1.74	1.50	1.17
EV / EBITDA	1.62	5.61	5.79	5.55	4.68

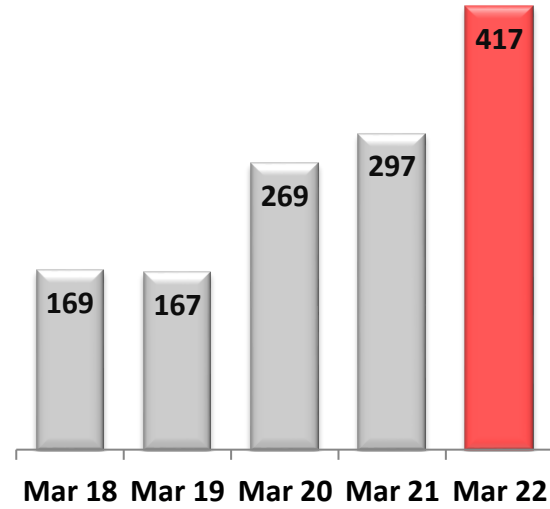
- ❖ The Company has adequate Debt Service Coverage Ratio (DSCR) coupled with escrow mechanism and adequate liquidity. An escrow mechanism ensures priority of term loan repayment.
- ❖ The consolidated average cost of borrowing of the Company has been reduced from 12.40 %(Mar 2020) to 9.70 %(Dec 2022).

Yearly Charts

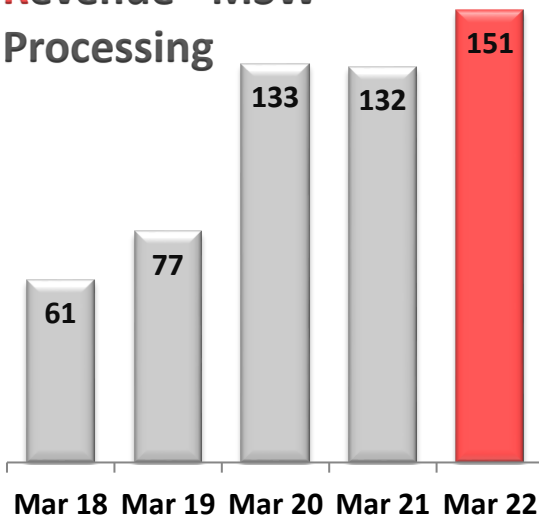
Revenue (Crores)



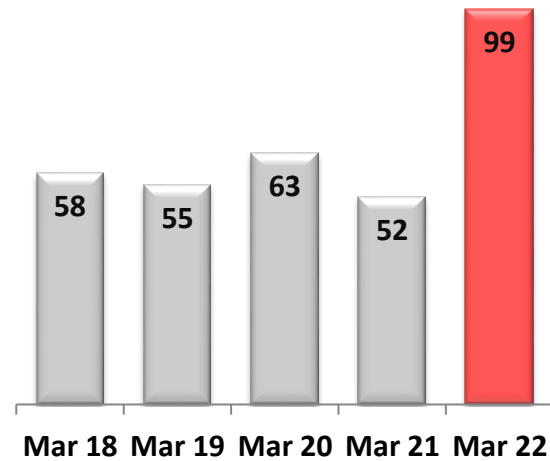
Revenue - MSW C&T



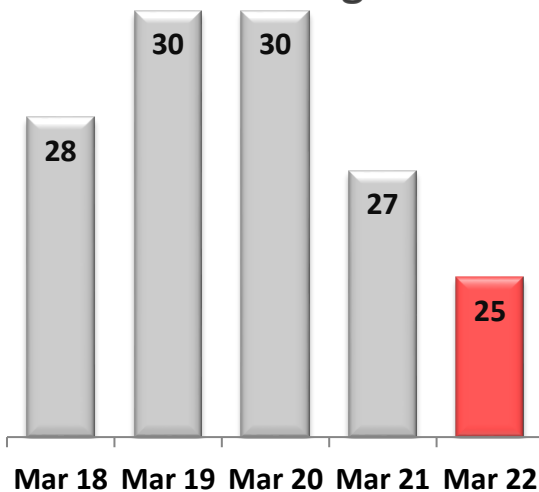
Revenue - MSW Processing



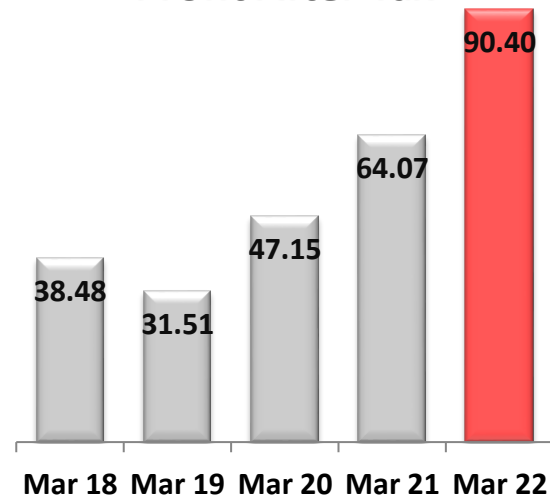
Revenue - Contracts



EBITDA Margin %



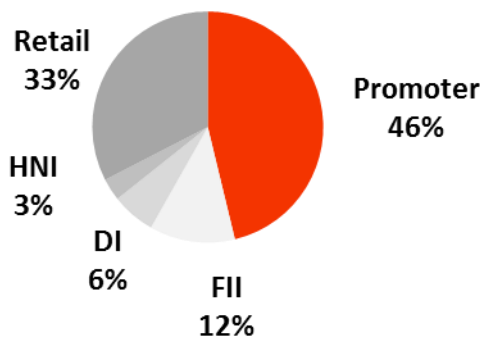
Profit After Tax



Shareholding Pattern

Shareholding Pattern (%)						
	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23
Promoters	46.23	46.23	46.23	46.23	46.23	46.23
FII's	11.27	11.76	12.24	13.16	12.54	11.97
DII's	7.82	6.67	5.91	6.48	6.30	6.12
Public	34.68	35.34	35.62	34.13	34.93	35.68
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Shareholding Pattern



Main Investors (%)

Massachusetts Inst. of Tech	6.96
238 Plan Associates LLC	1.63
SBI Magnum Comma Fund	2.63
Long Term Equity Fund	1.52
Tata AIG General Insurance	1.98
AIIL	1.73
Sarah Faisal Hawa	1.39

Source: BSE

- ❖ The Company came with an IPO for 9523345 shares at Rs. 315 each on 21/12/2020.
- ❖ Anchor Investor Massachusetts Institute of Technology (MIT) who bought 1269564 shares at the time of IPO is holding 1968000 as on Mar 2023.
- ❖ Anchor Investor 238Plan Associates LLC (MIT Group) who bought 317485 shares at the time of IPO is holding 462000 as on Mar 2023.
- ❖ Tata AIG General Insurance Company Limited also an Anchor Investor increased its holding from 158815 to 559487 shares.
- ❖ HNI Investor Sarah Faisal Hawa bought 392382 shares in Mar 2023 quarter.
- ❖ Authum Investment & Infrastructure Ltd is holding 489997 shares since 30/09/2021.
- ❖ The numbers of public shareholders have reduced from 65749 on 31/03/2022 to 55680 on 31/03/2023.

Board of Directors and Management**Jose Jacob Kallarakal** - Chairman & Managing Director

Mr. Jose Jacob is a B.E. in Mechanical Engg from Bharati Vidyapeeth's College of Engg., University of Mumbai. He has also done an Authentic Leader Development course from Harvard Business School, Boston. He has over 20 years' experience in waste management. He is majorly responsible for the business development initiatives.

Shiju Jacob Kallarakal - Executive Director

Mr. Shiju Jacob is a B.E. in Chemical from Bharati Vidyapeeth's College of Engg., University of Mumbai. He has over 20 years of experience in waste management and overlooks the business development with the legal functions of the company.

Shiju Antony Kallarakkal - Non-Executive Director

Mr. Shiju Antony has over 20 years of experience in automobile sector and more than 6 years in waste management sector.

Ajit Kumar Jain - Independent Director**Suneet K Maheshwari** - Independent Director**Priya Balasubramanian** - Independent Director**N G Subramanian** – Group CFO

Mr. Subramanian is a qualified Cost & Management Accountant and has been associated with the company since 2007 and has played a critical part in the company's journey towards becoming a pioneering municipal waste management company. He has helped develop a comprehensive vision for the company which has moved from a Rs. 17 crores to Rs. 660+ crores entity. He played a pivotal role in guiding the company through its successful IPO in Dec 2020. He oversees the overall finance and accounts function including audit, controls, MIS, treasury and investor relations.

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