## Initiating Coverage

# Antony Waste Handling Cell Ltd

January 19, 2022

# Antony Waste Handling Cell Ltd

| Industry | LTP | Recommendation | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|---|---|---|---|---|---|
| Waste management | Rs.332 | Buy between Rs.330-336 & add more on dips of Rs.294 | Rs.378 | Rs.406 | 2 quarters |

| | |
|---|---|
| HDFC Scrip Code | ANTONYWASTE |
| BSE Code | 543254 |
| NSE Code | AWHCL |
| Bloomberg | AWHCL IN |
| CMP Jan 18, 2022 | 332 |
| Equity Capital (Rs Cr) | 14.1 |
| Face Value (Rs) | 5 |
| Equity Share O/S (Cr) | 2.8 |
| Market Cap (Rs Cr) | 912 |
| Book Value (Rs) | 123 |
| Avg. 52 Wk Volumes | 350124 |
| 52 Week High | 455.2 |
| 52 Week Low | 241.0 |

| Share holding Pattern % (Dec, 2021) | |
|---|---|
| Promoters | 46.2 |
| Institutions | 19.1 |
| Non Institutions | 34.7 |
| Total | 100.0 |


* Refer at the end for explanation on Risk Ratings

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## Our Take:

Antony Waste Handling Cell limited (AWHCL), with presence of over two decades, has become a comprehensive service provider in Municipal Solid Waste (MSW) market. It provides full spectrum of MSW services which includes solid waste collection, transportation, processing and disposal services across India, majorly catering to municipalities. The company is also among the key players in landfill construction and management sector with in-house expertise for construction and management of landfills in a scientific manner. At Kanjurmarg, Mumbai the company has the largest single location waste processing plant in Asia. It is also present in the emerging waste management areas in India such as MSW based Waste to Energy (WTE) and bio-mining. As of Q2FY22, the company has 19 ongoing and revenue generating projects and multiple years project nature provides long term revenue visibility. Recently, it has won order from NDMC with approximate project revenue of Rs.1,000 Cr in next ten years. The company has adopted latest technologies and innovations for the various facets of the operations. Vehicle ownership provides a competitive advantage and helps the company meet the service level commitments in a cost-effective manner.

Indian MSW industry is at nascent stage and provides huge long term opportunities (only 30-35% of waste gets scientifically processed; remaining is disposed in open dumps); AWHCL being one of the largest players with established track record in the industry remains in a sweet spot. MSW waste generation in India is expected to grow at 8.9% CAGR over FY20-25E, while MSWM market is expected to double in size from ~Rs.50 bn in FY20 to ~Rs.98bn in FY25E. The company has 65% volume share in processing segment of total MSW in Mumbai.

Higher customer & geographical concentration are the key concerns for the company. Any adverse finding by the IT department from the recent search could impact the business and stock price over short term.

## Valuation & Recommendation:

We are enthused about the potential of the MSW segment and AWHCL being one of the prime players here could be a beneficiary of this. The company has reported a strong advance Q3FY22 business update, where operating revenue has improved by 22% YoY driven by improvement in tonnage handled and processed by the company. Compost sales have also been improving. The multiple years order nature of the business provides long term revenue visibility for the company. The WTE plant will start generating revenue from FY24E, which will improve the processing revenue. We have envisaged 17% CAGR for revenue over FY21-24E, where in 64% is expected to be contributed by C&T MSW, 26% would come from MSW Processing and remaining from other businesses. We expect the company to deliver EBITDA/PAT CAGR of 16%/23% over FY21-24E. AWHCL has been seeing gradual reduction in debt despite capex needs. We have estimated debt to equity ratio at 0.25x for FY24E from 0.43x in FY21. Operating efficiencies and prudent capital management techniques have helped the company in maintaining the return ratios at around 15% in the past two years and we feel that AWHCL could maintain this trajectory for the next 2-3 years also. Management has guided that they expected the company to grow by 20-25% CAGR over next 2-3 years and there could be a strong growth in the order wins during the same time. The company is trading at a decent valuation of 14x / 11.3x FY23E /FY24E adjusted earnings.

We feel investors can buy AWHCL between Rs.330-336 (11.9x Dec-23E EPS) & add more on dips of Rs.294 (10.5x Dec-23E EPS) for the base case fair value of Rs.378 (13.5x Dec-23E EPS) and for the bull case fair value of Rs.406 (14.5x Dec-23E EPS) over the next two quarters.

**Financial Summary (Consolidated) (Rs.Cr)**

| | Q2FY22 | Q2FY21 | YoY (%) | Q1FY22 | QoQ (%) | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Income | 158.4 | 119.6 | 32.4 | 149.7 | 5.8 | 464.6 | 480.8 | 561.2 | 635.1 | 770.3 |
| EBITDA | 42.4 | 32.7 | 29.7 | 41.7 | 1.7 | 139.7 | 130.3 | 147.2 | 169.0 | 205.8 |
| RPAT | 23.6 | 17.8 | 32.6 | 22.3 | 5.8 | 65.4 | 64.1 | 69.5 | 78.5 | 94.7 |
| APAT | | | | | | 28.6 | 45.0 | 52.1 | 67.2 | 83.4 |
| EPS | | | | | | 17.8 | 17.1 | 18.4 | 23.7 | 29.5 |
| RoE | | | | | | 15.3 | 15.8 | 13.6 | 14.8 | 15.6 |
| RoCE | | | | | | 22.9 | 16.5 | 16.1 | 16.3 | 17.3 |
| P/E | | | | | | 18.7 | 19.4 | 18.1 | 14.0 | 11.3 |
| P/BV | | | | | | 3.8 | 2.7 | 2.3 | 1.9 | 1.6 |

(Source: Company, HDFC sec)

**Q2FY22 Result Update**

The total operating revenue for Q2FY22 was Rs. 158.4Cr (32%/6% YoY /QoQ) out of which Rs.105.1 Cr was from MSW C&T and Rs.37.6 Cr was from MSW Processing segment. The revenue improved due to increased tonnage because of easing of lockdown. EBITDA Margin came at 26.8% for the quarter compared to 27.9% in Q1FY22 and 27.4% in Q2FY21. Consolidated PAT has increased by 6% QoQ to Rs. 23.6 Cr as compared to Rs. 22.3 Cr in Q1FY22. During the quarter, the company has registered volume growth of 12% and 4% in MSW C&T business as well as MSW processing business respectively as compared to Q1FY22. Total compost sales for Q2FY22 stood at 2,908 tons compared to 4,850 tons in Q1FY22 and 3,327 tons in Q2FY21. MSW C&T sales are up by 11% to Rs. 105 Cr in Q2FY22 as compared to Rs. 95 Cr in Q1FY22. MSW Processing sales are up by 4% at Rs. 38 Cr in Q2FY22 as compared to Rs. 36 Cr in Q1FY22. The management has informed that the groundwork / pre-operating activities at the Greater Noida bio-mining project are progressing well and they are expecting that it will start contributing to revenue from current quarter.

**Q3FY22 business update:** Total Operating Revenue for Q3FY22 has improved by approximately 22% YoY, and on a sequential basis, has remained stable. Total tonnage handled by C&T Business has reported around 13% growth YoY and 3% QoQ, while total waste processed by the Company during Q3FY22, has improved by 6% YoY and 4% QoQ. Total compost sales during Q3FY22 stood at 3,144 tons as compared to 2,908 tons in Q2FY22 and 2,291 tons in Q3FY21.

## Long-term triggers

**Scope in participating in privatised MSW collection**

Post 2000, Municipal corporations are free to outsource the collection and processing of solid waste to private players for better waste management. There is gradual progress in this process. Only 4 out of 24 wards in Mumbai are privatised so far. Legacy employment in the corporations is holding back faster privatization. However newer towns/cities that have municipal corporations are quick to adapt to the new regime. Even in older Municipal corporations, as and when the older employees retire or are transferred to other Depts, this process can pick pace. Existing players like AWHCL will benefit as more and more areas are privatized.

**Presence across entire value chain**

The company is a pioneer in Municipal Solid Waste management. The offerings are spread across each segment of waste hierarchy, right from collection, processing to recycling. The company is also 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 key product and services includes:

1) **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.

2) **MSW processing** projects which involve sorting and segregating the waste received from MSW C&T, followed by composting, recycling, shredding and compressing into RDF.

**What are the processes?**

i. **Anaerobic process using Bioreactor landfill technology.** The Company receives mixed waste into scientifically managed cells which are then capped. It is estimated that within a period of 5 to 6 years, the organic fraction of waste would degrade completely. After the end of the aforesaid period, the waste from bio-reactor landfill is mined and sorted. It is also required to construct sanitary landfills as part of the MSW processing operations. The portion of biogas generated and collected from the bio-reactor landfill is used for power generation for captive/commercial use.

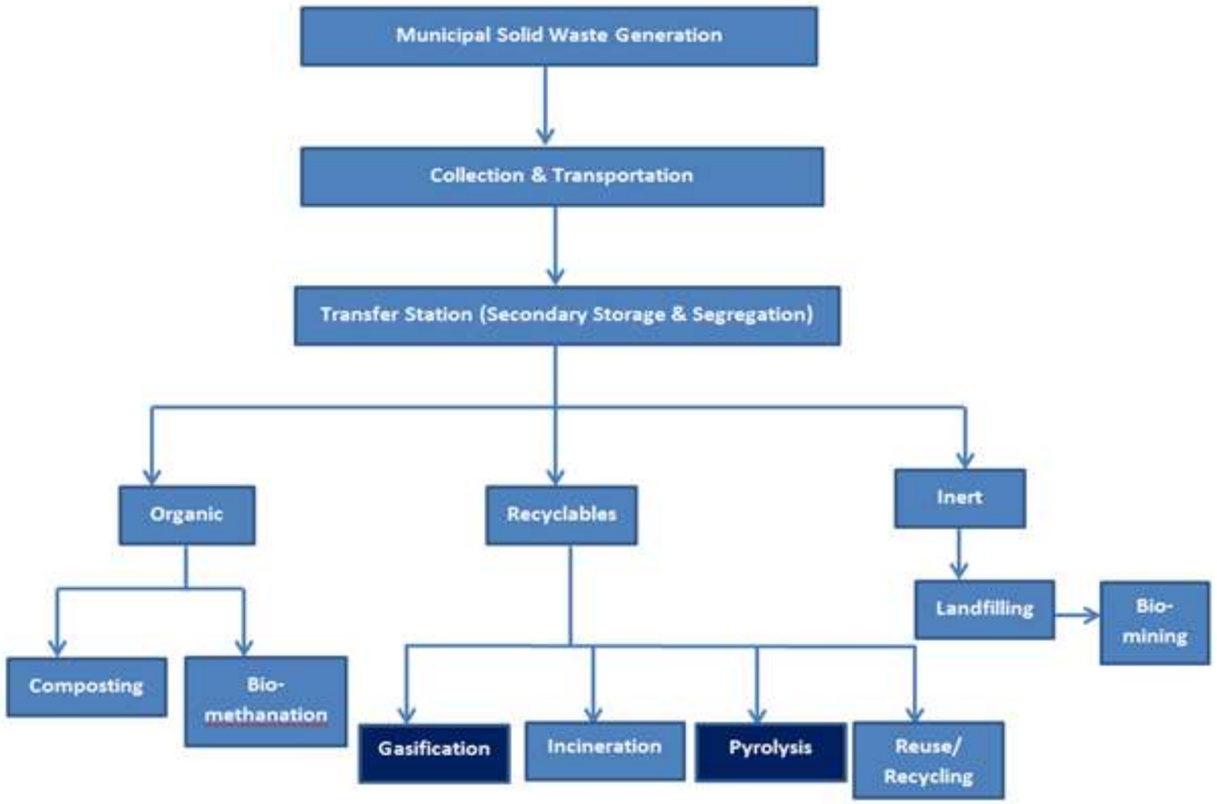
ii. **Aerobic process using material recovery facility and composting facility.** The waste received from MSW C&T operations is pre-sorted and pre-segregated at the material recovery facility. Upon sorting, the products can be broadly classified into compostable, combustible, recyclable and inert materials. The recyclable materials recovered from the sorting process such as plastic, glass and metals are sold to recycling facilities. The combustible material identified after the sorting process is typically shredded into smaller pieces and subjected to further cleaning so as to remove dust particles and ensure homogeneous combustible material. The material is then compressed and processed into RDF which can be sold as fuel to various industries for consumption in their boilers. The compostable materials are processed in the windrow platform, where aerobic composting methods are used, and microorganisms decompose the organic waste matter in the presence of oxygen. The processed garbage is then sent to the preparatory section for curing and collection of manure. The compost is placed in the refinement section and sold to customers such as fertilizer companies.
AWHCL currently has two ongoing waste processing contracts at Kanjurmarg and Pimpri Chinchwad. The company has also won a bio-mining project at Greater Noida.

**What is RDF?:** Refuse Derived Fuel is the residual dry combustible fraction of municipal solid waste such as leather, paper, textile, rubber, non-recyclable plastic and others. It is majorly used as a coal substitute for energy-intensive processes such as cement kilns, power production and steel manufacturing.

**3) Mechanized sweeping** projects which involve deploying of power sweeping machines, manpower, comprehensive maintenance, consumables, safe disposal of the waste and any other items required for completion of the cleaning operation of the designated areas.

**4) Scrap sale** of compost, RDF and other recyclable items.

Value Chain:




*AWHCL is not into Gasification and Pyrolysis

**Established player with strong track record**

AWHCL had started business with just collection & transportation of waste and now has grown into a comprehensive service provider in MSW market. The company has strong track record of almost two decades in the market and during that time it has built strong relations with many municipal corporations. With vast experience and technological expertise in this domain, the company has grown to be one of the top five players in Indian MSW management industry. So far the company has undertaken more than 25 projects of which 19 are ongoing and revenue generating. The company has also won some of the very big projects like, it was awarded Kanjurmarg landfill project in FY10. It is the largest single location waste processing plant in Asia. Currently it processes ~5300 TPD at Kanjurmarg and this can go upto 7500 TPD over time leading to revenue growth for the company at little incremental cost.

The company's ability to identify, win and execute new municipal contracts has been a core component of the growth. In addition to significantly expanding the scale and scope of operations, the company has enhanced its geographic footprint across India. Till date it has executed projects in 9 states. It follows a cluster based approach while looking at expansion, which helps improve business and financial performance. Currently it has been undertaking projects in multiple states/UTs such as Maharashtra, Uttar Pradesh, Delhi, Karnataka, Rajasthan, Haryana and Punjab. However, Maharashtra brings major chunk of the company's revenue.

**List and Type of Ongoing Projects as of Q2FY22:**

| Ongoing Projects | Type of Services | | |
|---|---|---|---|
| | MSW C&T | Mechanized Sweeping | MSW Processing |
| Thane Project | ✓ | | |
| Navi Mumbai Project | ✓ | ✓ | |
| Mangalore Project | ✓ | ✓ | |
| Greater Noida Project-Zone 1 and Zone 2 | ✓ | | |
| Jaypee Project | ✓ | | |
| North Delhi Project | ✓ | | |
| Dahisar Project | ✓ | | |
| Pimpri Chinchwad Municipal Corporation – South Zone Project | ✓ | | |
| Nagpur Municipal Corporation Project | ✓ | | |
| New Okhla Industrial Development Authority ("Noida") Project | ✓ | | |
| Greater Noida Sweeping Project 1 and 3 | | ✓ | |
| Kanjur Project | | | ✓ |
| Pimpri-Chinchwad Municipal Corporation Project | | | ✓ |
| Varanasi Municipal Corporation | ✓ | ✓ | |
| Jhansi Smart City Project | ✓ | | |
| Greater Noida Industrial Development Authority (GNIDA) – Biomining project | | | ✓ |

**New Orders**

We believe that established track record of the company, scale of operations, diversified geographic presence, vertical integration and strong position in the MSW management sector enables the company in identifying and winning new contracts. Recently also, one of the material subsidiary, AG Enviro Infra Projects Private Limited has received letter of intent for contract namely 'Door to Door Collection and Transportation of Municipal Solid Waste to Disposal Site and Operation & Maintenance of Equipment/Machineries' from City - Sadar

Paharganj Zone of North Delhi Municipal Corporation (NDMC). Under the conditions, it is requires to handle 1,000 Tons per day (TPD) waste wherein user fee collection revenue sharing ratio will be 85:15 for NDMC: AG Enviro. The approximate project revenue in 10 years is Rs.1,000 Cr. The increase in volumes from NDMC from 100 TPD (current) to 250/300 TPD could happen from Oct 2022 and gradually can rise further to 1000 TPD over time.

**Technology and vehicles**

AWHCL has been adopting latest technologies and innovations in garbage collection, processing, use of transfer stations and managing sanitary engineered landfills thereby making it one of the very few companies in India that can manage MSW through multiple technologies. The company has invested in automation in various facets of the operations, including for Material Recovery and Compost Facility (MRF), waste segregation and Waste To Energy (WTE) plants, which allowed them to increase operational efficiency as compared to manual operations. The waste processing unit at Kanjurmarg is the only plant in India, which produce refuse derived fuel (RDF) with a calorific value of over 3,000 Kcal per kg. Vehicle ownership provides a competitive advantage and helps the company meet the service level commitments in a cost-effective manner. As per discussion with management, the company has to have own vehicles in order to win every new the tender order and at the end of the project duration the vehicles are scrapped completely. The company owns 1,150 vehicle fleets and out of these 1092 vehicles are fitted with GPS tracking devices. It allows movement tracking to optimize route & achieve higher vehicle utilization.

**Access to technology backed Vehicles & Equipment:**

**Hike in stake in JV with Antony Lara could result in higher consolidated profits**

AWHCL has recently hiked its stake in Antony Lara JV from 63% to 73% on conversion of OCPS. This will mean booking higher profits in consolidated numbers even as the cost of OCPS (Rs.3.5 cr has been paid long back by AWHCL). In FY21, this JV earned PAT of Rs.49 .5 cr.

**Revenue visibility**

The business nature of the company is as such that it got order for multiple years which provide a long term revenue visibility i.e. the average ongoing contract durations of MSW C&T contracts are 7.7 years, for sweeping it is 7 years and 23 years for waste processing. When the company wins the bid for any project it enters into multi-year concession agreement with those Municipal bodies and once the concession agreement ends it can re-bid. Further the company also has bio-reactor landfills (BLF) and material recovery facility (MRF) facility in Kanjumarg, Mumbai under Antony Lara Enviro Solutions Private Limited (ALESPL) with concession agreement till 2036. Thus the group has revenue visibility under long term contracts with escalation clauses in the tipping fees by various entities. Recent order win from the NMDC also has long duration of 10 years.

**Waste to energy**

The company is also trying to move up the MSW value chain and diversifying into emerging areas of waste management like Waste to Energy (WTE) and bio-mining. These segments presents vast potential for growth especially WTE. Currently it is at nascent stage and with increasing energy demand and government initiatives we feel that the market for this should grow; likely to witness more PPP (Public Private Partnership)-based projects. Planning Commission's Report on the Task Force on Waste to Energy has identified several technologies to treat MSW and suggested mechanisms to make these projects viable and affordable in the wake of several WTE projects not operating successfully in India. The Standing Committee on Energy, Ministry of New and Renewable Energy estimates India's WTE potential to increase to 1,075 MW and 2,780 MW by 2031 and 2050, respectively.

AWHCL, through its step-down subsidiary, Antony Lara Renewable Energy Private Limited (ALREPL), has been awarded a contract for setting up and operating a WTE plant with a capacity of up ~800 tons of Municipal Solid Waste to be processed every day at Pimpri Chinchwad, Pune. The plant has a concession agreement till 2040 and the management expects the plant to should be operational by March 2023. According to the latest update the civil work is progressing as per schedule. This plant would be constructed with an investment of Rs.248 Cr (including Rs.50 cr subsidy). 11.5 MW @ Rs. 5 / unit Energy generation for sale to PCMC is estimated from this project. There will be also the segregation and processing of municipal waste (additional tipping fee). Thereby producing compost from biodegradable waste and generating power.

## Risks & Concerns

**Higher customer as well as geographical concentration**

Substantial portion of the business is coming from small number of clients i.e. municipal authorities. Also the company follows cluster based approach for acquiring projects to improve efficiency and profitability. Major contracts have been with agencies such as Municipal Corporation of Greater Mumbai, Navi Mumbai Municipal Corporation, Thane Municipal Corporation, New Okhla Industrial Development Authority, Nagpur Municipal Corporation, and Pimpri Chinchwad Municipal Corporation. All these bring great amount of client and geographic concentration.

**Change in Government rules or regulations**

In India, municipal waste management services have been controlled by relevant municipal corporations. Municipalities have been responsible for developing action plans for MSWM which has unstable budget allocation for MSW management. So any adverse change of rule and regulations by them could hurt the business.

Besides there also certain other norms like pollution control rules, traffic norms, etc. that affects the business.

**High receivables days from municipal authorities**

The nature of the business is as such that it requires a significant amount of working capital. Average receivables form municipalities are three months. The company has to purchase the new vehicles and materials every time at the starting of the project commencement, which results in higher fixed costs.

**COVID Impact**

COVID induced lock downs had impacted the collection and transportation business in terms of lower volumes as offices and restaurants were closed. Due to this almost 10-12% of the volume growth was hurt. Management in the Q2FY22 result discussion has informed that with pandemic situation cooling down, they expect the volume growth to accelerate further from hereon. However the Omicron variant related lockdowns will again impact volumes from commercial offices in Q3 and Q4 of this fiscal. Recently, significant portion of the Municipal Corporation’s expense was spent on COVID-19 management, which has resulted in lower spending on waste management and delayed payment of existing MSW projects.

**Fuel price hikes could bring pressure on margins**

Any major hike in fuel costs (18% of operating expenses) could impact the margins of the company although it has escalation clauses in most contracts.

**Recent IT Raid**

The search process was completed on October 15, 2021, aiming at verifying the claims of the vendors who provide subcontracting activities to company's Delhi operations. The company through its subsidiary was providing collection and transportation operations to the North Delhi Municipal Corporation and this contract was a 10-year contract which was bagged in 2005 and AWHCL continued to provide solutions post the project expiration date, which was in 2015. The company had then hired a few vehicles to provide services, and these vendors had claimed GST credit but had not filed their income tax returns. The company has provided all possible assistance to the officials and furnished all explanations, information, and clarification as desired by them in this matter. Further, management has informed that all the payments to the vendors had been made through RTGS, NEFT, and through cheque payments, and after deducting appropriate TDS, and the same being deposited with the appropriate departments. The department may conclude the proceedings soon after a thorough examination and verification of these expenses. Following that, the assessment unit will take up the proceedings, and the assessing officer after scrutinizing the case will conclude the proceedings for passing the assessment order. Since proceedings are at a preliminary stage and in the absence of any notice or demand from the income tax authority at present, no evaluation or assessment of any impact of the aforesaid inquiry can be carried out at this point by the company.

**Company Background:**

Incorporated in Jan 2001, Antony Waste Handling Cell limited (AWHCL), is a part of Antony Group having diversified business interests mainly in automotive body building and ancillary industries. AWHCL is one of the top five players with an established track record of more than two decades, providing full spectrum of Municipal Solid Waste (MSW) services which includes solid waste collection, transportation, processing and disposal services across India, majorly catering to municipalities. The Company has pioneered both MSW Collection and Transportation (C&T) business in the country. The company is also a key player in the landfill construction and management sector with in-house expertise for construction and management of landfills. It focuses on the emerging waste management areas in India such as waste to energy. During the journey of around two decades, the company has started the business with MSW C&T and built the way in the solid waste management business, having worked with more than 23 Municipal Corporations. At Kanjurmarg, Mumbai the company has the largest single location waste processing plant in Asia.

As on September 30, 2021, the company has undertaken more than 25 projects of which 19 are ongoing and revenue generating. The company also has a fleet of 1150 vehicles for execution of the projects and has 8,855 full-time employees. The company also has a bio-reactor landfill facility in Kanjurmarg, Mumbai.

### Revenue Recognition

| MSW C&T | MSW Processing | Mechanised Sweeping and Others |
|---|---|---|
| Revenue calculation based on number of trips/per tons/fixed per day | Revenue calculation based on tipping fees/tonnage | Revenue calculation based on Per hectare/Km/hour |
| Escalation based on flat rate/ inflation/formulae linked to WPI components | Escalation based on flat rate/ inflation | Escalation based on flat rate/ inflation |

47% of the contracts have flat escalation, out of the balance 53% variable escalation, 60% is linked to WPI and done annually, 30% is linked to WPI and done half yearly and 10% is linked to WPI and done quarterly.

**What are the types of MSW?**
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. Recyclables include paper, plastics, metal and glass while some are inert waste.

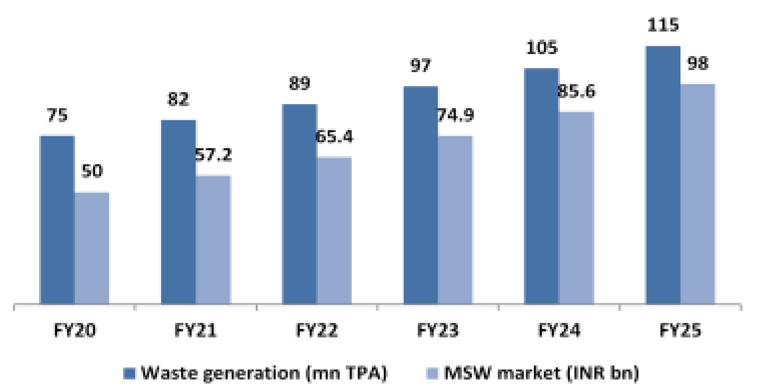
### About the Industry

Despite so much technological modernization and economic advancements, waste management is still the cause of concern globally. As per World Bank estimates, 2.01bn tons of municipal solid waste was generated in 2016 and under same scenario it is expected to grow to 3.4bn tons by 2050. Almost 52% of waste generated is disposed in landfills, 25% sees material recovery and 10% used in making compost and 13% for WTE. However, the situation is different for the advanced nations; only 2% of the waste is dumped and the rest is treated in high income countries. Of the total waste disposed, 52% is managed through scientific and controlled landfilling.

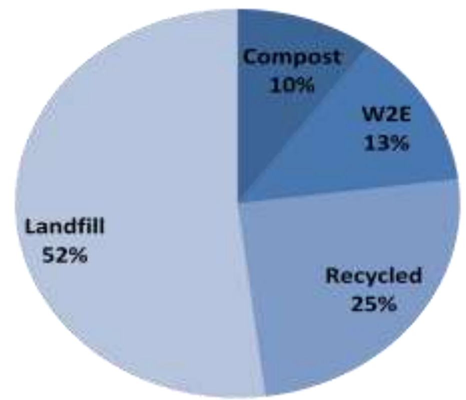
Talking about Indian perspective, India’s municipal solid waste management (MSW) market is estimated to be worth Rs. 9,800 Cr, witnessing a CAGR of 14.4% by FY20-25 (Source: Frost and Sullivan). Around 75 Million Tons Per Annum (TPA) of Municipal Solid Waste (MSW) was generated in FY20. In India, only 30-35% of waste gets scientifically processed and remaining is disposed in open dumps. 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 FY21 with a total allocation of Rs.123 bn since the government wants to focus on better waste management.

In order to overcome the mounting issue of waste management, the Government and Urban Local Bodies (ULB) are increasingly entering into public-private partnerships. The Government is keen to ensure long-term sustainable solutions for waste management. Growing urbanization with an influx of rural population to towns, high standard of living, demanding quality services and living spaces, mounting pressure on local government bodies with stringent environmental norms and increasing awareness in society on the ill effects of improper disposal of solid waste are the major reasons for emergence of the waste management market.

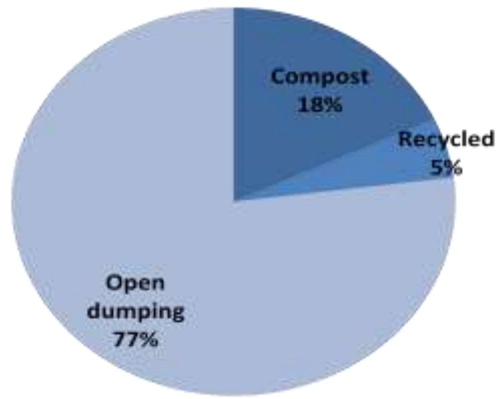
**MSWM is expected to double in India in the next 5 years**




**Distribution of global waste management practices**

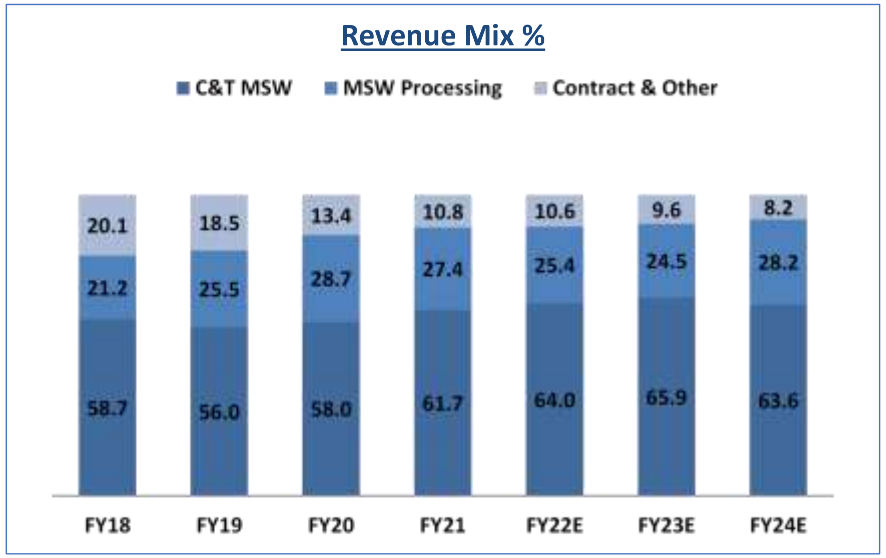


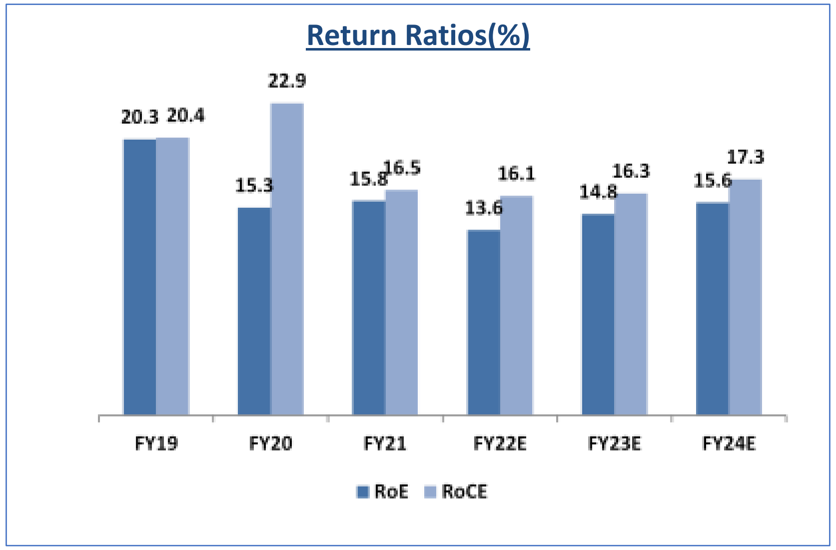

**India practices higher open dumping vs global average**

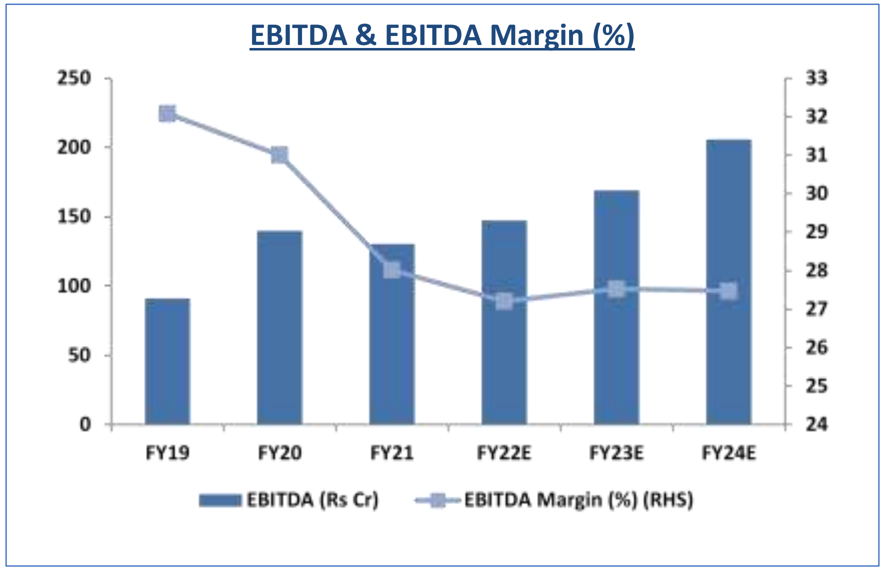


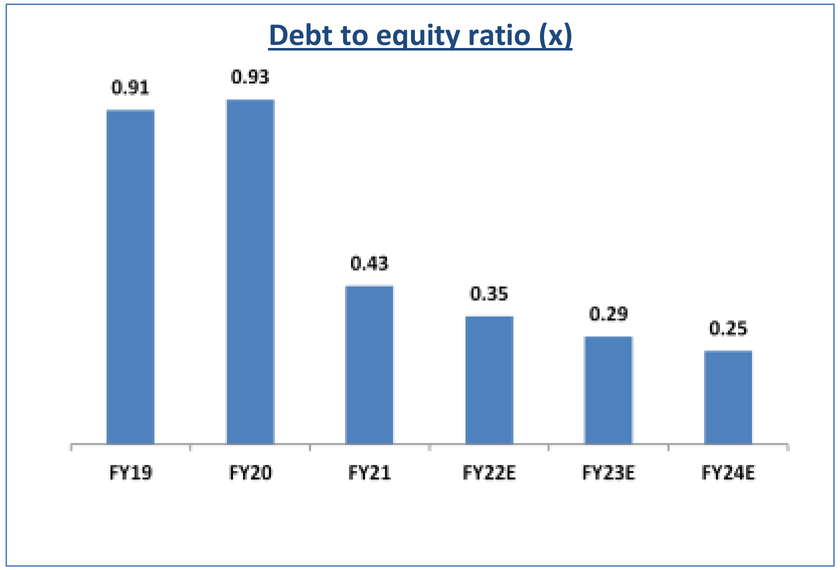

**ESG Angle**

According to Bloomberg, Environmental, Social and Governance (ESG) assets are on track to exceed $50 trillion by 2025, representing more than a third of the projected $140.5 trillion in total global assets under management. On account of the growing realization of the implications of climate change and sustainability over the world, the 'E' of ESG investing has garnered significant investments over the past 2-3 years. Within the Environmental aspect, the handling of waste materials is one of focal points for the corporate as well as municipal entities given the increased disclosure and grading of entities on these fronts nowadays. Waste management and recycling remains an important cog in the machine in the quest for the circular economy. Drawing parallels from the Latin American developing nations like Brazil and the developed countries, the sector is likely to garner significant investments as more and more municipal entities opt for specialized third party waste management contracts for efficiency. This opening up of the sector augurs well for the prospects of AWHCL.


Revenue Mix %
C&T MSW
MSW Processing
Contract & Other
20.1
18.5
13.4
10.8
10.6
9.6
8.2
21.2
25.5
28.7
27.4
25.4
24.5
28.2
58.7
56.0
58.0
61.7
64.0
65.9
63.6
FY18
FY19
FY20
FY21
FY22E
FY23E
FY24E


Return Ratios(%)
20.3
20.4
15.3
22.9
15.8
16.5
13.6
16.1
14.8
16.3
15.6
17.3
FY19
FY20
FY21
FY22E
FY23E
FY24E
RoE
RoCE


EBITDA & EBITDA Margin (%)
250
200
150
100
50
0
33
32
31
30
29
28
27
26
25
24
FY19
FY20
FY21
FY22E
FY23E
FY24E
EBITDA (Rs Cr)
EBITDA Margin (%) (RHS)


Debt to equity ratio (x)
0.91
0.93
0.43
0.35
0.29
0.25
FY19
FY20
FY21
FY22E
FY23E
FY24E

## Financials (Consolidated)

### Income Statement

| (Rs Cr) | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|---|---|---|---|---|
| **Total Income** | **464.6** | **480.8** | **561.2** | **635.1** | **770.3** |
| Growth (%) | 55.6 | 3.5 | 16.7 | 13.2 | 21.3 |
| Operating Expenses | 325 | 350.5 | 414 | 466.1 | 564.4 |
| **EBITDA** | **139.7** | **130.3** | **147.2** | **169** | **205.8** |
| **Growth (%)** | **53.5** | **-6.7** | **13** | **14.8** | **21.8** |
| **EBITDA Margin (%)** | **31** | **28** | **27.2** | **27.5** | **27.5** |
| Depreciation | 24.3 | 31.2 | 38.5 | 47.4 | 61.6 |
| **EBIT** | **115.4** | **99.1** | **108.7** | **121.6** | **144.2** |
| Interest | 30.3 | 28.5 | 21.7 | 21.5 | 21.8 |
| **PBT** | **85.2** | **70.6** | **87** | **100.1** | **122.4** |
| Tax | 19.8 | 6.5 | 17.5 | 21.7 | 27.7 |
| **RPAT** | **65.4** | **64.1** | **69.5** | **78.5** | **94.7** |
| **APAT** | **28.6** | **45** | **52.1** | **67.2** | **83.4** |
| EPS | 17.8 | 17.1 | 18.4 | 23.7 | 29.5 |

### Balance Sheet

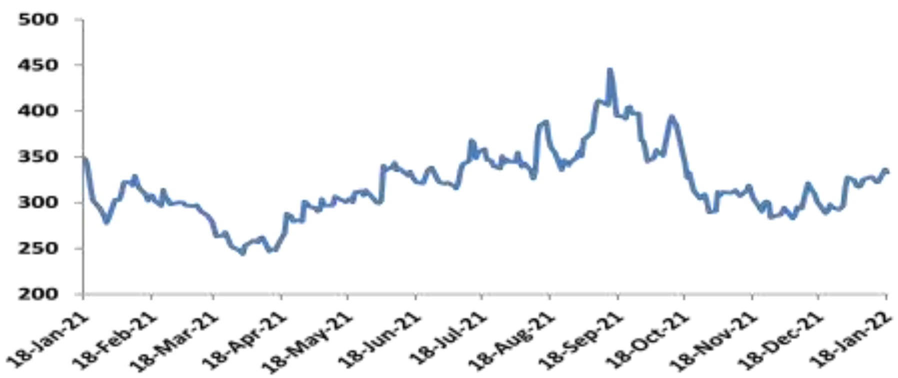
| (Rs Cr) | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|---|---|---|---|---|
| SOURCE OF FUNDS | | | | | |
| Share Capital | 12.8 | 14.1 | 14.1 | 14.1 | 14.1 |
| Reserves | 211.3 | 333.7 | 403.8 | 477.2 | 562.8 |
| Shareholders' Funds | 224.1 | 347.8 | 417.9 | 491.4 | 576.9 |
| Minority Interest | 75.8 | 94.8 | 110.0 | 115.0 | 118.0 |
| Long-Term Borrowings | 145.1 | 84.5 | 79.5 | 77.1 | 78.6 |
| Other non-Current Liab & Provisions | 58.0 | 71.6 | 67.6 | 62.6 | 58.1 |
| Total Source of Funds | 503.0 | 598.7 | 675.0 | 746.1 | 831.6 |
| APPLICATION OF FUNDS | | | | | |
| Net Block | 258.9 | 253.3 | 254.8 | 332.4 | 460.8 |
| Capital Work-in-Progress | 0.6 | 0.9 | 0.9 | 1.0 | 1.1 |
| Intangible assets under development | 13.9 | 5.1 | 5.5 | 6.0 | 6.5 |
| Deferred Tax Assets (net) | 8.6 | 17.8 | 17.8 | 17.8 | 17.8 |
| Long Term Loans & Advances | 193.9 | 204.2 | 215.7 | 227.5 | 239.8 |
| Total Non-Current Assets | 475.9 | 481.2 | 494.7 | 584.7 | 726.0 |
| Short-Term Loans and Advances | 9.5 | 14.3 | 15.7 | 18.1 | 20.8 |
| Trade Receivables | 85.8 | 89.5 | 103.8 | 121.1 | 149.9 |
| Cash & Equivalents | 35.5 | 128.3 | 174.1 | 129.0 | 33.6 |
| Other Current Assets | 78.8 | 79.5 | 87.4 | 100.5 | 115.6 |
| Total Current Assets | 209.6 | 311.5 | 381.0 | 368.7 | 319.8 |
| Short-Term Borrowings | 64.3 | 64.8 | 65.5 | 66.1 | 66.8 |
| Trade Payables | 54.3 | 60.9 | 67.0 | 75.0 | 84.8 |
| Other Current Liab & Provisions | 64.0 | 68.3 | 68.2 | 66.1 | 62.5 |
| Total Current Liabilities | 182.5 | 194.1 | 200.7 | 207.3 | 214.1 |
| Net Current Assets | 27.1 | 117.5 | 180.3 | 161.5 | 105.7 |
| Total Application of Funds | 503.0 | 598.6 | 675.0 | 746.1 | 831.7 |

(Source: Company, HDFC sec)

### Cash Flow Statement

| (Rs Cr) | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|---|---|---|---|---|
| Reported PBT | 66.9 | 70.6 | 87.6 | 100.8 | 123.1 |
| Non-operating & EO items | 34.5 | 10.3 | -20.0 | -21.0 | -21.0 |
| Interest Expenses | 10.5 | 7.4 | 21.7 | 21.5 | 21.8 |
| Depreciation | 24.3 | 31.2 | 38.5 | 47.4 | 61.6 |
| Working Capital Change | -6.8 | 9.4 | -16.9 | -28.3 | -43.2 |
| Tax Paid | -20.9 | -17.1 | -17.5 | -21.7 | -27.7 |
| **OPERATING CASH FLOW ( a )** | **108.5** | **111.9** | **93.4** | **98.7** | **114.6** |
| Capex | -107.4 | -18.5 | -40.0 | -125.0 | -190.0 |
| Free Cash Flow | 1.0 | 93.4 | 53.4 | -26.3 | -75.4 |
| Investments | 1.2 | 2.2 | -11.5 | -11.8 | -12.2 |
| Non-operating income | -10.2 | -16.5 | 20.0 | 21.0 | 21.0 |
| **INVESTING CASH FLOW ( b )** | **-116.4** | **-32.8** | **-31.5** | **-115.8** | **-181.2** |
| Debt Issuance / (Repaid) | 41.4 | -61.1 | -4.4 | -1.7 | 2.2 |
| Interest Expenses | -21.2 | -22.7 | -21.7 | -21.5 | -21.8 |
| FCFE | 21.3 | 9.5 | 27.2 | -49.5 | -95.0 |
| Share Capital Issuance | 0.0 | 85.0 | 15.2 | 5.0 | 3.0 |
| Dividend & Other | -6.4 | -4.8 | 0.0 | -5.7 | -9.9 |
| **FINANCING CASH FLOW ( c )** | **13.9** | **-3.7** | **-10.9** | **-23.9** | **-26.5** |
| **NET CASH FLOW (a+b+c)** | **5.9** | **75.4** | **50.9** | **-41.0** | **-93.1** |

### One Year Price Chart




### Key Ratio

| | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|---|---|---|---|---|
| **Profitability (%)** | | | | | |
| EBITDA Margin | 31.0 | 28.0 | 27.2 | 27.5 | 27.5 |
| EBIT Margin | 25.6 | 21.3 | 20.1 | 19.8 | 19.3 |
| APAT Margin | 10.5 | 13.8 | 12.9 | 12.9 | 12.7 |
| RoE | 15.3 | 15.8 | 13.6 | 14.8 | 15.6 |
| RoCE | 22.9 | 16.5 | 16.1 | 16.3 | 17.3 |
| **Solvency Ratio (x)** | | | | | |
| D/E | 0.9 | 0.4 | 0.3 | 0.3 | 0.3 |
| Net D/E | 0.8 | 0.1 | -0.1 | 0.0 | 0.2 |
| **PER SHARE DATA (Rs)** | | | | | |
| EPS | 17.8 | 17.1 | 18.4 | 23.7 | 29.5 |
| BV | 88 | 123 | 148 | 174 | 204 |
| Dividend | 0.0 | 0.0 | 0.0 | 2.0 | 3.5 |
| **Turnover Ratios (days)** | | | | | |
| Debtor days | 69.5 | 70.3 | 70.0 | 72.0 | 73.0 |
| Inventory days | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Creditors days | 61.2 | 63.6 | 59.3 | 59.0 | 55.0 |
| **VALUATION** | | | | | |
| P/E | 18.7 | 19.4 | 18.1 | 14.0 | 11.3 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.6 | 1.1 |
| P/BV | 3.8 | 2.7 | 2.3 | 1.9 | 1.6 |
| EV/EBITDA | 6.8 | 7.2 | 6.4 | 5.6 | 4.6 |

(Source: Company, HDFC sec)

**HDFC Sec Retail Research Rating description**
**Green Rating stocks**
This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

**Yellow Rating stocks**
This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

**Red Rating stocks**
This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.