

Stock Update

# Antony Waste Handling Cell Ltd

July 20, 2022





# Antony Waste Handling Cell Ltd

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Waste management	Rs.303.9	Hold and add on dips of Rs.270.5	Rs.341	Rs.381	2-3 quarters

HDFC Scrip Code	ANTONYWASTE
BSE Code	543254
NSE Code	AWHCL
Bloomberg	AWHCL IN
CMP July 19, 2022	303.9
Equity Capital (Rs Cr)	14.1
Face Value (Rs)	5
Equity Share O/S (Cr)	2.8
Market Cap (Rs Cr)	859
Book Value (Rs)	147
Avg. 52 Wk Volumes	350124
52 Week High	455.2
52 Week Low	234.8

Share holding Pattern % (Jun, 2022)	
Promoters	46.2
Institutions	18.2
Non Institutions	35.6
Total	100.0



**HDFCsec Retail research  
stock rating meter**

for details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst**

Nisha Sankhala

[Nishaben.shankhala@hdfcsec.com](mailto:Nishaben.shankhala@hdfcsec.com)

## Our Take:

We had issued initiating coverage report on 19th January, 2022 and recommended Buy between Rs.330-336 & add more on dips of Rs.294 for the base case fair value of Rs.378 and for the bull case fair value of Rs.406 over the next two quarters ([Link](#)). The time frame for the report ends on 19th July 2022. Although, there has been improvement in the business fundamentals, the stock has underperformed. We feel that there is enormous long term opportunity in the Indian municipal solid waste management business and AWHCL being one of the largest players with established track record in the industry remains in a sweet spot. The strong underlying fundamentals of the company as well as attractive business scenario remains intact.

Going ahead, we would advise the long term investors to hold the stock for at least for next 2-3 quarters. We think investors can hold the stock and can add on the dips of Rs.270.5 for the base case fair value of Rs.341 and for the bull case fair value of Rs.381 over the next two quarters. However, risk averse investors can exit the stock as the time frame has expired and the stock is trading at near the average cost price of Rs.313.5. We give here below the key updates post our initiation of the report and have revised earnings estimates.

## Q4FY22 result update:

The company had reported strong overall Q4FY22 result. It reported core revenue growth of 22% YoY at Rs.146.4 Cr, while the total revenue including core revenue plus contract & others rose by 39%/16% YoY/QoQ to Rs. 193Cr. The increase in core revenue was driven by an increase in tonnage because of the addition of three new contracts in C&T and processing as well as improved activities in both commercial and residential areas. Margins deteriorated by 110 bps YoY at 23.9% due to higher project expense. Lower finance and depreciation cost has helped the bottom line growth of 63.5% YoY and 34% QoQ. The company has reported revenue from the Greater Noida bio-mining activity for the first time in Q4FY22.

In FY22, the credit profile of the company has improved, resulting in a 460 bps reduction in average consolidated borrowing costs. Long term rating of AWHCL now stands at CARE BBB; Stable and for Antony Lara Enviro Solutions Private Ltd (material subsidiary of the Company) stands at CRISIL BBB+ / Stable. Net debt to equity as of March 31, 2022, was maintained at 0.2X and receivable period has also been steady. The company has been witnessing 0.4 to 0.6x asset turnover ratio. Return on equity stands at 17.8% and return on capital stands at 16%. The management expects to maintain the 20% kind of ROCE level. Further, they have guided that the margin will remain ~27% level (however there could be ~100bps swing due to crude price fluctuation) and topline could grow at ~25-30% growth rate.



# Antony Waste Handling Cell Ltd

**New order:** In May 2022, the company through its wholly owned subsidiary, bagged a five years C&T contract for two zones (Panchavati and Satpur) in the city of Nashik. The project is expected to commence operations on or before September 30, 2022. Primarily, it is required to handle 240 tons of waste per day. The contract value is about Rs.124 Cr.

Further, the management has informed that the company is open for new processing contracts as there is decent amount of tenders coming in the market from municipalities in both waste processing and municipal solid waste collection and transportation segment. AWHCL would like to focus on contract in newer municipal areas, while continuing the cluster based approach. The company has bid for five more contracts with three of them are C&T and two are waste processing. It might take around 6 - 12 months to know the status and the work flow of the same. As per management the sizes of C&T of each contract would be around 300 to 500 tons per day and waste processing would be in the range of around 700 to 1000 tons per day. These are predominantly in the western part of the country as of now.

## Q1FY23 business update:

AWHCL has continued its strong growth trend in Q1FY23 as well reporting record high core operating revenues. Total operating revenue has been up by 26% YoY. During the quarter, the company handled 1.05 mn tons, up 17.0% YoY. In its Collection & Transportation (C&T) business, the company managed approximately 0.40 mn tons, an increase of 15.8% YoY while total tonnage processed at Waste Processing stood at 0.65 million tons, an increase of 17.8% YoY. The sharp increase in the Waste Processing is a reflection of improving operations at its bio-mining project at Greater Noida. The compost sales stood at 4,406 tons, down 9.2% YoY due to a delay in offtake by a client but up 32.0% QoQ because of seasonal factors. The company expects that it to be remedied in Q2FY23.

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

	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY20	FY21	FY22P	FY23E	FY24E
Revenue	192.8	138.3	39.4	165.8	16.3	450.5	465.1	648.4	781.4	906.2
EBITDA	46.0	34.2	34.5	36.2	27.1	125.6	114.6	148.2	192.1	222.0
RPAT	25.5	15.6	63.5	19.0	34.2	65.4	64.1	90.6	114.2	130.4
APAT						28.6	45.0	68.1	96.2	113.4
EPS						17.8	17.1	24.1	34.0	40.1
RoE						15.3	15.8	17.8	20.5	19.6
RoCE						20.1	13.9	15.8	18.4	18.6
P/E						17.1	17.7	12.6	8.9	7.6
P/BV						3.5	2.5	2.1	1.7	1.3

(Source: Company, HDFC sec)



## 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 from 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.

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

Any major hike in fuel costs (16% of operating expenses) could impact the margins of the company although it has escalation clauses in most contracts.

### **IT Search in Oct 2021**

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 has provided all possible assistance to the officials and furnished all explanations, information, and clarification as desired by them in this matter. The company has not heard further in the matter from the IT department.

## 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



# Antony Waste Handling Cell Ltd

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 March 31, 2022, the company has undertaken more than 28 projects of which 20 are ongoing and revenue generating. The company also has a fleet of 1221 vehicles for execution of the projects and has 8,611 full-time employees. The company also has a bio-reactor landfill facility in Kanjurmarg, Mumbai.





# Antony Waste Handling Cell Ltd



## 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 cyclicity 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.



# Antony Waste Handling Cell Ltd

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HDFC Securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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