



IPO DETAILS

Issue Date	21 st Dec-23 rd Dec 2020
Price Band	313-315 per Share
Bid Lot	47 & in multiplethere
Face Value	Rs 5/Share
Listing	BSE, NSE
Issue Size	Approx Rs 300 Crores
Fresh Issue	Rs 85 Crores
Offer For Sale	Approx Rs 215 Crores
Pre Issue Eq Shares	25,588,758 Eq Shares
BRLM	Equirus Capital Pvt Ltd, IIFL Securities Ltd
Registrar	Link Intime India Private Limited

Company is one of the top five players in the Indian MSW management industry with an established track record of 17 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 MSW collection and transportation sector. Company is among the key players in landfill construction and management sector with in-house expertise for landfill construction along with its management. Company also present in the emerging waste management area in India such as MSW based WTE.

All the 18 ongoing projects have started generating revenue. Company is currently undertaking projects for the 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"). Company is also currently undertaking a project for Jaypee International Sports. In the past, company have also undertaken projects for Municipal Corporation of Delhi ("MCD"), Municipal Corporation, Gurgaon ("MCG"), Ulhasnagar Municipal Corporation ("UMC") Amritsar Municipal Corporation ("AMC"), Kalyan Dombivali Municipal Corporation ("KDMC") and Jaipur Municipal Corporation ("JMC") & Varanasi Municipal Corporation ("VMC").

Company's individual Promoters, namely Jose Jacob Kallarakal and Shiju Jacob Kallarakal associated with company since its incorporation, have an experience of more than 19 years in the solid waste management industry. As of November 15, company had 7,391 full-time employees, on a consolidated basis.

By diversifying company's internal capabilities and ongoing project portfolio across multiple municipalities with favourable dynamics company have been able to pursue a broader range of projects in urban or semi-urban areas with limited counter-party risk, and therefore, optimize company's business volume and operating margins. Company's project contracts have different time periods, and thus expire at different times, thus de-risking company's business model by giving company a staggered revenue stream.

From Fiscal 2018 to Fiscal 2020, company's EBITDA increased from ₹ 843.88 million to ₹ 1,396.60 million, representing a CAGR of 28.65%. Company's return on net worth for Fiscals 2018, 2019 and 2020 and for the six month period ended September 30, 2020 was 24.48%, 18.24%, 20.09% and 8.54% respectively.

Valuation

Company is bringing the issue at p/e multiple of approx. 13 at higher end of price band of Rs 313-315/share on FY20 eps basis. Company being leading service provider in MSW management sector with end-to-end capabilities has strong track record of project execution with diversified business model & access to technology backed vehicles and equipment enables company to manage its operations efficiently. Therefore, looking after all, we recommend "Subscribe" the issue.



COMPANY OVERVIEW

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 involves sorting and segregating the waste received from MSW C&T, followed by composting, recycling, shredding and compressing into RDF, as required; and (iii) 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, through company and/or its Subsidiaries. Having undertaken more than 25 projects as of November 15, 2020, of which 18 are ongoing, company have demonstrated its track-record as a comprehensive service provider equipped with the resources to handle large-scale projects for municipalities as well as private players. Company's portfolio of 18 ongoing projects as on November 15, 2020, comprised 12 MSW C&T projects, 2 MSW processing (including WTE) project and 4 mechanized sweeping projects. All the 18 ongoing projects have started generating revenue.

Company currently operate, Kanjurmarg site, one of the largest single location waste processing plants across India. Construction and maintenance of sanitary landfills is a long-term opportunity in India. Landfills are seen as vital component in the integrated management of solid waste for cities having population of more than 1 Million. Kanjurmarg site (which is currently run by Antony Lara Solutions Private Limited ("ALESPL"), a joint-venture between company and Lara Central De Tratamento De Residuos Limited) in Mumbai is a key success story of scientific landfill in India. It is the only plant in India to produce refuse-derived fuel ("RDF") with a calorific value of over 3,000 Kcal/kg.

Company is a part of the 'Antony' group which has diversified business interests, including in the automotive body-building and ancillary industries. Company is driven by Promoters, each having an experience of more than 19 years in the solid waste management industry and a qualified and dedicated management team. Company's Promoters, namely Jose Jacob Kallarakal and Shiju Jacob Kallarakal, have been associated with company since its incorporation and have played a significant role in the development of company's business.



INVESTMENT RATIONALE

A leading service provider in MSW management sector with end-to-end capabilities

Company is 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 include solid waste collection, transportation, sweeping, processing and disposal services across the country, primarily catering to Indian municipalities. Collection and transportation sector was first opened up for private sectors in India couple of decades ago. Since then, this sector has seen technological improvements such as mechanized primary waste collection & sweeping, GPS vehicle and bin tracking system, etc. Company 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. Company is also present in the emerging waste management area in India which is MSW based WTE. **(Source: Frost & Sullivan Report)**

Strong track record of project execution

Company have an established track record of more than 19 years in executing solid waste projects. Company primarily undertake specialized MSW C&T projects, MSW Processing projects and mechanized sweeping projects for municipalities and private players. Having undertaken more than 25 projects as of November 15, 2020, of which 18 are ongoing, company have a demonstrated track record as a comprehensive service provider equipped with the resources to handle large-scale projects for municipalities and private players. Kanjurmarg site (which is being currently run by Antony Lara) in Mumbai is a key success story of scientific landfill in India. This landfill makes use of bioreactor technology and at present handles around 5,000 tons of waste per day. It is one of the largest single location waste processing plants in Asia. Company was awarded Kanjurmarg landfill project by MCGM in Fiscal 2010. The project involves, *inter alia*, design, construction, operation and maintenance of integrated waste management facilities on DBOOT basis. As on November 15, 2020, the site has a bio-reactor landfill with a capacity of 4,500 TPD, and a sanitary landfill of 250 TPD. Moreover, the site also has a material recovery and compost facility with a capacity of 1,000 TPD. As of November 15, 2020, company had processed approximately 7.63 million metric tons of waste at company's Kanjurmarg site since Fiscal 2010. Additionally, in terms of the tender, company propose to process up to 6500 TPD waste in the bio-reactor landfill. Currently the site handles around 5,000 tons of waste per day

Diversified business model

In its industry, the number, size and duration, of simultaneously ongoing projects is considered an indicator of future performance since they provide an indication of anticipated future revenue. Company's portfolio of 18 ongoing projects as on November 15, 2020, comprises 12 MSW C&T projects, two MSW processing project and four mechanized sweeping projects. Company's project portfolio is diversified across services provided, counterparties, project duration, nature of contracts and geographical areas where company operate. Company have maintained focus on viability of its projects which includes rationale bidding and focus on contracts with pass-through for escalation in certain expenses such as labour and fuel. By diversifying company's internal capabilities and ongoing project portfolio across multiple municipalities with favourable dynamics, company have been able to pursue a broader range of projects in urban or semi-urban areas with limited counter-party risk, and therefore, optimize company's business volume and operating margins.

Access to technology backed vehicles and equipment enable to manage operations efficiently

Company have consistently invested in its fleet of vehicles. As of November 15, 2020, company own a fleet of 1147 vehicles of which 969 were equipped with GPS technology, which allows to operate company's projects efficiently. Company procure the components of its vehicles and equipment mostly from leading international suppliers, including Compost System GmbH.



Capitalize on the growth opportunities in the MSW management sector by continued focus on bidding for MSW projects

The Indian Waste Management Services market is in its growth stage and is gaining global attention. In order to tackle the mounting problem of solid waste, the Ministry of Environment and Forests (MoEF) legislated Waste Management and Handling Rules promoting the involvement of private agencies in waste collection, treatment and disposal. The MSW Management market is estimated at INR 50,000 Million for Fiscal 2020 and is expected to reach INR 98,000 Million by Fiscal 2025 at a CAGR of 14.4%. MSW generation is expected to grow at a CAGR of 8.9% (Fiscal 2020-25) to reach 115 Million TPA by Fiscal 2025. As per the report from Frost & Sullivan, only 30-35% of municipal solid waste generated in India gets processed.. Swachh Bharat Mission aims to achieve 100% collection, transportation, processing and disposal of municipal waste across 4,041 cities/towns in the country.

Continue with rational selection of projects and strategically expand company's geographical footprint

Company's experience in operating multiple project sites, existing presence across various geographies and service verticals combined with in-depth understanding of operating efficiencies, cost pressures and regulatory landscape, law and order situation of the prospective customers will help in scientific selection of projects and calibrated growth by avoiding projects that may require significant investments in vehicles or manpower or which may prove to be economically unviable. Company have undertaken / currently undertaking projects in multiple States / Union Territories such as Maharashtra, Uttar Pradesh, Delhi, Karnataka, Rajasthan, Haryana and Punjab. Company will continue to expand into states with high GDP, growing urbanization, high standard of living, favourable geographic and climatic conditions. Company will continue to focus on geographically clustering its projects to further improve its business and financial performance. In light of the same, company will continue to evaluate and build its understanding of prospective customers in new geographies and expand in a sustainable manner.

Moving up the MSW value by diversifying into the emerging waste management areas

As on November 15, 2020, company's portfolio of 18 ongoing projects, comprised 12 MSW C&T projects, two MSW processing (including WTE) project and four mechanized sweeping projects. MSW based WTE and E-waste recycling are emerging waste management areas in India. 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, waste-to-energy market is anticipated to see more PPP (Public Private Partnership) based projects.

Hence, WTE segment offers huge potential in the long run. With assured raw material and a power off-take agreement, the business offers limited risks and will help in improving predictability of company's cash-flows. Company's Company, through its step-down subsidiary ALREPL, has been awarded a contract for setting up and operating a WTE plant having a capacity of up to 1,000 TPD by PCMC. Company intend to continue to bid for commercially viable WTE projects from financially strong municipalities and private players.



Risk Factors:

Company is dependent on municipal authorities for a substantial proportion of its business and revenue. Many Municipalities have been struggling to fund various solid waste management projects from their own revenue receipts and are highly dependent on state/central grants/budget allocation. Any decline in the budgetary allocation towards MSW projects will have a material adverse impact on company's business, financial condition, and results of operations

Objects of Issue:

Fresh Issue:

Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Reduction of the consolidated borrowings of company & subsidiaries by infusing debt in its subsidiary - AG Enviro and/or ALESPL
2. Part-financing for PCMC WTE Project through investment in subsidiaries, AG Enviro and/or ALESPL

Offer for Sale

Company will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the Net Proceeds.

Financial Statement

(Rs Cr)

Particulars	FY18	FY19	FY20	H1FY20
Total Income	276.14	283.69	450.51	207.39
Total Exp	206.39	207.51	324.95	155.50
EBIDTA	69.75	76.18	125.56	51.89
Depreciation	12.71	18.33	24.24	15.542
EBIT	57.04	57.85	101.32	36.35
Other Income	14.64	14.83	14.10	7.71
Interest	22.89	24.99	30.24	14.151
PBT	48.79	47.68	85.17	29.90
Tax	8.90	13.00	19.88	0.854
PAT	39.88	34.68	62.08	29.05
Other Comp Income	-0.14	-0.03	-1.17	-0.156
Adjusted PAT	39.74	34.65	60.91	28.89
Eq Cap	1.31	7.15	12.79	12.79
Net Worth	169.18	206.68	286.60	315.49
Eq Shares	2.56	2.56	2.56	2.56
EPS	13.45	12.46	27.48	7.68
ROE	24.48	18.24	20.09	8.54

Source:RHP

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