

IPO Details	
Opening Date	June 12, 2023
Closing Date	June 14, 2023
Stock Exchange	NSE SME
Lot Size	1,200 shares
Issue Price	₹ 100 per share
Issue Size	11,42,400 Equity Shares
Application Amount	₹ 1,20,000
Amount Raised (Issue Type)	₹11.42 Cr (Fresh Issue-₹9.20 Cr & OFS-₹2.22 Cr)

IPO Objective	
1.	Repayment of certain secured borrowings (including accrued interest and foreclosure charges, if any) in full availed by the Company.
2.	Funding the working capital requirements of the Company.
3.	General Corporate Purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	22,16,500	65.00%
Public	11,93,500	35.00%

Promoter of the Company	
1.	Mr. Suresh Sharma

Competitive Strengths	
1.	Range of Service offering.
2.	Promoter and management team with domain experience.

Company Background	
○	Urban Enviro Waste Management Limited was originally incorporated as 'Nagpur Waste Handling Private Limited' in the year 2011 and is headquartered in Nagpur - Maharashtra.
○	The Company is engaged in Indian MSW (Municipal Solid Waste) management industry providing MSW services.
○	Their MSW services includes solid waste collection, transportation, segregation of waste and processing and disposal services across the Cities in Gujarat, Rajasthan, Madhya Pradesh and Maharashtra, primarily catering to local municipalities.
○	Company also carries on the business of providing manpower like staff, workers, labours skilled/unskilled required by various industries and organizations.
○	As on date of filing of Red Herring Prospectus, company have 2,550 employees on their payroll.

Financial Summary			
(INR In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Dec-22
Total Assets	701.25	2,115.98	2,333.27
Net Assets	187.89	317.23	423.65
Total Borrowings	186.23	1,218.11	1,213.47
Total Revenue	1,587.48	1,977.36	2,646.80
Profit After Tax	82.88	129.35	106.42

Tentative Timeline	
Opening Date	June 12, 2023
Closing Date	June 14, 2023
Basis of Allotment	June 19, 2023
Initiation of Refunds	June 20, 2023
Credit of Shares to Demat	June 21, 2023
Listing Date	June 22, 2023



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Company Overview

Urban Enviro Waste Management Limited was originally incorporated as 'Nagpur Waste Handling Private Limited' in the year 2011 and is headquartered in Nagpur - Maharashtra. Company is engaged in Indian MSW (Municipal Solid Waste) management industry providing MSW services which includes solid waste collection, transportation, segregation of waste and processing and disposal services across the Cities in Gujarat, Rajasthan, Madhya Pradesh and Maharashtra, primarily catering to local municipalities. They partner with different local bodies and serve to manage and reduce waste at each stage from collection to disposal. Their "Solid Waste" business is operated and managed locally that provides collection, transfer, disposal services. Company also carries on the business of providing manpower like staff, workers, labours skilled/unskilled required by various industries and organizations.

Analysis

Being in operations since 2011, the company is good track record of existence the business and all the promoter of the company have a decent experience in the industry. Company primarily undertakes: (i) MSW 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 disposal site.; (ii) MSW processing projects which involve sorting and segregating the MSW, followed by composting, as required; and (iii) Street sweeping projects which involve deploying of sweeping brooms, manpower, maintenance, consumables, disposal of the waste and any other items required for completion of the cleaning operation of the designated areas. Company's presence in the solid waste management industry can be traced back to the incorporation of the Company. Starting with the business of collection and transportation of waste, they have progressed in the field of solid waste management. Company have generated most of its revenue in Dec 31st, 2022 from Door-to-Door Garbage Collection and the remaining part of its revenue from other services such as Transportation, Collection & Transportation, Cleaning & Sweeping and Supplying manpower. Further service wise revenue breakup as on nine months ended on December 31st, 2022 and for the years ended on March 31st, 2022, 2021, 2020 is given below.

Urban Enviro Waste Management Ltd revenue bifurcation: -
(Rs. in lakhs)

Services	Dec-22		Mar-22		Mar-21		Mar-20	
	Sales	(%)	Sales	(%)	Sales	(%)	Sales	(%)
Door-to-Door Garbage Collection	1,536.41	58.44	195.87	9.95	83.58	5.31	36.13	2.86
Transportation	370.10	14.08	127.57	6.48	6.61	0.42	-	-
Collection & Transportation	330.84	12.58	1,093.63	55.54	1,142.85	72.66	1,089.79	86.30
Cleaning & sweeping	351.54	13.37	360.62	18.31	136.32	8.67	-	-
Supplying manpower	40.17	1.53	191.31	9.72	203.47	12.94	136.89	10.84
Total	2,629.06	100.00	1,969.00	100.00	1,572.83	100.00	1,262.81	100.00

Portfolio of 39 ongoing projects as on May 26, 2023 comprised MSW projects, MSW processing project and sweeping project. They are currently undertaking projects for Saoner Municipal Council, Mul Municipal Corporation, Jaipur Nagar Nigam, Deori Municipal Council, Bahulgaon Municipal Council, Gadchandur Municipal Council, Nagpur Municipal Corporation (“NMC”), Jaipur Municipal Corporation (“JMC”), Vadodara Municipal Corporation, Ahmedabad Municipal Corporation and Ankleshwar Nagarpalika.

To conclude, the business segments company deals in, their ability to generate revenue is highly dependent on the probability of successfully selection of their bid by the Municipalities Committees. Whereas, till date company has been successful in cracking bids with the Municipalities Committees and have generated good revenue.

Industry Charts

Exhibit 1: Indian Waste Management Market



(Source- www.researchandmarkets.com)

Exhibit 2: Global Waste Management Market Size



(Source- www.alliedmarketresearch.com)

Investment Overview

Waste Management in India

Waste management in India falls under the purview of the Union Ministry of Environment, Forests and Climate Change (MoEF&CC). In 2016, this ministry released the Solid Waste Management (SWM) Rules, which replaced by the Municipal Solid Waste (Management and Handling) Rules, and 2000 of which had been in place for 16 years. This national policy plays a significant role in the acknowledgement and inclusion of the informal sector (waste pickers) into the waste management process for the first time.

India generates 62 million tonnes of waste each year. About 43 million tonnes (70%) are collected, of which about 12 million tonnes are treated, and 31 million tonnes are dumped in landfill sites.

With changing consumption patterns and rapid economic growth, it is estimated that urban municipal solid waste generation will increase to 165 million tonnes in 2030

Services offered in Industry

By 2025, the waste management market size in India is projected to be worth ~USD 15 billion, with annual growth around 7 percent.

A growing economy, soaring urban population, rising living standards and increasing consumption levels are common trends in emerging economies across the globe. Similarly, in India, an increase in the purchasing power parity has led to more affordability, accessibility to resource use and a rapid surge in the waste volumes as well. Considering the current trend toward urbanization in India, the MSW quantum is expected to double the existing volumes within ten years. At approximately 80-85 MTs by 2030, presenting a business opportunity estimated at US\$20 Billion

Public-private partnership initiatives

Public-private partnerships (PPP) have been promoted by the Government of India for improving waste management services, yet, have remained problematic. The

challenges of improving solid waste management services in India are caused by lack of financial resources, lack of appropriate skills and technological competencies with the public sector. Governments have started to explore PPPs as an alternative. The progress and improvement achieved remained low. Research on this has suggested recommendations in accordance with some issues uncovered. For example, PPP in MSW is considered immature, yet, high pre-qualification requirements were established. The urban local bodies (ULBs) found difficulties in defining an appropriate scope for some PPP projects. The specific issue encounters include a dire need of services are the primary reason behind opting for PPP mode; the perception that PPP gives greater benefit to the public; third and interconnected: PPPs avoid financial stress on the public sector; and fourth, PPPs are thought to constrain transaction costs and give value for the money invested. The research also revealed some serious negative issues that have crept-in while using PPP mode. They are often procured in an incompetent manner, and as opposed to the expectation, they have resulted in high transaction costs and ineffective projects. The private sector appeared to be exploiting the sector without any beneficial projects. There are numerous facets that are yet to be understood while using PPP in the waste management sector.

(Source- en.wikipedia.org)

Addressable market for Urban Enviro Waste Management

Company Currently have presence particularly in Gujarat, Madhya Pradesh, Maharashtra and Rajasthan. They can deepen their penetration in existing markets and increase their presence by expanding services to new states. As a business strategy, they can expand their footprint in Tier-2 cities and Tier-3 cities as there are untapped opportunities in these cities for the growth in business operations. Company can also explore opportunity in other states.

Competition

The waste management industry has been gradually moving from a largely unorganised sector comprising smaller regional players towards an organised sector. Competitors can be categorized into two tiers - national and local. While fleet vehicles, manpower, financial position, having more experience, technical viability are key factors among competitors. Companies faces low barrier to entry and has less bargain power.

PEER ANALYSIS

As mentioned in the prospectus there is only 1 peer company viz. Antony Waste Handling Cell Limited. An analysis of the same has been given below –

Particulars	Urban Enviro Waste Management Limited			Antony Waste Handling Cell Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	7%	5%	6%	14%	14%	10%
EBITDA Margin	16%	11%	13%	23%	25%	28%
Return on Capital Employed	12%	26%	47%	16%	14%	21%
Return on Equity	20%	44%	71%	22%	18%	21%
EPS (INR)	3.79	2.43	2.20	24.00	15.92	10.69

Based on the above analysis all the margins, and EPS of the company when compared to its peer is very low in previous years. The RoCE, ROE of the company when compared to its peers are high in previous years and low in current year.

Antony Waste Handling Cell Limited

- Leading P/E as on 07/06/2023 – 30.52 times.
- EPS is based on post-IPO – Rs. 3.28.

Promoters' Profile and Management Analysis

Mr. Suresh Sharma



- Mr. Suresh Sharma, aged 39 years, is the Promoter, Whole-Time Director of the Company.
- He has completed his Secondary Education.
- He has approximately 15 years of work experience in waste management industry.

Analysis on the Company's Promoter and Board of Directors

Mr. Suresh Sharma, aged 39, is the Promoter, Whole-Time Director of the Company. He has been associated with the Company since March 17, 2021. He has completed his Secondary Education. He has approximately 15 years of work experience in waste management industry. He is instrumental in the growth of the Management of the Project, Planning, Execution, and business operations of the company.

Mr. Kamlesh Kanhaiyalal Sharma, aged 45 is a Managing Director of the Company. He holds a degree in Bachelor of Arts. He possesses approximately 25 years of experience in planning and formulating the overall business and commercial strategy and developing business of Municipal Solid Waste Management projects.

Mr. Vikas Sharma, aged 44, is an Executive Director of the Company. He holds a degree in Bachelor of Arts and LLB Graduate. He has approximately 17 years of work experience in waste management industry.

Mrs. Sheela Suresh Sharma, aged 38, is a Non-Executive Women Director. She has completed her Secondary Education. She is responsible for 138 Administration and overall supervision of the business in the company. She has approximately 6 plus months of work experience.

Mr. Yogesh Kumar Gupta, aged 39, is an Independent Director. He has completed his Secondary Education. He has approximately 10 years of business work experience.

Mr. Govind Maherwal, aged 39, is an Independent Director. He also holds a Master of Commerce. He has approximately 12 years of business work experience.

To conclude, the company has one promoter who has good experience in the waste management industry, with decent education qualification. The remaining all the directors of the company have good experience in the industry which the company operates in. The roles and responsibilities of the management of the company is not specified clearly in the offer document.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, Dec 2022
<u>Profit and Loss</u>			
Revenue from operations	1,572.83	1,969.01	2,629.96
Other income	14.65	8.35	16.84
Total Revenue	1,587.48	1,977.36	2,646.80
Expenses	1,392.78	1,627.66	2,136.77
Depreciation and Amortisation Cost	79.66	129.22	249.10
Finance Cost	17.96	35.38	105.01
Total Expenses	1,490.40	1,792.26	2,490.88
PBT	97.08	185.10	155.92
PBT Margin	6.17%	9.40%	5.93%
EBITDA	180.05	341.35	493.19
EBITDA Margin	11.45%	17.34%	18.75%
Net Profit	82.88	129.35	106.42
Net Profit Margin	5.27%	6.57%	4.05%
<u>Balance Sheet</u>			
Total Borrowings	186.23	1,218.11	1,213.47
Net Worth	187.89	317.23	423.65
Fixed Assets	327.67	1,301.89	1,314.89
Net Working Capital	-44.46	53.24	35.63
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	8.43	6.37	7.41
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	4.80	1.51	3.57
Return on Capital Employed	26.45%	14.05%	13.59%
Return on Equity	44.11%	40.77%	10.29%
Debt-Equity Ratio	0.99	3.84	0.74

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has increased from Rs. 180.05 lacs in 2021 to Rs. 341.35 lacs in 2022 and as on 31st Dec 2022 it was Rs. 493.19 lacs and if we annualize the same it would be around Rs. 657.59 lacs. The EBITDA on an annualized basis has grown at a CAGR of 91.11%. The EBITDA margin in 2021 was 11.45%, 17.34% in 2022 and as on 31st Dec 2022 it was at 18.75%. The increase in EBITDA is due to an increase in the revenue from operations. The increase in EBITDA margin is due to a decrease in the percentage contribution towards employee benefit expenses.

Net Profit

The Net Profit of the company has increased from Rs. 82.88 lacs in 2021 to Rs. 129.35 lacs in 2022, and as on 31st Dec 2022 it was at RS. 106.42 lacs and when we annualize the same it is at Rs. 141.89 lacs growing at a CAGR of 30.84%. The Net Profit margin in 2021 was 5.27%, 6.57% in 2022 and as on 31st Dec 2022 it was 4.05%. The increase in Net Profit is due to increase in EBITDA. The decrease in the margin is due to increase in Expenses ex. Administrative Expenses and finance cost.

Finance Cost

The company's finance cost mainly comprises of Interest on Term Loans

Financial Measures/Ratios

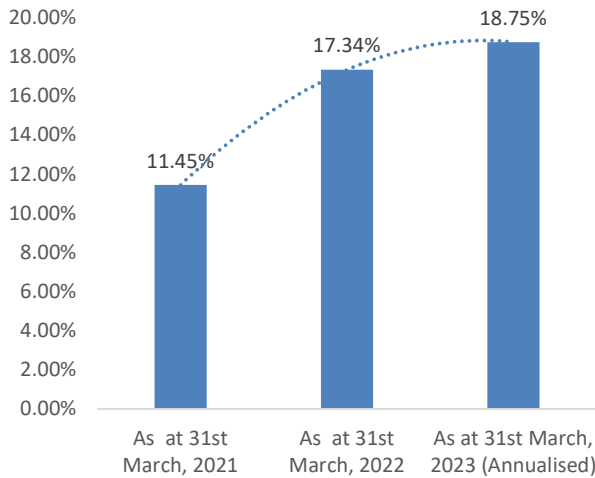
RoCE of the company up to 31st Dec 2022 is 15.47%, 14.05% in 2022 and 26.45% in 2021. If we annualize the RoCE of FY 2022 – 2023, the RoCE is expected to be around 13.59%. The decrease in RoCE is due to an increase in Equity base of the company.

ROE of the company in 2021 was 44.11%, 40.77% in 2022, and 25.12% up to 31st Dec 2022, if we annualize, ROE would be around 10.29%. Along with RoCE, ROE has also decreased. With an increase in equity base, the ROE is expected to come further down on post-ipo basis resulting in an estimated CAGR of -51.70%.

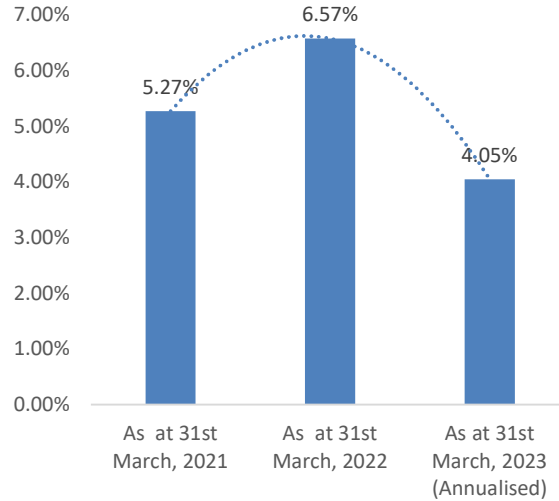
Receivables turnover ratio has decreased from 6.37 times to 5.56 times in 2022. The company converting its receivables to cash reduced 5.56 times and is expected to increase to 7.41 times on an annualized basis.

Financial Charts

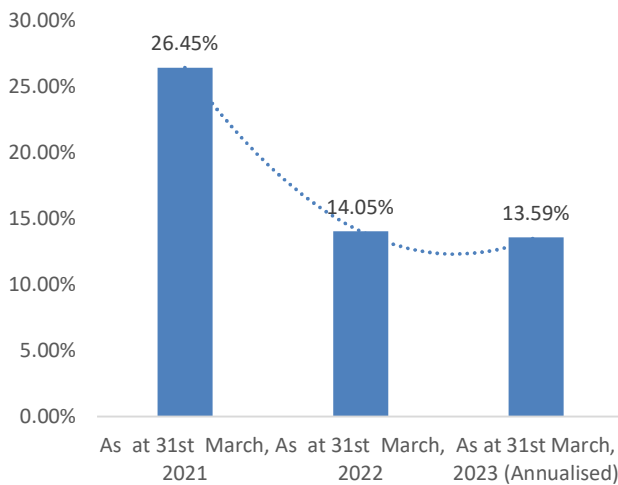
EBITDA Margin



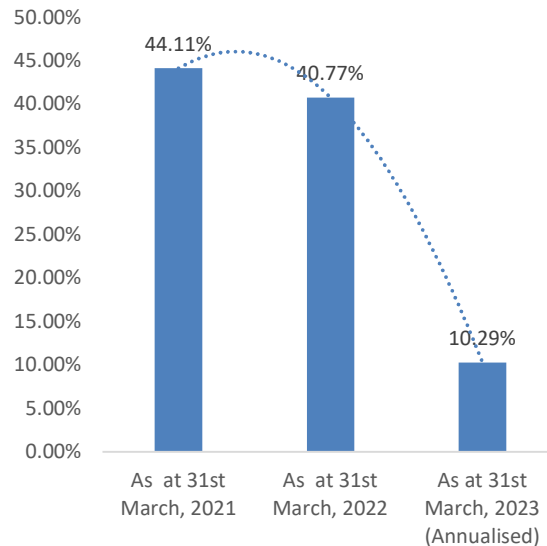
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. The company's business is dependent on municipal authorities for a significant proportion of its business and revenue from operation. The loss of any of the key work order or Projects could have a material adverse effect on the business, results of operations, financial condition and cash flows.
2. The top five clients of the company contributed, 76.83%, 87.14%, 98.00% and 82.38% of total revenue in Fiscal years 2022, 2021, 2020 and for the nine-month period ended December 31, 2022 respectively as per the Restated Financial Statements and the top 10 clients contributed, 95.56%, 96.79%, 99.95% and 94.29% of total revenue in Fiscal years 2022, 2021, 2020 and for the nine-month period ended December 31, 2022, respectively. Any adverse development with such customer, including as a result of a dispute with or disqualification by such major customers, may result in experiencing significant reduction in cash flows and liquidity.
3. Company is a party to 3 tax proceedings. Any adverse decision in such proceedings may have a material adverse effect on the business, results of operations and financial condition. Litigations filed against them are amounting to Rs. 860.00 lakhs.

Track Record of Lead Manager

The lead manager to the issue is Pantomath Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	Sah Polymers Limited	66.30	65.00	January 12, 2023	89.65
2.	AB Cotspin India Limited	10.09	35.00	January 11, 2022	45 *
3.	Exxaro Tiles Limited	161.09	120.00	August 16, 2021	115.45
4.	V-Marc India Limited	23.40	39.00	April 09, 2021	61.65
5.	Mangalam Global Enterprise Limited	21.57	51.00	November 27, 2019	20.80
6.	Gensol Engineering Limited	17.93	83.00	October 15, 2019	1030.25
7.	Suich Industries Limited	30.86	75.00	June 13, 2019	4.33 **
8.	Par Drugs and Chemicals Limited	8.53	51.00	May 16, 2019	205.50
9.	Artedz Fabs Limited	8.32	36.00	March 29, 2019	22.2***
10.	Ritco Logistics Limited	48.18	73.00	February 07, 2019	171.15

#CMP is taken as on 7th June 2023

*AB Cotspin India Limited CMP as on 1st June 2023.

** Suich Industries Limited CMP as on 19th April 2021.

*** Artedz Fabs Limited CMP as on 22nd March 2021.

As per the offer document, Pantomath Capital Advisors Private Limited have had 4 mandates in the last two fiscals. For Pantomath Capital Advisors Private Limited out of the last 10 that are mentioned above, 2 opened at discount, rest all listed at premiums ranging from 0.754% to 37.30% as on listing date.

Recommendation

The company has been into this industry since 2011 and have a good track record in the business. However, the company has also managed to increase its revenue at a good growth rate, along with good growth in EBIT margins, whereas they have seen decline net profit margins.

The company faces competition mostly from the unorganised players in the business.

The management outlook of the company is good as mentioned in the analysis, they have almost all the personnel in the top management with good work experience relating to the company operates in. The roles and responsibilities of the management has not been specified clearly.

The company is getting listed with a Leading P/E of around 30.52 times which makes the highly priced, looking at the performance of the company over the past years and when compared to its peers.

In conclusion, the company has shown a good growth in revenue, along with decent growth in EBIT margins but with decline net profit margins. The company is operating in a good segment and has been able to perform well over the years. The company has good prospect but faces competition and also the service base is good but not unique. The company has fared well in recent times, whereas their revenue growth is dependent on the probability to win bid with municipal authorities, along with the current leading P/E the stock is priced highly making this stock a risky bet and therefore **Risk Averse Investors should wait and Risk Seekers should apply.**

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.