



## IPO Note

# Namo eWaste Management Limited

Recommendation: **AVOID!**

### Company Background -

- Namo eWaste Management Limited was originally formed and incorporated on Jan 13, 2014. The registered office is located at New Delhi, India.
- The Company is mainly engaged in e-waste collection, disposal and recycling company that offers comprehensive services for recycling of electrical and electronic equipment (EEE) waste like Air Conditioners, Refrigerator, Laptop, Phones, Washing Machine, Fans etc.
- The company had 48 permanent employees as of March 31, 2024.

### Objects of the Issue -

- Funding the Capital Expenditure requirements of subsidiary i.e. Techeco Waste Management LLP, towards setting up of a new factory unit at Nashik.
- Funding of Working Capital Requirements
- General Corporate Purposes

### Promoters Name -

Akshay Jain and Rachna Jain

### Rationale for recommendation -

- ✓ The top line, bottom line and profitability margins have seen a sudden increase in FY 2024 which might not be sustainable in the long run.
- ✓ The company had negative cash flow from operations for FY 2024.
- ✓ The generates majority of its revenue from 5 states in India and has a concentration of 95.16%.
- ✓ The supplier concentration is high.
- ✓ The e-waste industry is highly fragmented.

### IPO Details

Opening Date	Sep 04, 2024
Closing Date	Sep 06, 2024
Allotment Date	Sep 09, 2024
Listing Date	Sep 11, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹80 to ₹85
Issue Size	51.20 Cr.
Fresh Issue	51.20 Cr.
Offer for Sale	-
Application Amt	₹ 1,36,000 (1,600 shares)

### INDUSTRY - E-Waste Management

P/E Average - 95.79

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	4,477.72	5,844.60	10,093.18
EBITDA	262.26	390.57	1,133.62
Net Profit	180.89	241.56	682.91
RoCE	7.27%	11.05%	26.25%
ROE	7.02%	8.58%	19.37%
P/E	68.55	52.47	19.63

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
93.67%	68.99%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	4.33	2.99
BVPS	20.93	37.81
P/E	19.63	28.46
P/BV	4.06	2.25
Mkt Cap (In Cr)	143.17	194.37

### Lead Managers -

Hem Securities Limited

### Registrar -

Maashitla Securities Private Limited

## Business Overview -

Namo eWaste Management Limited is engaged in e-waste collection, disposal and recycling company that offers comprehensive services for recycling of electrical and electronic equipment (EEE) waste like Air Conditioners, Refrigerator, Laptop, Phones, Washing Machines, Fans etc. They extract all the components of an electrical item including precious and semi-precious metals like Copper, Aluminium, Iron etc. Additionally, they organize awareness campaigns, collection drives, and events to collect waste and promote public consciousness regarding its safe disposal.

The company provides procurement service contracts as well with manufacturers and producers to pick up e-waste from their service centres, warehouses and retail outlets. The company has engaged e-waste aggregators across India who collect the waste from consumers by going door to door. After procurement and processing the E-waste, they also issue a certificate of recycling/certificate of dismantling or green certificate authorized from the State Pollution Control Board (SPCB) and Central Pollution Control Board (CPCB).

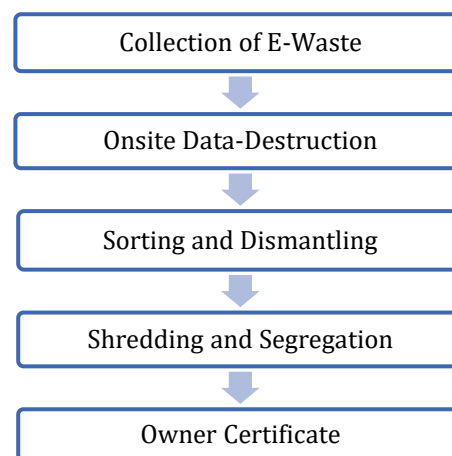
## Service Portfolio -

- 1. Electronic Recycling** - The Electronic Products that cannot be refurbished, such as those that are obsolete or irreparably damaged are channelized to the dismantling unit, which involves collecting, sorting, dismantling and recycling electronic products to recover useful materials like copper, Aluminium, Iron, Plastic, Zinc & Brass Scrap etc. along with safe disposal of the hazardous elements recovered during recycling.
- 2. Refurbishment** - The Electronic Products that are still functional but outdated and require minor repairs are refurbished. This involves testing, repairing, and cleaning the devices to bring them back to a usable condition and sold.
- 3. Extended Producer Responsibility Services (ERP)** - EPR is a policy approach where producers are responsible to disclose the entire lifecycle of their products, including their end-of-life disposal according to environmental regulations. This service offers compliance auditing and reporting, return filing and awareness related to safe disposal of E-waste.

**Manufacturing Unit** - The company has one factory for carrying out the recycling process at Faridabad, Haryana along with one storage and dismantling unit located at Palwal, Haryana and capacity utilization remained at 75.88% for FY24.

**Subsidiary** - The company acquired Techeco Waste Management LLP which was carrying on the business of e waste recycling as partnership firm. They have 99.99% shareholding.

## Recycling process -



## Revenue Bifurcation -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Electronic Recycling	3,797.20	84.80	5,203.85	89.04	7,089.73	70.24
EPR services	303.98	6.79	99.60	1.70	1,716.20	17.00
Refurbished Electronic Item	376.54	8.41	541.15	9.26	1,287.25	12.75
<b>Total</b>	<b>4,477.72</b>	<b>100.00</b>	<b>5,844.60</b>	<b>100.00</b>	<b>10,093.18</b>	<b>100.00</b>

The net proceeds of the issue will be utilized for meeting working capital requirements (Rs. 2200 lakhs), funding the Capital Expenditure requirements of the subsidiary i.e. Techeco Waste Management LLP i.e. towards setting up of a new factory unit of Lithium Battery Recycling Plant which will be used to recycle waste lithium batteries, such as cell phone laptop battery, cylindrical battery, EV battery etc. and finally to get black mass, copper and Aluminium at Nashik. (Rs. 1120 lakhs) and remaining for general corporate purposes.

**Competition -**

- 1. Market Competition:** The E-Waste management industry is highly competitive where the key factors of competition primarily comprises of product quality, cost, delivery, development and management.
- 2. Geographic Competition:** The company faces competition in regional, national, and international players from large and small players, in organized and unorganized sectors.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Suppliers:** The bargaining power of suppliers (the companies which supply e-waste material act as supplier) is high.
- 6. Bargaining Power of Buyers:** The bargaining power is high with the customers.

**Business Strategies -**

- 1. Expand Domestic presence in existing and new markets:** The company currently markets their products to around 20 states & Union Territories in India of which majority portion of the revenue comes from the state of Haryana, Delhi and Maharashtra. They plan to further diversify and expand their presence.
- 2. Focus on consistently meeting quality standards:** The Company intends to focus on adhering to the quality of the products. Continuous quality review of products and timely corrective measures in case of quality diversion are keys for maintaining quality standards of the products.
- 3. Scale up branding and promotional activities:** The company seeks to continue to enhance brand awareness and customer loyalty through promotional and marketing efforts and conduct awareness campaigns, events etc. to encourage citizens to be more environmentally conscious.

**Risk Factors -**

The amount spent for the procurement of e-waste from top 10 suppliers, as a percentage of total purchases, was 78.80%, 88.46% & 72.64% in FY 2024, 2023 & 2022 respectively.

The revenue from top 5 states in India for FY 2024, 2023 and 2022 accounted for 95.16%, 98.98% and 71.79% of total revenue from operations respectively.

The company has 8 outstanding cases against it for taxation and criminal matters amounting to Rs. 140.57 lakhs and 1 criminal case filed by the company amounting to Rs. 1.62 lakhs.

The company had negative cash flow from operations for FY 2024.

The company had contingent liabilities of Rs. 451.26 lakhs.

**PEER ANALYSIS**

Particulars	Namo eWaste Management Limited			Eco Recycling Limited			Cerebra Integrated Technologies Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	4.0%	4.1%	6.8%	46.8%	28.8%	50.6%	11.6%	2.5%	-90.6%
EBITDA Margin	6%	7%	11%	54%	36%	67%	20%	10%	-92%
RoCE	7%	11%	26%	23%	14%	31%	18%	4%	-23%
ROE	7%	9%	19%	26%	13%	26%	9%	1%	-22%
EPS (INR)	1.24	1.62	4.33	6.59	3.21	9.24	2.35	0.22	-4.32
P/E	68.55	52.47	19.63	17.59	34.08	55.47	33.98	32.95	-

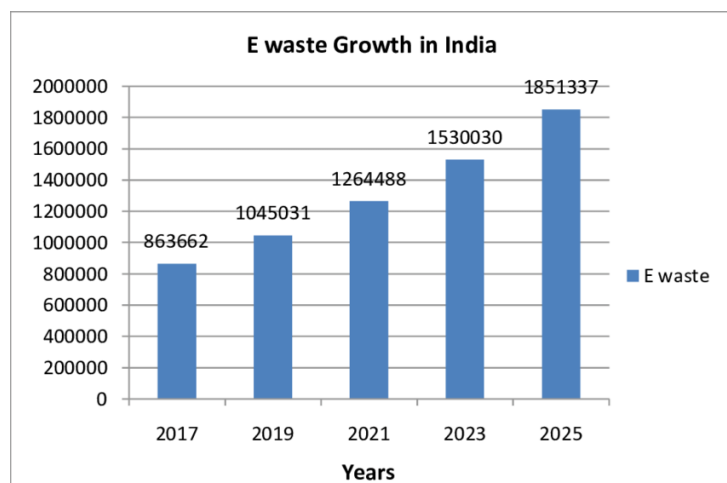
**INTERPRETATION -**

- The services offered by Namo eWaste Management Limited and Eco Recycling Limited differs and are not comparable on an apple-to-apple basis.
- Namo eWaste Management Limited has less market cap compared to its peers.
- The cash conversion cycle of the company is much lesser than the peer companies.
- The PE ratio is less compared to its peers.
- The company’s RoCE and ROE has improved over the years compared to peers.

**Indian E-Waste Industry -**

E-waste is the fastest growing waste stream in India with 3.2 million tonnes of e-waste generated a year, third highest after China and USA (According to ‘Global E-waste Monitor 2020’).

There are 569 authorized dismantlers/ recyclers of E-Waste in the country having annual processing capacity of 17,90,348 TPA. There are 3430 Producers and 124 Recyclers, who have been granted registration at E-Waste EPR porta under E-Waste (Management) Rules, 2022.



(Source: researchgate.net)

**ERP Portal for E-Waste Management -**

Extended Producer Responsibility (EPR) of producers are regulated through grant of Registration Certificate and issue Recycling Targets / EPR obligation. For Registration Certificate and Recycling Targets / EPR Obligation producers under these Rules are required to apply on the EPR Portal at the URL epewastecpcb.in to CPCB. All the stakeholders like Producer, Recyclers, Refurbishers and Manufacturers are required to register themselves on this system. The CPCB shall generate Extended Producer Responsibility Registration Certificate of Producers through the portal in favour of a Producer on receiving the required information on the portal as per the SOP. The producer shall fulfill their extended producer responsibility through online purchase of extended producer responsibility certificate from registered recyclers only and must submit it online by filing quarterly return.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Akshay Jain</b>
<b>Age</b>	35
<b>Designation and No. of years of experience</b>	Promoter, Chairman and Managing Director, 9+ years of experience in E-Waste Management Industry.
<b>Qualification</b>	Master of Arts in International Business
<b>Responsibility</b>	Responsible for the expansion and overall management, Secretarial & legal, accounts & finance, customer Relationship Management of the business of the Company
<b>Other Directorships</b>	Planet Namu Private Limited and Techeco Waste Management LLP

<b>Key Management Persons Name -</b>	<b>Parikshit Satish Deshmukh</b>
<b>Age</b>	34
<b>Designation and No. of years of experience</b>	Whole-Time Director, 5+ years of experience in recycling industry
<b>Qualification</b>	Master of Arts in International Business
<b>Responsibility</b>	Looks after the sales & marketing, Human Resource Administration of the company
<b>Other Directorship</b>	Tantravana Upholstry Works Private Limited and Techeco Infra Private Limited

<b>Key Management Persons Name -</b>	<b>Ujjwal Kumar</b>
<b>Age</b>	28
<b>Designation and No. of years of Experience</b>	Non-Executive Director, 8+ years of experience in E-Waste Recycling Industry
<b>Qualification</b>	Bachelor of Technology (B.Tech.)
<b>Responsibility</b>	Responsible for handling procurement of E-waste material, General Administration of the company
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Rojina Thapa</b>
<b>Age</b>	30
<b>Designation and No. of years of experience</b>	Independent Director, 4+ years of experience post qualification in finance, taxation and statutory compliances
<b>Qualification</b>	Qualified CA
<b>Other Directorships</b>	Glocal Consultants and KPO Private Limited

<b>Key Management Persons Name -</b>	<b>Saurabh Shashwat</b>
<b>Age</b>	33
<b>Designation and No. of years of experience</b>	Independent Director, 7+ years of experience in corporate and Secretarial Compliances
<b>Qualification</b>	Qualified CS
<b>Other Directorships</b>	Titan Securities Limited, Integrated Industries Limited, Glocal Consultants and KPO Private Limited and Nurture Well Foods Private Limited

**OVERVIEW:**

- Overall, the management is decent.
- The promoters and the management have decent experience in e-waste management and recycling sector.
- The independent directors of the company have similar experience in finance and education qualifications and not very relevant to the industry.
- Additionally, there is evidence of dual chairmanship, which is not favourable.

## FINANCIAL SNAPSHOT

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	4,477.72	5,844.60	10,093.18
Other Income	31.28	11.47	14.44
<b>Total Income</b>	<b>4,509.00</b>	<b>5,856.07</b>	<b>10,107.62</b>
<b>Expenses</b>			
Cost of Materials Consumed	4,480.46	4,224.41	7,671.33
Changes in inventories of finished goods, Work-in-progress	-743.27	656.33	45.59
Employee Benefit Expenses	146.54	194.22	319.71
Finance Cost	17.62	34.41	117.07
Depreciation and Amortisation	34.06	44.80	117.06
Other expenses	331.73	379.07	922.93
<b>Total Expenses</b>	<b>4,267.14</b>	<b>5,533.24</b>	<b>9,193.69</b>
<b>EBITDA</b>	<b>262.26</b>	<b>390.57</b>	<b>1,133.62</b>
<b>EBITDA Margin</b>	<b>5.86%</b>	<b>6.68%</b>	<b>11.23%</b>
<b>Profit/(Loss) before tax</b>	<b>241.86</b>	<b>322.83</b>	<b>913.93</b>
<b>Tax Expense</b>			
Current tax	56.78	78.75	216.65
Deferred Tax	4.19	2.52	14.37
<b>Total Tax</b>	<b>60.97</b>	<b>81.27</b>	<b>231.02</b>
<b>Profit/(Loss) for the year</b>	<b>180.89</b>	<b>241.56</b>	<b>682.91</b>
<b>Net Profit Margin</b>	<b>4.04%</b>	<b>4.13%</b>	<b>6.77%</b>

Statement of Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	455.52	455.52	1,684.35
Reserves and surplus	1,871.69	2,109.24	1,841.82
Money received against share warrants	250.00	250.00	-
<b>Total Equity</b>	<b>2,577.21</b>	<b>2,814.76</b>	<b>3,526.17</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	552.61	303.47	316.96
Deferred Tax Liabilities (Net)	5.05	7.58	21.95
Long-term provisions	3.42	4.50	7.41
<b>Total Non-current liabilities</b>	<b>561.08</b>	<b>315.55</b>	<b>346.32</b>
<b>3. Current liabilities</b>			
Short-term borrowings	45.49	41.26	1,136.29
Trade Payables			
(i) Total outstanding dues of MSME	-	38.55	378.54
(ii) Total outstanding dues of creditors other than MSME	667.69	482.63	443.61
Other Current Liabilities	253.95	121.79	201.40
Short-term provisions	68.90	97.74	242.41
<b>Total Current liabilities</b>	<b>1,036.03</b>	<b>781.97</b>	<b>2,402.25</b>
<b>Total Liabilities</b>	<b>1,597.11</b>	<b>1,097.52</b>	<b>2,748.57</b>
<b>Total Equity and Liabilities</b>	<b>4,174.32</b>	<b>3,912.28</b>	<b>6,274.74</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			

Particulars	FY 22	FY 23	FY 24
Property, Plant & Equipment	775.38	757.06	2,154.28
Capital Work-in-progress	1,071.60	1,242.09	-
Long Term Loans and Advances	355.88	370.86	121.99
<b>Total Non-Current assets</b>	<b>2,202.86</b>	<b>2,370.01</b>	<b>2,276.27</b>
<b>2. Current assets</b>			
Inventories	1,185.28	820.34	1,852.41
Trade Receivables	296.97	481.69	1,460.22
Cash & Cash equivalents	26.48	17.19	72.08
Short Term Loans and Advances	310.41	103.69	86.68
Other Current Assets	152.34	119.33	527.09
<b>Total Current assets</b>	<b>1,971.48</b>	<b>1,542.24</b>	<b>3,998.48</b>
<b>Total Assets</b>	<b>4,174.34</b>	<b>3,912.25</b>	<b>6,274.75</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	305.93	482.85	-951.34
Net Cash Flow from Investing Activities	-834.06	-208.46	14.79
Net Cash Flow from Financing Activities	504.16	-283.68	991.44

**Key Ratios**

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	1.24	1.62	4.33	EV/EBITDA	12.01	8.05	4.33
BV per share	15.30	16.71	20.93	Market Cap / Sales	4.34	3.33	1.93
<b>Operating Ratios</b>				P/E	68.55	52.47	19.63
EBITDA Margins	5.86%	6.68%	11.23%	Price to Book Value	5.56	5.09	4.06
PAT Margins	4.04%	4.13%	6.77%	<b>Solvency Ratios</b>			
Inventory days	96.62	51.23	66.99	Debt / Equity	0.23	0.12	0.41
Debtor days	24.21	30.08	52.81	Current Ratio	1.90	1.97	1.66
Creditor days	55.55	42.13	34.82	Quick Ratio	0.76	0.92	0.89
<b>Return Ratios</b>				Asset Turnover	1.07	1.49	1.61
RoCE	7.27%	11.05%	26.25%	Interest Coverage Ratio	12.95	10.05	8.68
RoE	7.02%	8.58%	19.37%				

**INTERPRETATION –**

1. The top line and bottom line have seen a sudden increase in FY 2024 by 72.69% which was due to increase in revenue from Services Like EPR Consultancy, Disposal Service Charges etc. and increase in sale of Refurbished Electronic items.
2. The PAT margin and EBITDA margin have also seen a sudden increase in FY 2024 due to increase in sale of high value products & services and the change in inventories fell by 10.76%.
3. The RoCE and ROE have improved over the years.
4. The PE ratio has improved over the years.
5. The cash conversion cycle is 85 days for FY 2024.

**LEAD MANAGER TRACK RECORD -**

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

**Hem Securities Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Sunlite Recycling Industries Limited	30.24	105.00	Aug 20, 2024	162.50
2.	Aprameya Engineering Limited	29.23	58.00	Aug 01, 2024	68.00
3.	Chetana Education Limited	45.90	85.00	July 31, 2024	90.75
4.	Ganesh Green Bharat Limited	125.23	190.00	July 12, 2024	439.75
5.	Aimtron Electronics Limited	87.02	161.00	June 06, 2024	495.95
6.	Vilas Transcore Limited	95.26	147.00	June 03, 2024	421.35
7.	Aztec Fluids & Machinery Limited	24.12	67.00	May 17, 2024	110.65
8.	Premier Roadlines Limited	40.36	67.00	May 17, 2024	128.15
9.	Energy-Mission Machineries (India) Limited	41.15	138.00	May 16, 2024	387.50
10.	TGIF Agribusiness Limited	6.39	93.00	May 15, 2024	89.73

The company has handled 49 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 3<sup>rd</sup> Sep 2024.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.



## Recommendation -

Namu eWaste Management Limited has been in the industry since 2014 and has good experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 28.46 times which makes it fairly priced compared to its sector PE of 95.79 times.

The company has seen a sudden increase in the top line and bottom line in FY 2024. The profitability margins have also seen a sudden increase in FY 2024, which might not be sustainable in the long run.

The company has negative cash flow from operations for FY 2024.

The supplier concentration is high and loss of any can adversely affect the business.

The company's peers are not comparable on an apple-to-apple basis as the market cap is large for the peer company and their services also differ. Also, Cerebra Integrated Technologies Limited's performance is very low and is not comparable.

The E-waste management industry is highly competitive and fragmented. There are many established and small players in this sector. Also, the industry growth is moderate.

Thus, investors can **AVOID** this IPO.

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