

Stock Research Report: Urban Enviro Waste Management Ltd

Comprehensive Fundamental Analysis

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Executive Summary

Urban Enviro Waste Management Ltd Overview: Urban Enviro Waste Management Ltd, formerly Nagpur Waste Handling Pvt. Ltd., has over 13 years of experience in waste management, offering services in collection, transportation, segregation, and disposal. Listed on the NSE (SME platform) in June 2023, the company has completed 24 projects, with 21 currently ongoing.

Financial Highlights: The company reported a turnover of ₹10,247.24 lakhs in FY 2023-24, up from ₹3,915.62 lakhs the previous year. PBT stood at ₹1,006.84 lakhs, and PAT at ₹705.49 lakhs., with a profit margin of 6.88% and a P/E ratio of 12.56.

Valuation Summary: Our analysis, using P/E methods, set a target price of Rs. 500, currently above the market price of Rs. 471.

Insights: India's ongoing rapid growth drives continuous waste generation, positioning waste management as a vital and expanding sector. URBAN ENVIRO WASTE MANAGEMENT LTD is well-positioned to benefit from this growth. **As a "sunrise sector," waste management presents significant potential, making URBAN ENVIRO a high-growth stock with long-term promise. Despite the sector's risks, it offers attractive opportunities for aggressive investors.**

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Company Overview

1. Business of the Company

Basic Industry Waste Management

URBAN ENVIRO WASTE MANAGEMENT LTD (Formerly Nagpur Waste Handling Pvt. Ltd.) has been a key player in waste management and Municipal Solid Waste (MSW) services for over 13 years. Specializing in waste collection, transportation, segregation, and disposal, URBAN provides essential services to municipalities, businesses, and institutions. On June 22, 2023, the company was listed on the NSE (SME platform). As of March 31, 2023, the shareholding pattern stands at 51.19% for promoters and 48.81% for the public. URBAN has completed 24 projects, with 21 ongoing, primarily focused on Collection & Transport and MSW processing projects.

Key Financial Highlights FY 2023-24:

- **Revenue:** ₹10,247.24 Lakhs (+161.70%)
- **EBITDA:** ₹1,855.47 Lakhs (+131.45%)
- **Net Worth:** ₹2,162.50 Lakhs (+287.09%)

URBAN operates in Central and Western India, covering Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, and Chhattisgarh, ensuring cleanliness, and contributing to environmental sustainability.

2. Business Model of the Company

Their business model is centred on delivering end-to-end services, including waste collection, transportation, segregation, and disposal, with a strong presence in Western India.

3. Revenue Model of the Company. Segment-wise revenue contribution.

Revenue Bifurcation - FY22:

- Door-to-Door Garbage Collection: 58.5%
- Transportation: 14.5%
- Collection & Transportation: 12.5%
- Cleaning & Sweeping: 13%
- Supplying Manpower: 1.5%

4. Industry Analysis

- **Growing Demand:** Urbanization and industrialization are driving increased solid waste generation, offering growth opportunities for URBAN.

- **Sustainable Solutions:** Rising environmental concerns boost demand for eco-friendly waste management, allowing URBAN to leverage sustainable initiatives.
- **Diversification:** Potential for expansion into recycling, renewable energy, and resource recovery to strengthen business resilience and competitiveness.

5. Competitive positioning

Market Cap: 204 Crores [Micro cap]

- **Solid Waste Expertise:** URBAN excels in waste collection, transportation, segregation, and disposal, understanding the complexities of solid waste management.
- **Technological Advancements:** The company leverages modern technology for efficient operations, minimizing environmental impact.
- **Strategic Partnerships:** Collaborations with municipalities and recycling facilities enhance market presence and service range.
- **Diverse Portfolio:** URBAN offers tailored waste management solutions across residential, commercial, and industrial sectors.

6. Creative Strategies and Innovations

- **Door-to-Door Waste Collection:** URBAN uses closed-body hydraulic vehicles to collect waste from households and transport it directly to dumping sites or transfer stations.
- **Bin-Free Project:** The company aims to eliminate the need for public waste bins by ensuring daily door-to-door collection of municipal solid waste, promoting cleaner cities.

Auditor's Report

There are no observations, qualifications, reservations, adverse remarks, or disclaimers in the Audit Report requiring further explanation from the Directors.

The company's financials are in good standing, with no concerns raised by the auditors.

Management and Shareholding Pattern

Top Management of the company

Top Management	Positions	Years of Experience	Areas of Expertise
Shri Kamlesh Sharma	Chairman-cum- Managing Director	Over 25 years	Planning and formulating the overall business and commercial strategy and developing the business of Municipal Solid Wastes .
Shri Suresh Sharma	Whole Time Director	15 years	Waste Management
Shri Vikas Sharma	Executive Director	18 years	Waste Management
Smt. Sheela Sharma	Non-Executive Director	-	Administration and overall supervision
Shri Govind Maherwal	Independent Director	12 years	Business work experience

Interpretations: Under strong management, the company has specialized in city waste collection and environmental management. Significant improvements have been made in optimizing waste management, reducing environmental impact, and increasing operational efficiency. Strategic investments in technology and infrastructure have enhanced waste collection, segregation, transportation, and processing, effectively minimizing waste.

Shareholding pattern Last 5 years

	June 2023	Sept 2023	Dec 2023	March 2024	June 2024
Promoters	51.19%	51.19%	51.19%	51.19%	51.19%
FII's	0.03%	0.03%	0.00%	0.00%	0.00%
DII's	0.00%	0.00%	0.00%	0.00%	0.02%
Public	48.78%	48.78%	48.81%	48.81%	48.79%

Interpretation: There is no change in the promoter's holdings of the company indicating the promoter's confidence in the operations. There is zero pledging of shares.

Urban Enviro Waste Management Limited (UEW) was listed on the NSE SME on June 22, 2023. Given the company's recent entry into the market, comprehensive data on its shareholding pattern is currently limited. As the company progresses, more detailed shareholding disclosures will be available in upcoming quarters, providing better insights into investor distribution and institutional participation.

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Financial Analysis

Urban Enviro Waste Management Ltd does not have any subsidiaries. Hence, all figures are on a standalone basis.

Revenue & Profit Trends

All figures in Rs Crores

Annual	March 2022	March 2023	March 2024	TTM	CAGR 3 Years
Total Revenue	19.77	39.38	102.63	-	
Total Revenue Growth (%)	+24.56%	+99.14%	+160.64%		+86.2%
Total Expenses	17.77	36.39	92.56	-	
Total Expenses Growth (%)	+19.78%	+104.78%	+154.38%		+84.3%
Net Profit	1.61	2.16	7.05	-	
Net Profit Growth (%)	+106.16%	+34.31%	+227.06%		+107%

Interpretations: The company's annual revenue growth of 160.64% surpassed its 3-year CAGR of 86.2%. In the last year, annual revenue increased by 160.64% to ₹102.63 Cr. The company allocated 2.41% of its operating revenues towards interest expenses and 43.18% towards employee costs for the year ending March 31, 2024. Additionally, annual net profit grew by 227.06% to ₹7.05 Cr, while the stock price surged 248.12%, outperforming its sector by 164.95%. However, high expenses may impact future profitability.

Dividend Record

Annual	March 2021	March 2022	March 2023	March 2024
Dividend Per Share	-	-	-	0.50
Dividend Payout	-	-	-	5%

Interpretations: The company has paid Interim Dividend @ 5% i.e. Rs. 0.50 per Equity Share in November 2023. Staying true to their commitment to delivering optimum returns to our shareholders.

Balance Sheet

All figures in Rs Crores

Annual	March 2022	March 2023	March 2024	CAGR 3 Years
Total Assets	21.16	38.18	62.60	+108.6%
Total Liabilities	17.73	32.60	40.97	+51.9%
Shareholders' Equity	3.43	5.59	21.63	+128.9%
Working Capital	5.2	2.8	18.7	+143.2%

Interpretations: Urban Enviro Waste Management Ltd has shown strong growth in assets with a 3-year CAGR of 108.6%. Liabilities have also increased but at a lower rate of 51.9% CAGR, reflecting favourable leverage. Shareholders' equity has grown significantly, with a 3-year CAGR of 128.9%, indicating increased investment in the company. Working capital has surged with a 3-year CAGR of 143.2%, showcasing improved operational efficiency.

Cash Flows

All figures in Rs Crores

Annual	March 2022	March 2023	March 2024	CAGR 3 Years
Cash Flow from Operating Activities	-0.80	7.74	4.47	381.3%
Cash used in Investing Activities	-10.99	-10.78	-10.96	-163.7%
Cash flow from Financing Activities	11.75	3.75	6.99	+85.3%
Net Cash Flow	-0.03	0.71	0.50	+145.5%

Interpretations: Urban Enviro Waste Management Ltd has demonstrated impressive growth in Cash Flows from Operating activities, with a 3-year CAGR of 381.3%. However, in FY 2024, the CFO of Rs 4.47 crore is 0.63 times the reported net profit of Rs 7.05 crore. The company invested Rs 10.96 crore, reflecting a 1.72% YoY increase. Net cash flow decreased by Rs 0.50 crore compared to the previous fiscal year.

Growth| Profitability Indicators

Annual	March 2022	March 2023	March 2024	CAGR 3 Years	Benchmark
Net Profit Margin (%)	8.15	5.50	6.88	+11.2%	>10%
EPS	1,606.09	6.33	16.29	-72.4%	Positive & Growing

Interpretations: The company allocated 2.41% of its operating revenues towards interest expenses and 43.18% towards employee costs for the year ending March 31, 2024, which impacted its net profit margins (NPM). High operational expenses, particularly employee costs, could restrict future profit margins despite strong revenue growth.

However, the rising earnings per share (EPS) signals robust growth potential for the stock, indicating strong underlying performance.

Return Ratios

Annual	March 2022	March 2023	March 2024	CAGR 3 Years	Benchmark
ROE (%)	46.83	38.61	32.62	-8.6%	>15%
ROCE (%)	12.54	19.32	28.41	+4.2%	>15%

Interpretations: The Return on Equity (ROE) for the last financial year was 32.62%, significantly above the benchmark of 15%, highlighting the efficient utilization of shareholders' capital to generate profit. Additionally, the Return on Capital Employed (ROCE) was 28.41%, exceeding the 15% benchmark, indicating that the company effectively uses its capital to drive operational efficiency.

Leverage Ratios

Annual	March 2022	March 2023	March 2024	CAGR 3 Years	Benchmark
Debt-to-Equity	4.45	3.64	1.00	-12.6%	Less than 1
Interest Coverage	12.95	5.35	7.50	-25.6%	Above 3

Interpretations:

The Debt-to-Equity Ratio of 1 indicates that the company's assets are equally financed through debt and equity. A ratio higher than 1 suggests a reliance on debt to finance operations. The Interest Coverage Ratio of 7.5, significantly above the benchmark of 3, indicates that the company comfortably meets its interest obligations using its earnings (EBIT), reflecting strong financial health and lower risk of insolvency.

Valuation Parameters

Valuation Ratios

Annual	March 2022	March 2023	March 2024	Industry Average	Benchmark
Price-to-Earnings	-	-	22.99	-	Less Than Industry PE
PEG Ratio	-	-			Less Than 1
Price to Book Value	-	-	7.49	-	Below 1 or Less Than Industry P/BV
EV/EBITDA	-	-	9.81		Below 10
Price to Sales	-	-	1.58		Below 1

Interpretations:

Urban Enviro Waste Management Limited (UEW) was listed on the NSE SME on June 22, 2023. Given the company's recent entry into the market, the market data for valuation is limited.

Target Price: Technical Analysis

Current Price: ₹ 471 | 52-Week High: ₹575 | 52-Week Low: ₹ 114

The first set of quantities can be when the stock trades above Rs. 500. The Second can be added if the stock falls and comes to the level of Rs. 400 (this is when the stock falls)

If the stock does not fall and starts rising from the level of 500 then we can add quantities when it rises and then try to take a pullback, you can add quantity on Pullback.

Investment Thesis| Key Findings

Strengths	Weaknesses	Opportunities	Threats
Robust annual EPS growth.	Declining Cash Flows from Operating Activities	Growing demand for waste management services	Regulatory compliance challenges
Profit growth outpaces sector averages.	Declining ROE	Sustainable waste management solutions	intense competition from both established players and new entrants
RoCE has been improving over the past 2 years.	Dependence on government contracts	Diversification opportunities into related sectors such as recycling, renewable energy production from waste, and resource recovery.	Technological disruptions
Net profits have shown consistent annual growth for the last 2 years.	Limited geographical reach	Compliant with all laws on labour & waste management	
High momentum scores, exceeding 50.			
Greatest recovery from the 52-week low.			

Analyst Analysis Summary:

Waste management is a highly futuristic sector. This is so because the entire world is focusing on managing waste efficiently to make this earth clean. Treating waste is the need of an hour, so waste management stock is something that can serve gold in the near future.

Urban Environment management, is focused on managing municipal solid waste, it also provides services regarding that. All these services are sold mainly to local government bodies, power stations, government hospitals, even huge industries. Waste management sanitation and cleanliness services are important for the parties mentioned above and so such services are outsourced to companies like Urban Environment.

The company is expanding its presence and with this, we highly expect the expansion of business and hence the growth in stock price.

Analyst Final words:

The valuation of URBAN ENVIRO WASTE MANAGEMENT LTD remains uncertain due to its new presence in the market. However, the company demonstrates strong financial health with impressive asset and working capital growth and manageable increases in liabilities. Its annual revenue growth of 160.64% significantly surpasses the 3-year CAGR of 85.14%. Outstanding return, profitability, and leverage ratios support this growth trajectory.

Management anticipates further growth, contingent upon favourable market conditions and stable economic policies. **As a key player in the emerging waste management sector, URBAN ENVIRO is well-positioned for long-term success. The stock carries high risks and is best suited for aggressive investors.**

In conclusion, India's continuous growth ensures persistent waste generation, making waste management a critical and expanding sector. Companies like URBAN ENVIRO WASTE MANAGEMENT LTD are well-positioned to leverage this growth. Classified as a "sunrise sector" in financial terms, waste management holds significant potential, categorizing URBAN ENVIRO as a high-growth stock with long-term prospects. **While the sector involves inherent risks, it offers promising opportunities for aggressive investors to capitalize on future gains.**

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Limitations to Note:

- **No Personalized Financial Advice:** Our reports are for informational purposes and are not tailored to individual financial situations.
- **No Guaranteed Outcomes:** All investments involve risk, and our analysis should be one of several factors you consider.

Risk Analysis

✚ **Risks: Identification and assessment.**

✚ **Mitigation: Strategies to address risks.**

Risk Category	Mitigation Strategies
Business Dynamics	Periodic review of risk identification, assessment, monitoring, and mitigation procedures.
Operations	No major technological, operational, financial, or environmental risks anticipated.
Liquidity	Regular monitoring to ensure liquidity is managed effectively.
Market/Industry	No significant risks identified; constant market and industry evaluation.
Human Resources	Labour-intensive nature; industrial relations risk could impact performance.
Disaster Management	Procedures in place for disaster risk management; no significant concerns reported.

Appendices

Appendix: References and sources used for the analysis

- ✚ Urban Enviro Waste Management Ltd | [Annual Report 2023-24](#)
- ✚ The Ministry of Environment, Forest and Climate Change (MoEF&CC) | [Government of India](#)
- ✚ IBEF- [India Brand Equity Foundation](#)
- ✚ Financial Newspapers- The Economic Times
- ✚ Stock Screeners- Moneycontrol, Trendlyne.

India Brand Equity Foundation (IBEF) is a Trust established by the Department of Commerce, Ministry of Commerce and Industry, Government of India in 2003

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