Subscribe – Long Term

Shivam Gupta
shivamgupta@rathi.com

Issue Details

Issue Details	
Issue Size (Value in million, Upper Band)	5,989.3
Fresh Issue (No. of Shares in Lakhs)	33.4
Offer for Sale (No. of Shares in Lakhs)	123.0
Bid/Issue opens on	22-May-24
Bid/Issue closes on	27-May-24
Face Value	Rs. 10
Price Band	364-383
Minimum Lot	39

Objects of the Issue

- **Fresh Issue: ₹ 1,280 Million.**
- Funding capital expenditure towards establishment of new centers.
- Funding their working capital requirements.
- General Corporate purposes.

- **Offer for Sale: ₹ 4,709 Million.**

Book Running Lead Managers
ICICI Securities Limited
Axis Capital Limited
Registrar to the Offer
Bigshare Services Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	1028.2
Subscribed paid up capital (Pre-Offer)	660.8
Paid up capital (post-offer)	694.2

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	41.5%	39.5%
Public	58.5%	60.5%
Total	**100.0%**	**100.0%**

Financials

Particulars (₹ In million)	FY23	FY22	FY21
Revenue from operations (I)	**5,452.8**	**2,570.5**	**1,783.6**
Other Income (II)	205.0	216.7	376.6
Total Income (I+II) (A)	**5,657.8**	**2,787.2**	**2,160.2**
Expenses (B)	6,124.2	3,358.7	2,586.6
EBIDTA (A– B) (III)	**(466.4)**	**(571.6)**	**(426.4)**
Exceptional Items (VI)	-	-	-
PBT (C)	**(466.4)**	**(571.6)**	**(426.4)**
Tax (D)	-	-	-
Consolidated PAT (C – D)	**(466.4)**	**(571.6)**	**(426.4)**
EPS	**(6.7)**	**(8.2)**	**(6.1)**
Ratios	**FY23**	**FY22**	**FY21**
EBITDAM	-8.2%	-20.5%	-19.7%
PATM	-8.2%	-20.5%	-19.7%
Sales growth	103.0%	29.0%	

Company Description

Awfis Space Solutions Ltd. is the largest flexible workspace solutions company in India as on December 31, 2023, based on total number of centers. As on December 31, 2023, they are ranked 1st among the top 5 benchmarked players in the flexible workspace segment with presence in 16 cities in India. Further, as on December 31, 2023, they are present in the maximum number of micro-markets in India.

As on December 31, 2023, the company has 169 total centers1 across 16 total cities1 in India, with 105,258 total seats1 and total chargeable area1 of 5.33 million sq. ft., of which 31 centers and 25,312 seats are under fit- out1 with chargeable area aggregating to 1.23 million sq. ft. In addition, they have entered into signed letters of intent ("LOI") with space owners for 13 additional centers, with 10,859 seats aggregating to 0.55 million sq. ft. As on December 31, 2023, they have over 2,295 clients and have presence in 52 micro markets in India.

The company provide a wide spectrum of flexible workspace solutions ranging from individual flexible desk needs to customized office spaces for start-ups, small and medium enterprises ("SMEs") as well as for large corporates and multi-national corporations. Their flexible workspace solutions cater to varied seat cohorts ranging from a single seat to multiple seats, which can be contracted by their clients for a period ranging from one hour to several years. Over time, they have evolved from a co-working space to an integrated workspace solutions platform. While their core solution is co-working solutions which includes flex workspaces, customized office spaces and mobility solutions, they have built capabilities to design, build, maintain and manage a wide range of flexible workspace requirements such as Awfis Transform (their construction and fit-out services business segment) and Awfis Care (their facility management services business segment).

The company's understanding of the modern workforce has helped them identify and anticipate evolving preferences and requirements, thereby enabling them to provide bespoke solutions to meet the varied and diverse needs of their clients across a diverse spectrum of demographics that they cater to. Prior to the widespread adoption of flexible workspaces, SMEs and mid-size corporates were operating out of offices with inadequate infrastructure and amenities, and there was a need for offices with better infrastructure and amenities at an affordable rate with flexible tenure and security deposit. As a result, they originally launched Awfis in Fiscal 2015 as a co-working space provider, when they identified an opportunity in India to cater to companies that were seeking value offerings with high quality infrastructure in key micro markets and central business districts ("CBD").

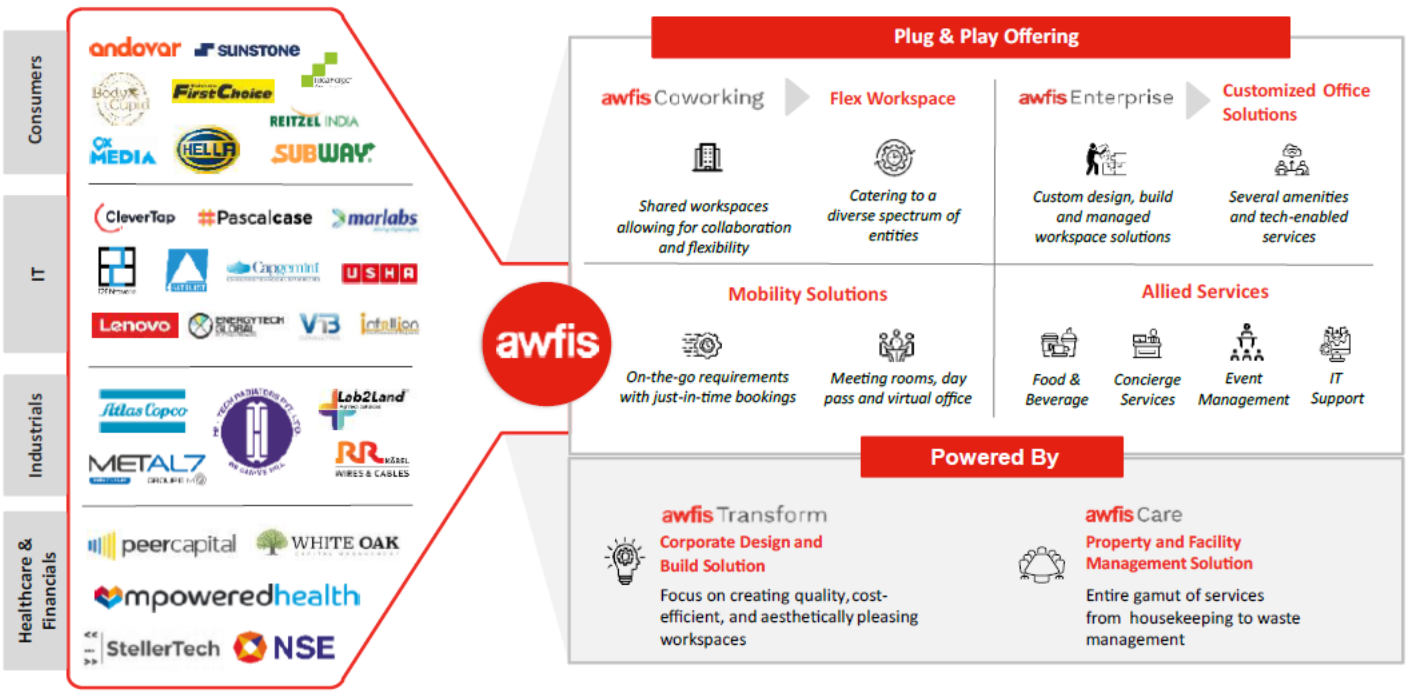
Valuation

Awfis Space, India's leading provider of flexible workspace solutions, offers a comprehensive range of options. These solutions cater to various needs, from individual flexible desks to customized office spaces designed for start-ups, small and medium enterprises (SMEs), large corporations, and multinational companies.

The company has a Price to Sales ratio of 4.9x of its FY23 earnings. The company has shifted to an asset light model which will show benefits in the coming time period.

The company has a large Total Addressable Market (TAM) driven by factors such as enterprise focus on flexibility, cost optimization, workforce fluidity, reverse migration, workplace evolution, focus on wellness, facilities, and amenities, as well as growth of start-ups in Tier 1 and Tier 2 cities. Looking at these factors we recommend "**Subscribe – Long Term**" rating to the IPO.

AWFIS WORKSPACE SOLUTIONS PLATFORM



In addition, they have two distinctive formats for their workspaces with their own unique propositions, branding, audience, and purpose, as provided below:

The following table sets out their revenue split as per segment information, in accordance with Ind AS 108, for the specified period/ years:

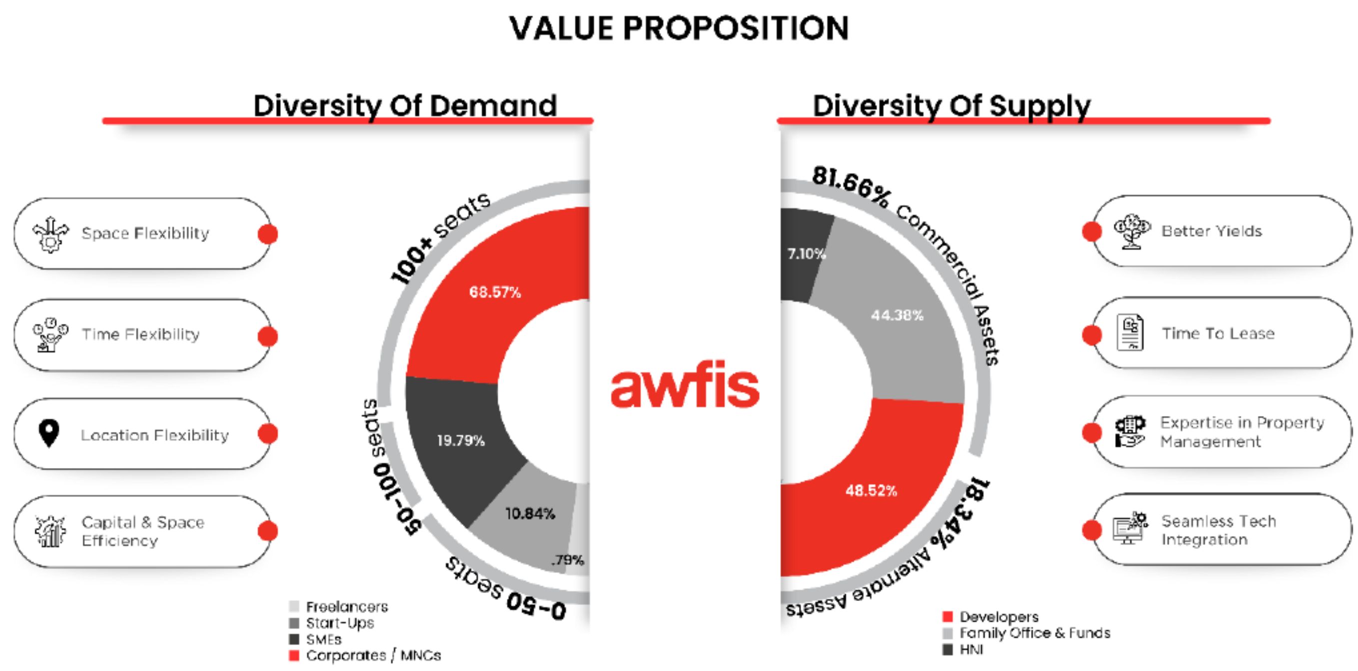
Particulars	Segment Information							
	Fiscal 2021		Fiscal 2022		Fiscal 2023		Nine months ended December 31, 2023	
	(₹ in million)	(% of revenue from contract with customers)	(₹ in million)	(% of revenue from contract with customers)	(₹ in million)	(% of revenue from contract with customers)	(₹ in million)	(% of revenue from contract with customers)
Co-working space on rent and allied services	1,619.8	90.8%	1,963.4	76.4%	4,188.5	76.8%	4,511.1	73.3%
Construction and fit-out projects	114.8	6.4%	487.3	18.9%	1,050.2	19.3%	1,472.9	23.9%
Others	48.9	2.7%	119.8	4.7%	214.2	3.9%	180.9	2.9%
Revenue from contract with customers	**1,783.6**	**100.0%**	**2,570.5**	**100.0%**	**5,452.8**	**100.0%**	**6,164.9**	**100.0%**

Company's evolution

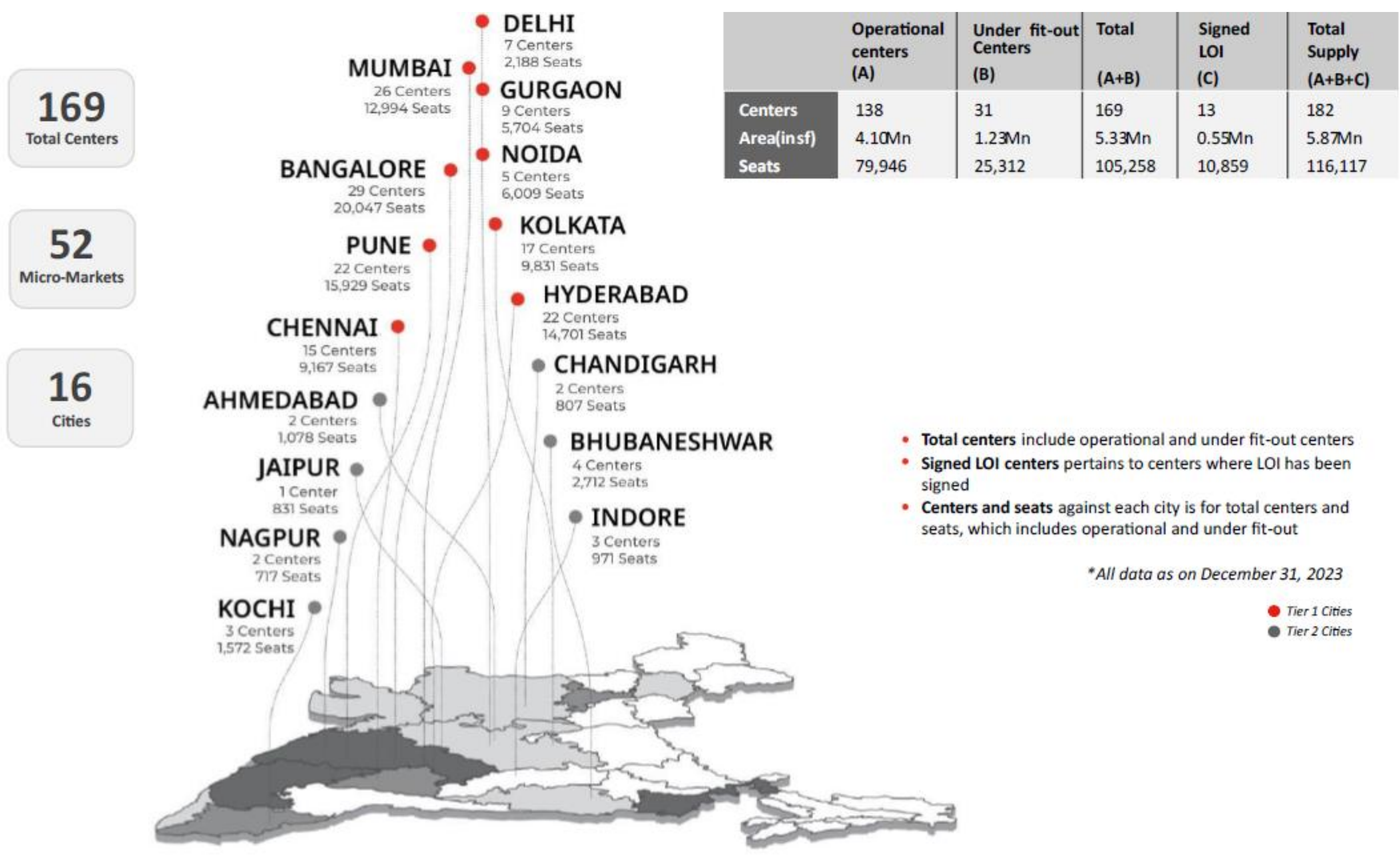
Prior to the widespread adoption of flexible workspaces, SMEs and mid-size corporates were operating out of offices with inadequate infrastructure and amenities, and there was a need for offices with better infrastructure and amenities at an affordable rate with flexible tenure and security deposit. As a result, they originally launched Awfis in Fiscal 2015 as a co-working space provider, when they identified an opportunity in India to cater to companies that were seeking value offerings with high quality infrastructure in key micro markets and central business districts ("CBD"). Their clients had the ability to book flexible coworking spaces across a network of their properties. The company adopted two differentiated models for sourcing and procuring workspaces, namely the straight lease ("SL") model and the managed aggregation ("MA") model. One of their key strategies for space procurement over time was to transition to an asset-light, low risk MA model from an SL model. Under the SL model, developers, or space owners lease space to flexible workspace operators on traditional leases wherein typical market terms and conditions are applicable, including a fixed monthly rental, common area maintenance charges, security deposit, minimum lock in period, lease tenure and escalations. The capital expenditure for fitting out the property is entirely borne by them.

Under the MA model, the developers or space owners may typically incur capital expenditure on fit-out, in part or full, the remainder being borne by the operator (if any), depending on other terms of the MA model, often foregoing a fixed rental for a component of minimum guarantee on a case-to-case basis and may take up a share of the revenue/profit on pre-negotiated terms. Most of their MA arrangements are structured on a profit or revenue sharing model with the space owner and provide a minimum guarantee ("MG"), payable generally starting anywhere from the 5th to 13th month of operations, until the end of the term of the contract. As of December 31, 2023, the MG at their MA centers was on an average 45.88% of the micro-market rental. The split of the capital expenditure under the MA model between the space owner and them is determined upfront and the space owner's share remains fixed for the term of the contract.

The company also focused on building mid-size centers in order to strike an optimal balance between operational efficiency, optimal center margins, occupancy build-up and community engagement. The average size of their centers launched since April 2022 stands at 32,979 sq. ft. of chargeable area. In addition, they adopted a demand-based build approach wherein they typically only build a small portion of the center with base amenities after they sign a center, and the rest is built out as and when they enter into arrangements with clients for the utilization of the space at the center. Further, once they established a strong presence in Tier 1 cities, they decided to expand to Tier 2 cities early on and currently have centers across seven Tier 2 cities in India as of December 31, 2023. They are well-positioned to capitalize on this growth with their expansion into these cities.



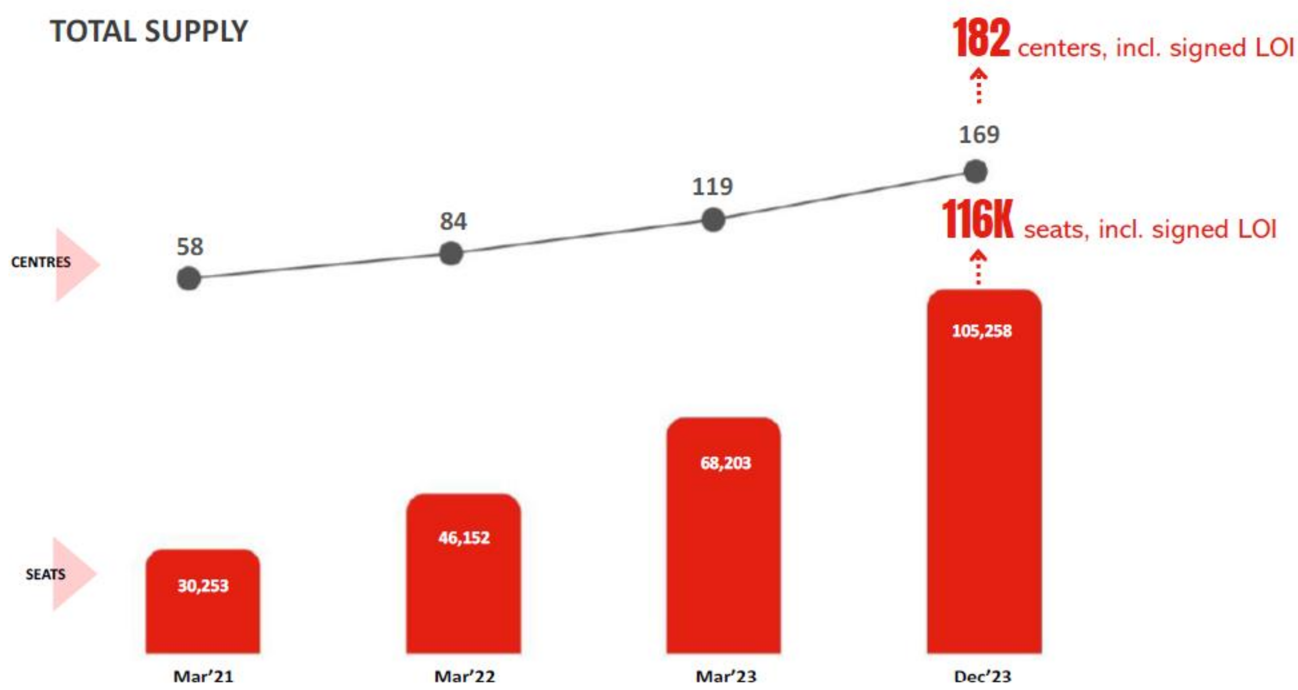
Company's Network



	Operational centers (A)	Under fit-out Centers (B)	Total (A+B)	Signed LOI (C)	Total Supply (A+B+C)
Centers	138	31	169	13	182
Area(in sf)	4.10Mn	1.23Mn	5.33Mn	0.55Mn	5.87Mn
Seats	79,946	25,312	105,258	10,859	116,117

As of December 31, 2023, they are present in all Tier 1 cities and seven Tier 2 cities, covering 16 cities and 52 micro markets in India.

The company have started expanding their network to Tier 2 cities in Fiscal 2018, and this early expansion enabled them to strengthen their footprint and help a Fortune 500 company establish their presence and set up dedicated centers in Tier 2 cities such as Jaipur, Indore, and Nagpur. As of December 31, 2023, they have the largest flexible workspace footprint in Tier 2 cities among the top 5 benchmarked operators, based on number of centers and total area. Due to their presence in all Tier 1 cities and seven tier 2 cities, they have a well-established space owner and developer network. This is aided by their experienced in-house real estate team that helps in identifying spaces for their centers and to target space owners as partners for their MA model. The following graphic sets forth their supply network based on centers and seats for the periods indicated:



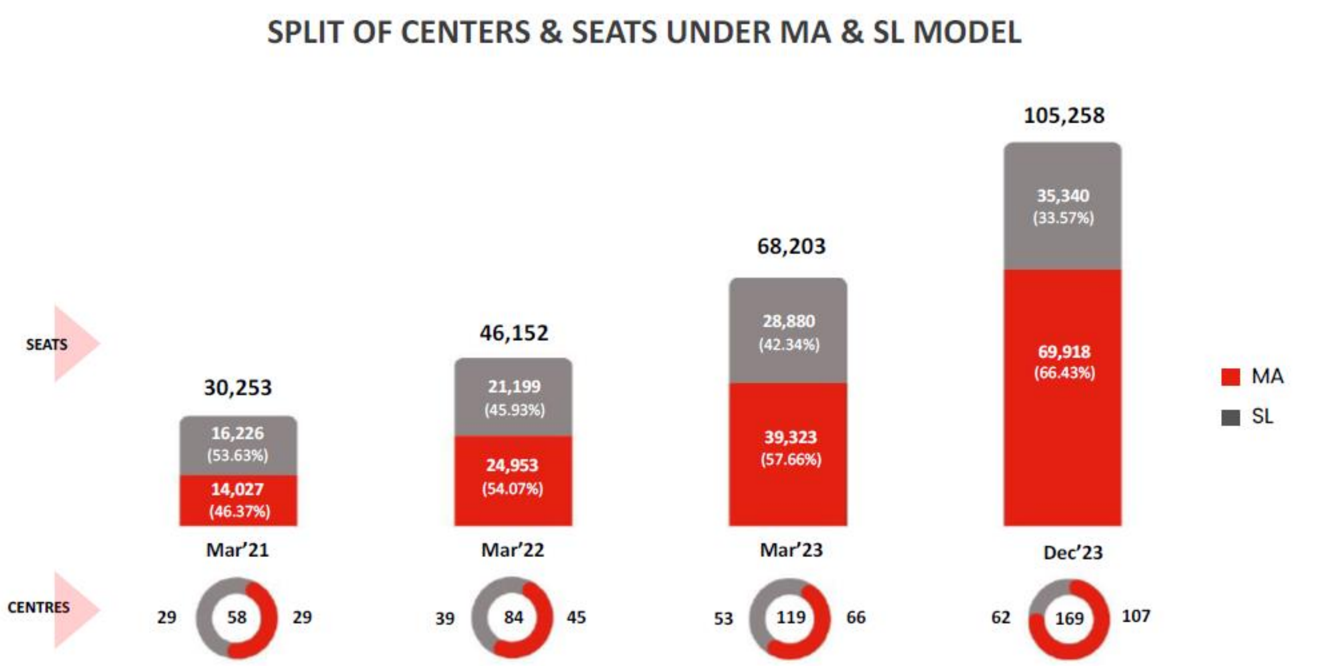
Company's supply strategy

The company have two differentiated models for sourcing and procuring workspace:

SL model: Under the SL model, developers or space owners lease space to flexible workspace operators on traditional leases wherein typical market terms and conditions are applicable, including a fixed monthly rental, common area maintenance charges, security deposit, minimum lock-in period, lease tenure and escalations. They typically enter into SL arrangements for a period of five to nine years. The capital expenditure for fitting out the property is entirely borne by them. The SL model is the most prevalent arrangement between a space owner and a flex workspace operator in India.

MA model: The MA model is more collaborative in nature, wherein their space owners become a stakeholder in the center by co-investing in the fit-out infrastructure. The developers or space owners typically incur capital expenditure on fit-out, in part or full, the remainder being borne by the operator, if any, depending on other terms of the MA model, often foregoing a fixed rental for a component of MG on a case-to-case basis and may take up a share of the revenue/profit on pre-negotiated terms. The split of the capital expenditure under the MA model between the space owner and us is determined upfront and the space owner's share remains fixed for the term of the contract. Their share of the capital expenditure may increase for a number of reasons including customizations and upgrades which require them to incur additional capital expenditure. For further details in relation to their share of capital expenditure under the MA model.

Over the years, they have increased their focus on the lower-risk, asset light MA model and as of December 31, 2023, 66.43% of their centers are under the MA model, based on total seats. They have increased the percentage of operational centers and seats under the MA model from 50.00% and 46.37%, respectively, in Fiscal 2021 to 55.46% and 57.66%, respectively, in Fiscal 2023. They have the largest number of centers under the MA model among the organized flexible workspace players in India as on December 31, 2023.



The company's capital expenditure per seat was approximately ₹50,000 in Fiscals 2022 and 2023 and nine months ended December 31, 2023. The average capital expenditure per seat in 2023 of top operators in India typically ranged between ₹80,000 and ₹200,000. Due to the increasing share of MA centers in their total portfolio of centers, their average capital expenditure per seat is lower than the average capital expenditure incurred by top operators in India. This asset-light strategy has enabled us to rapidly scale their business and expand the footprint without being subjected to high capital investment costs and fixed lease rental payment obligations, resulting in a high return on capital employed ("ROCE").

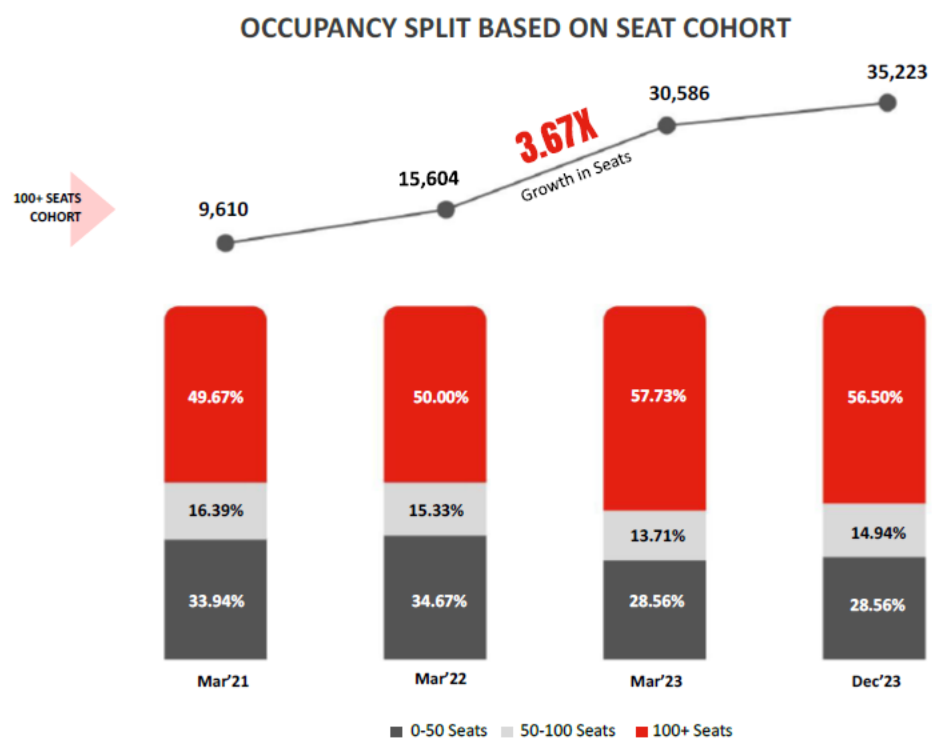
Company's demand strategy and customer base

The company's scale and geographical presence act as a key enabler to meet the varied and diverse needs of their clients across different demographics, through their diversified portfolio. Not only do the company's flexible workspace solutions allow clients the versatility to adopt various work models (such as work from anywhere, work near office and work from office), they also conveniently allow clients to upscale and downscale without significant capital costs, and to commit to smaller workspaces without the usual constraints of long-term leases. In traditional office leases, the occupiers are required to incur capital expenditure for setting up an office. They have sold 10,743, 23,981, 36,020 and 27,484 seats at their centers in Fiscals 2021, 2022 and 2023 and nine months ended December 31, 2023, respectively. Further, in nine months ended December 31, 2023, 32.18% of the seats sold at their centers, i.e., additional seats sold between March 31, 2023, and December 31, 2023, were sold to their existing clients expanding their portfolio with them, showcasing their strong customer relationships. As of December 31, 2023, they have 2,295 clients. They have a diversified base of clients and 68.57%, 19.79%, 10.84% and 0.79% of their total client base, based on number of Occupied Seats, are large corporates or multinational corporations, SMEs, start-ups, and freelancers, respectively, as of December 31, 2023. Further, the following table sets forth the contribution of their top client and top 5 clients to their rental income from co-working space, for the periods indicated:

Client	Fiscal			Nine Months ended December 31,
	2021	2022	2023	2023
Top client	9.2%	6.6%	3.0%	4.6%
Top 5 clients	26.7%	18.3%	12.7%	13.2%

In addition, the company caters to all seat cohorts ranging from a single seat to multiple seats. Their cohort of over 100 seats steadily increased from 49.67% in Fiscal 2021 to 56.50% in the nine months ended December 31, 2023, demonstrating the growing confidence of their clients with larger cohorts in them.

The following graph sets forth their occupancy split based on different seat cohorts for the periods indicated:



Further, 33.51% of the Occupied Seats as on December 31, 2023, were from multi-center clients, i.e., clients occupying seats in more than one of their centers. Further, the number of such multi-center clients has increased by 228.36% between March 31, 2021, and December 31, 2023. Their clients operate in a diverse range of industries such as technology, media, and entertainment, automotives, financial services and healthcare. The clients include Marlabs Innovations Private Limited, Body Cupid Private Limited, Capgemini Technology Services India Limited, Lenovo (India) Private Limited, Fujitsu General (India) Private Limited, Atlas Copco (India) Private Limited, RR Kabel Limited, Ideaforge Technology Limited, Mahindra First Choice Wheels Limited, Clevertap Private Limited, and Usha International Limited.

The table below sets out the weighted average total tenure and weighted lock-in tenure breakup based on seat cohorts for the periods indicated:

Weighted average total tenure and weighted average lock-in tenure (based on seat cohort)				
	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023	As of December 31, 2023
Weighted average total tenure				
0-50 seats	11.59	13.51	17.02	18.45
51-100 seats	21.71	22.49	28.99	29.38
Over 100 seats	27.09	32.16	44.69	43.76
Total	**19.84**	**22.5**	**32.06**	**31.76**
Weighted average lock in tenure				
0-50 seats	9.26	9.96	12.2	13.34
51-100 seats	16.38	18.47	21.39	23.01
Over 100 seats	19.5	23.42	30.23	31.82
Total	**14.78**	**16.74**	**22.21**	**23.33**

The company's weighted average total tenure of service agreements entered into with their clients ("Client Agreements") has increased from 19.84 months as of March 31, 2021, to 31.76 months as of December 31, 2023, and their weighted average lock-in tenure of Client Agreements increased from 14.78 months as of March 31, 2021, to 23.33 months as of December 31, 2023.

Company's customer acquisition and retention strategy

The company's in-house sales team primarily handles client acquisition and executes transactions with their clients. They also engage with institutional real estate brokerages, as is the prevalent market practice, to identify and acquire clients for their centers. They employ various digital media advertising strategies to increase their digital presence with the target clients. The company uses different strategies to provide bespoke solutions to different types of clients. In Fiscal 2023, 62.86% of their seats sold were through direct channels, that is sales were completed without the involvement of a broker and 37.14% of their seats sold were through brokers. The usage of direct channels includes their in-house team, referrals, expansion of current clients and digital media advertising. Due to their sales and marketing efforts, 80.00% of the centers that were launched since Fiscal 2022 crossed 80.00% occupancy within 7.15 months of starting operations. Their occupancy percentage is calculated as Occupied Seats divided by operational seats. The occupancy percentage increased from 59.32% as of March 31, 2021, to 75.10% as of December 31, 2023. The following table sets forth their occupancy percentage for all their centers as of the dates indicated along with the occupancy for centers by vintage from the launch date of the centers:

Operational Center Vintage	Occupancy % (based on vintage of center)			
	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023	As of December 31, 2023
0-6 months from launch date	21.7%	42.8%	30.3%	33.1%
6-9 months from launch date	37.0%	51.4%	76.2%	46.3%
9-12 months from launch date	-	49.0%	73.1%	76.6%
Above 12 months from launch date	66.4%	72.4%	83.3%	82.8%
Occupancy percentage	**59.3%**	**63.1%**	**75.0%**	**75.1%**

Strengths

The company believe that their leadership position in the flexible workspace ecosystem, is due to their strengths that not only set them apart but also enable them to benefit and capture the growth in India's rapidly evolving flexible workspace landscape.

Leadership in a large and growing marketplace

The total addressable market ("TAM") for the flexible workspace operators represents a sizeable opportunity of 282 million sq. ft. (in terms of area) and ₹ 474-592 billion (in terms of value) by 2026. This growth is driven by factors such as enterprise focus on flexibility, cost optimization, workforce fluidity, reverse migration, workplace evolution, focus on wellness, facilities and amenities, as well as growth of start-ups in Tier 1 and Tier 2 cities. The flexible workspaces segment can be considered as one of the fastest growing alternative real estate classes adding value to the entire commercial office ecosystem. The CAGR for leasing flexible workspaces between 2022 and 2026 is expected to be around 18 - 19% in Tier 1 cities. Further, Tier 2 cities in India are expected to witness strong demand for flexible workspace seats in line with the supply addition in these cities, which is expected to reach approximately 8.5 million – 9 million sq. ft. by 2026, which is approximately 1.7 times the supply as of December 31, 2023.

Innovating in the flexible workspace industry with the adoption of their MA model

The company has reimagined workspace sourcing strategy with their distinctive MA model, and it is a paradigm shift in the conventional coworking industry. MA model continues to be a key part of their supply strategy and they have increased the percentage of operational seats under the MA model from 46.37%, in Fiscal 2021 to 57.66% in Fiscal 2023. Further, as of December 31, 2023, 66.43% of their total seats are under the MA model, including seats that are under fit-out. They have the largest number of centers under the MA model among the organized flexible workspace players in India as of December 31, 2023.

The MA model enables them to pivot away from the traditional capital-intensive liabilities that are often associated with real estate. As a result, they have been able to scale their business and network more rapidly and swiftly adapt to market fluctuations while ensuring resilience amidst market uncertainties. They believe that the MA model is beneficial for both the space owner and them as the risks and rewards are often split between the space owner and them. Their capital expenditure is shared with the space owner, and their space owners typically take a share of profit or revenue income from the center, to compensate the space owners for their capital expenditure. Their capital expenditure per seat was approximately ₹50,000 in Fiscals 2022 and 2023 and nine months ended December 31, 2023.

Diverse space sourcing and demand strategies

The company's diverse supply sourcing strategy targets all segments of the India commercial office market ranging from organized to unorganized, institutional to non- institutional and across various grades and classes of properties. Further, they have transformed and upgraded several properties across their portfolio and launched flexible workspaces in unconventional assets such as malls. As a result of these supply sourcing strategies, they can cater to a wide spectrum of requirements and uplift the overall quality of available workspaces. This also positions them in a unique place to help bridge the gap between the unorganized and organized sectors of the Indian commercial real estate market. Their flexible workspace solutions cater to a diverse clientele, ranging from freelancers, startups, SMEs to MNCs across all seat cohorts ranging from a single seat to multiple seats. Further, their flexible workspace solutions are provided at different price points, i.e., value-based solutions, namely, Awfis and their premium solutions, namely Awfis Gold. Their Awfis Gold offerings are typically aimed to be priced at a premium compared to the Awfis offerings. This diversity in pricing and solution types enables them to provide customized, strategic solutions and cater to the unique requirements of each client.

The company have also adopted a demand-based build approach wherein they typically only build a small portion of the center with base amenities after they identify a center. The rest of the center is built out as and when they enter arrangements with clients for the utilization of the space at the center. This approach helps them mitigate risks by phasing their capital expenditure requirements and limiting their pre-operative burn during the occupancy build up phase. They believe that the diversification of their space sourcing and demand strategies enables them to significantly de-risk their business model and accelerate growth.

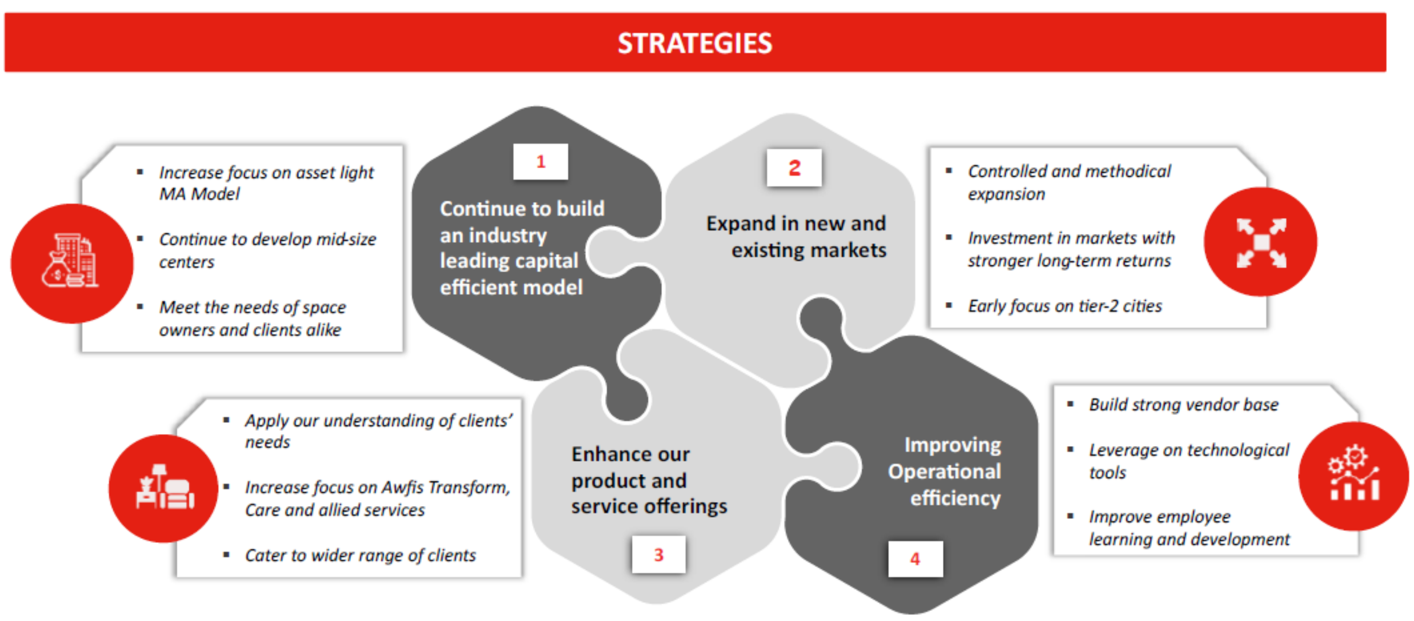
Growth through an integrated platform approach

The company aims to provide well-suited solutions tailored to meet the needs of their diverse clientele spread across different demographics, seat cohorts and industry sectors. Their suite of flexible workspace solutions encompasses their space solutions, Awfis Transform and Awfis Care. The integrated platform strategy spans the major facets of modern workspace requirements, i.e., through backward integration with Awfis Transform by offering design and build services to clients and through forward integration with Awfis Care by providing facility management services on behalf of space owners. This integrated platform strategy provides a network effect, wherein each segment not only serves its primary clientele but also complements the other segments. As a result, their clients and space owners are introduced to the wider ecosystem, thereby enhancing retention, and driving cross-selling opportunities. For instance, a client engaged with their space solutions for their flexible office space requirements can be introduced to Awfis Transform for bespoke design and build services for their own office space, if any. When a space is designed for their client through Awfis Transform, they may also tend to opt for their facility management services through Awfis Care.

The company's offering ecosystem caters to differentiated clients' needs to provide unmatched ease to the clients. The synergy among these offerings provides their clients and space owners a seamless experience. They believe that this network effect helps them offer a cohesive, one-stop solution to their clients and is a key differentiator from their peers.

Strategies

The company is focused on long-term sustainable growth and intends to continue to learn from their data and experiences to innovate and execute using their technology and mission-driven team. They believe that they have laid the foundation to capitalize on their significant market opportunity by continuing to reinvent the future of work.



Continue to build an industry leading capital efficient model.

The company has increased the percentage of operational centers and seats under the MA model from 50.00% and 46.37%, respectively, in Fiscal 2021 to 55.46% and 57.66%, respectively, in Fiscal 2023. As on December 31, 2023, 63.31% of the total centers and 66.43% of their total seats are under the MA model. This includes 24 centers and 19,475 seats that are currently in the process of being fitted out. They intend to continue focusing on the lower risk, asset-light MA model for sourcing and procuring office space. Solution for airlines was easily customized for their airline partners.

allowing them to start selling quarantine packages that comply with government rules. They are also focused on developing mid-size centers. in order to strike an optimal balance between operational efficiency, optimal center margins, occupancy build-up and community engagement. The average size of their centers launched since April 2022 stands at 32,979 sq. ft. of chargeable area. The company believes that this center size ensures optimal operating costs while creating an opportunity to facilitate a thriving community and enables them to foster closer interactions among clients. Further, in their experience, space owners under the MA model favor investments in midsize centers due to lower total capital expenditure and minimal concentration risks. This also benefits their clients, as they believe that clients get access to personalized and tailored solutions in mid-sized centers. Their strategy to focus on center size combined with the MA model is designed to meet the needs of their space owners and their clients, thereby bridging both supply and demand factors in their ecosystem.

Expand in new and existing markets.

The company utilizes a growth strategy that is controlled and methodical. They evaluate potential locations and cities for expansion carefully, based on multiple criteria (including client demands, availability of office infrastructure and demographic profile). They will continue to invest in markets that provide strong returns on their investment over the long term. They believe that they are well positioned to benefit from such trends due to their ability to provide flexible workspaces across the network in Tier 1 cities as well as the strategic advantage enjoyed from their early focus on Tier 2 cities. Their existing network, spread across nine Tiers 1 and seven Tier 2 cities, provides a foundation that helps them expand into new areas in a more feasible and efficient manner. They plan to further expand their network of high-demand micro-markets within these Tier 1 cities, thereby reinforcing their presence in these markets. Moreover, they have identified new Tier 2 cities such as Lucknow, Guwahati, and Vijayawada to enter in the near future. They also intend to upgrade workspaces to higher-grade offices through their design and refurbishment activities in prime micro markets of Tier 1 cities.

Enhance their product and service offerings.

They intend to use their understanding of their clients' needs to add a growing portfolio of flexible workspace solutions and services to their platform. The objective is to cater to a wide demographic of clients and ensure that they provide a tailored workspace solution for each client that aligns to their unique needs. They also intend to increase their focus on Awfis Transform, allied services and Awfis Care, thereby broadening the reach of these services to a wider range of clients. In nine months ended December 31, 2023, their construction and fit-out services and others (facility management services and other services) segment as per Ind AS 108 contributed towards 23.89% and 2.94% of their revenue from contract with customers, respectively. Their construction and fit-out services are branded Awfis Transform and their facility management services are branded Awfis Care. They aim to enhance their workspace platform through several means, such as new design innovations including modern design and build practices, integration of technology and providing a wider variety of facility management services to their clients. By evolving and diversifying their product portfolio in line with the industry's needs, they aim to cement their position as a leader in the flexible workspace industry.

Improving operational efficiency

As they scale their business, they intend to increase their focus on improving their operational efficiency. They aim to achieve this by building a stronger vendor base thereby providing cost efficiencies due to the scale of their business. Furthermore, they plan to leverage their tech-enabled processes and tools to streamline operations across all their departments and across their vast network of centers. They also aim to leverage new-age technologies to optimize their operations and service delivery. They aspire to build a leaner and a more agile operations management system that not only benefits them but also their clients. They also intend to improve on their human capital by providing training programs and workshops and they believe that will help increase the efficiency of their workforce and aid in improving their operational efficiency. They believe that this approach to improve their operational efficiency will not only bolster their business but also help enhance client satisfaction and retention and help consolidate their industry positioning.

Description of their Business and Operations

Flexible Workspace Solutions

They have categorized their flexible workspace solutions into three business segments, namely the co-working space on rent (Space Solutions) and allied services segment, the construction, and fit-out projects (Awfis Transform) segment and the facility management services (Awfis Care) segment. Space Solutions comprises of their product offering focused on providing flexible workspaces to meet the needs of their clients, including co-working solutions and enterprise solutions, along with the allied services segment which offers services such as food and beverage, information technology services, mobility solutions and other allied services to clients. The Awfis Transform and Awfis Care verticals provide design and build solutions and facility management services, respectively.

Space Solutions and Allied Services

They offer space solutions in the form of flexible workspace to their clients, from individual desks to customized office spaces with exclusive access for clients. They have established us as a one-stop integrated solution platform for any flexible workplace requirement. They offer the following products as part of their space solutions segment:

i. *Co-working solutions* - Their co-working offerings are designed to meet the needs of clients seeking ready-to-move workspace solutions, available by the day, week, month, or year, or for a longer fixed term. Their clients consist of freelancers, start-ups, small medium enterprises as well as mid-sized to large corporates, and span diverse industries such as information technology, information technology enabled services, banking, financial services and insurance, and consulting. Their co-working spaces can be reserved by visiting their website or their 'Awfis Coworking' mobile application, utilizing the network of channel partners (international property consultants ("IPCs"), domestic property consultants ("DPCs") and third-party aggregators), or by booking with the assistance of one of their sales or community manager. Upon confirmation, a membership agreement is signed between the client and their Company which includes terms such as the number of seats, per seat price, tenure, lock in period, notice period and security deposit. The fee structure for their co-working solutions follows per seat pricing.

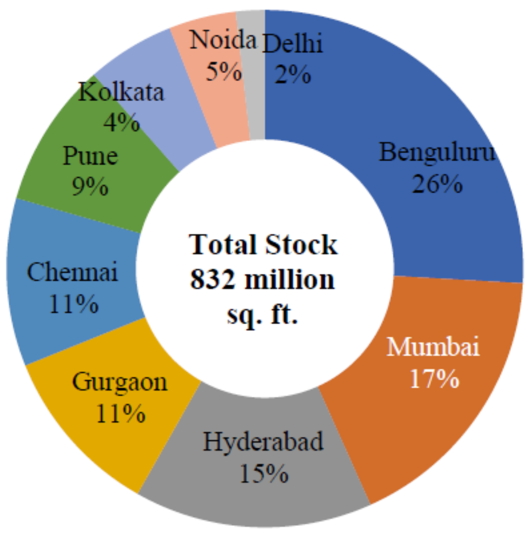
ii. *Enterprise solutions* - Their enterprise workspace solutions are tailored for businesses seeking customized office set-ups. They provide a broad spectrum of services to enterprises, encompassing design, construction, and management, which are aimed at creating the ideal workspace environment for their clients. They collaborate with their clients' teams to design and build the workspace as per their specifications and brand guidelines, while also integrating their workspace design sensibilities to create a ready-to-move-in workspace infrastructure. They typically enter into Client Agreements with corporate clients for a fixed term ranging from one month to 60 months, which may be renewed by agreement upon completion of the service term. The fee structure for enterprise solutions depends on the scope of the services and client specifications. The primarily secure enterprise clients through business development efforts, building relations with their network of existing and alumni clientele, account management as well as engaging in requests for proposals from IPCs, DPCs and third-party aggregators in specific instances.

<u>Industry Snapshot:</u>

India Office Market Overview

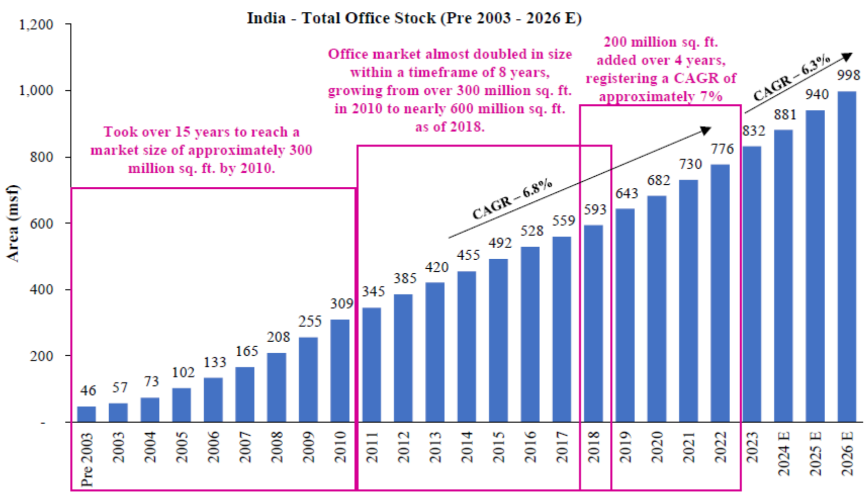
India is a leading office market globally, backed by, among other things, a strong abled and skilled demography, well established and evolving infrastructure and real estate sector, ample support infrastructure and a strong economy backed by political stability. India's commercial office stock stands at 832 million sq. ft. as of December 31, 2023, and is concentrated in the top 9 cities comprising of Bengaluru, Mumbai Metropolitan Region ("MMR"), Hyderabad, Gurgaon, Chennai, Pune, Noida, Kolkata, and Delhi, in order of size of market. The 832 million sq. ft. stock is considered as organized stock and is purely utilized as office space. In addition, the unorganized commercial office stock across tier 1 cities can be estimated to be approximately 600 – 730* million sq. ft. (depending on the average work desk area occupied per person) as of December 31, 2023.

Tier 1 Office Stock (million sq. ft.) – as of December 31, 2023



Evolution of Office Stock in India

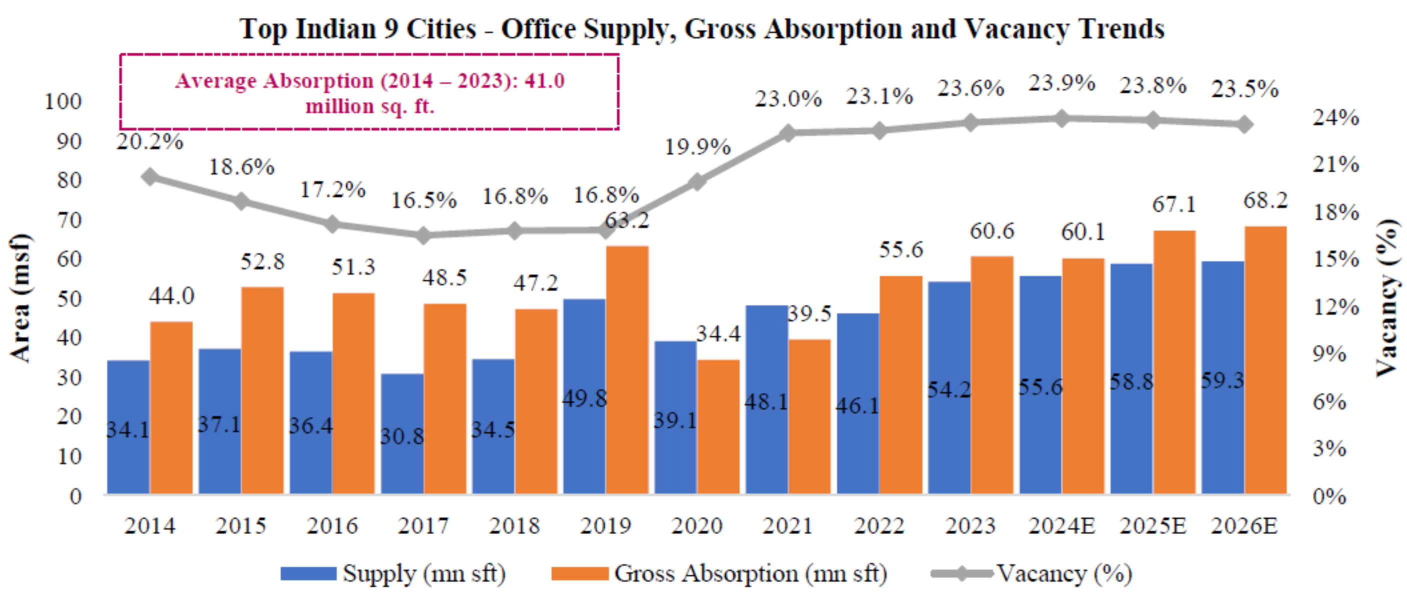
India's office real estate landscape has changed significantly in the past two and a half decades. Since the early 2000s, office stock has grown more than 18 times from approximately 46 million sq. ft. as of pre 2003 to approximately 832 million sq. ft. as of December 31, 2023. Indian real estate has emerged as a favored investment asset class due to various intrinsic factors including growth of the economy, demand-supply fundamentals, investor-friendly policies, and increased transparency.



Historically, the Indian office market grew at a CAGR of 6.8%. However, the Indian office market is expected to grow at a CAGR of 6.3% from 2023 to 2026. The office demand is expected to further enhance due to higher interest levels of domestic occupiers along with healthy demand from global markets.

Supply and Absorption Trends

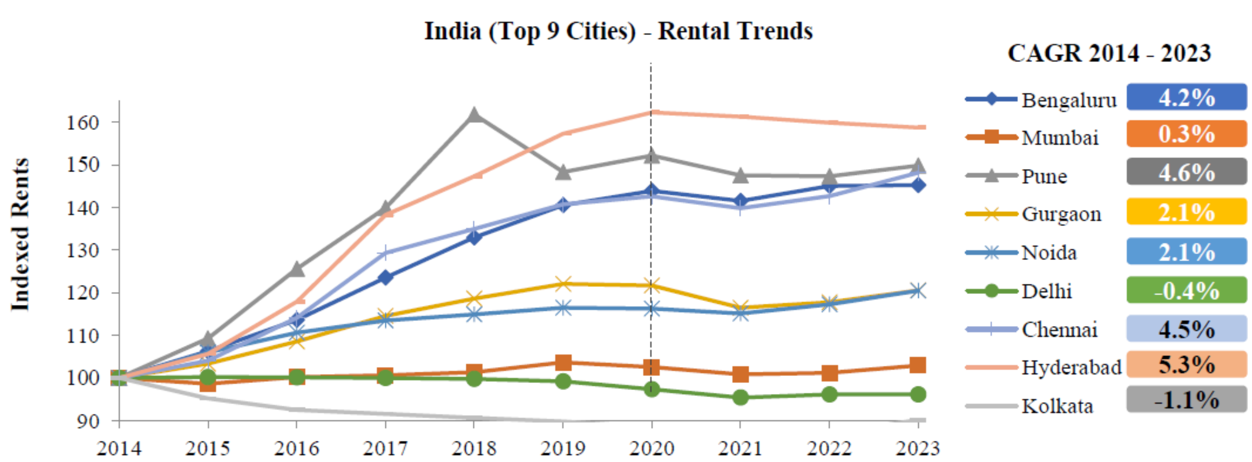
Over the past nine years, overall office space absorption has been concentrated in Bengaluru, Hyderabad, Mumbai, Gurgaon, Pune, and Chennai with these six cities contributing greater than 79% of the total absorption witnessed in India. Bengaluru has recorded the highest absorption from 2014 –2023 with an average of approximately 15.1 million sq. ft. of space absorbed every year, the only city in India to record double-digit absorption figures on a Y-o-Y basis.



Office space supply and demand continue to be well-balanced with vacancy levels being range bound and relatively stable rentals. Demand continues to gravitate towards larger, institutionally owned, completed offices, or in the case of large-scale long-term requirements, towards well-capitalized, larger developers and institutional space owners.
Business travel market.

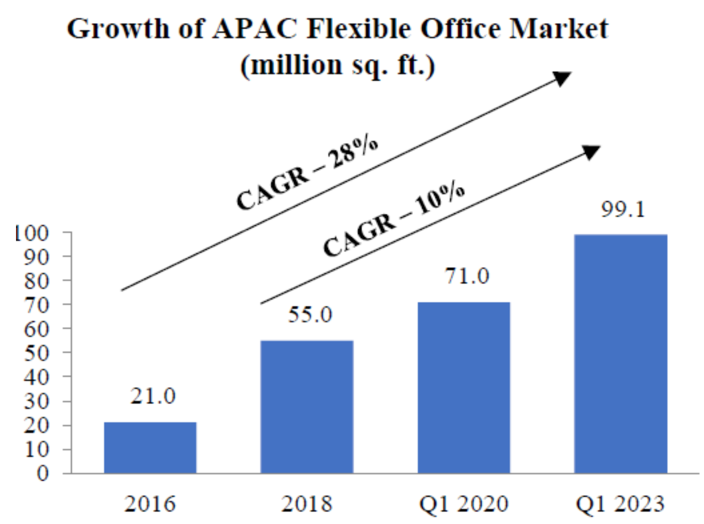
Rental Trends

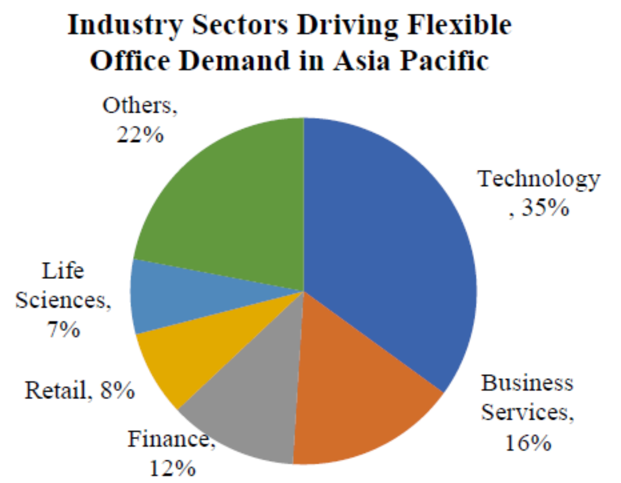
Key markets such as Bengaluru, Pune, Hyderabad, and Chennai have consistently witnessed rent growth since 2014, driven by constrained supply in prime locations coupled with robust demand from technology tenants. Cities like Mumbai, Gurgaon and Noida have also witnessed growth albeit at a slower pace. Given the sustained demand momentum, rental growth has further accelerated since 2016. However, limited growth in rental witnessed during 2020-21 owing to the onset of COVID- 19 pandemic. The rental outlook continues to be range bound at a city level; however established submarkets are expected to witness a marginal uptick in the medium term on the back of quality supply in prime locations.



Flexible Workspaces – Asia Pacific ("APAC") Overview

While the flex market has been growing globally, the APAC region stands out having displayed a strong enthusiasm for the sector accounting for a rapid market expansion in the last few years. As on March 31, 2023, there are approximately 3,000 flexible centers in the region. The inventory of flexible office space in the APAC region has more than quadrupled, from approximately 21 million sq. ft. in 2016 to over 99 million sq. ft. as on March 31, 2023, supported by the shared economy boom and significant influx of venture capital. Flexible office market has registered a CAGR of approximately 28% between 2016 and as of March 31, 2023. Major industry sectors driving demand for flex space include technology and business services followed by the finance sector.





% is based on enterprise customer contracts in first quarter of 2023

In terms of flexible office activity as compared to traditional office activity, the APAC region has registered an average penetration rate of approximately 4%. The graph below highlights city wise quantum of flexile office activity and level of penetration as compared to total office stock across 20 prominent APAC cities as on March 31, 2023:

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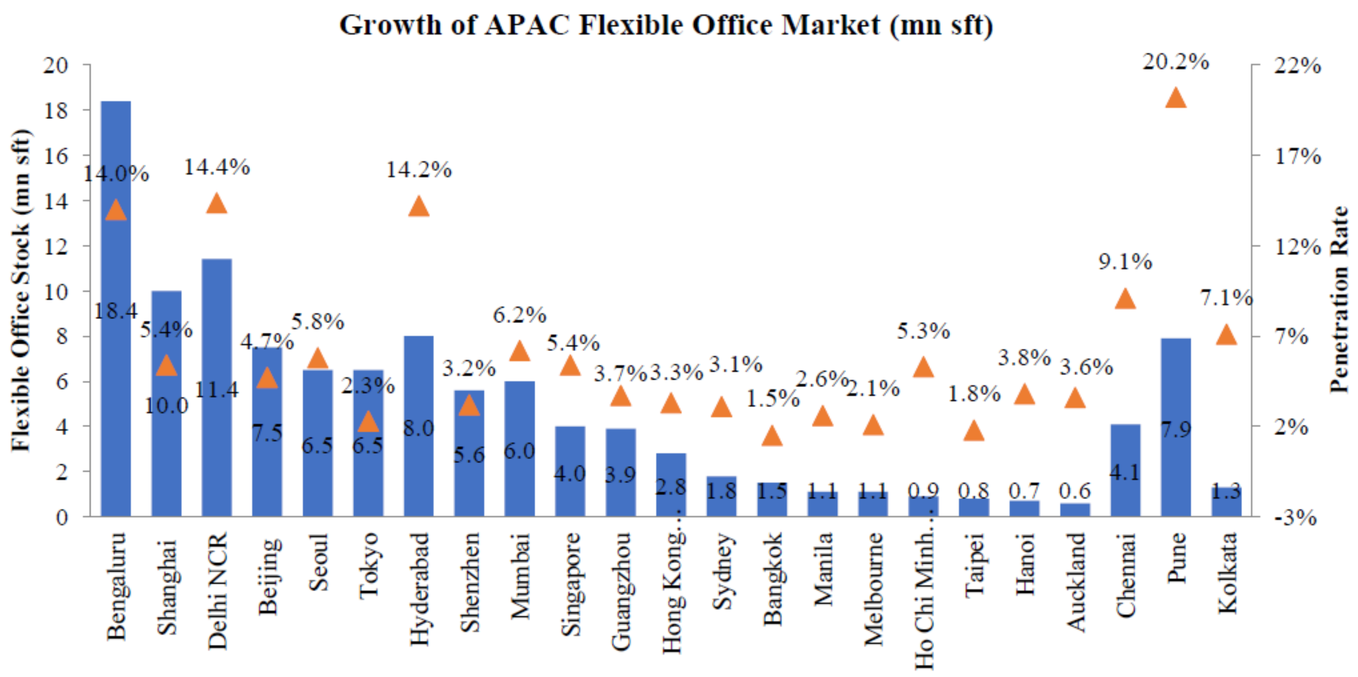

Key Risk:

- The company has a history of net losses, negative earnings per share ("EPS") and return on net worth ("RoNW"). They need to generate and sustain increased revenues while managing their expenses to achieve profitability, and their inability to achieve these goals may have an adverse effect on their business, results of operations, cash flows and financial condition.
- The company has an experienced negative cash flows in previous Fiscals and may continue to have negative cash flows in the future.
- The business has grown rapidly, including their revenue from contract with customers that has grown at a CAGR of 74.85% from ₹1,783.60 million in Fiscal 2021 to ₹5,452.82 million in Fiscal 2023, and they may fail to manage their growth effectively.
- The company's growth may be negatively impacted by macroeconomic factors.
- The company may not be able to attract new clients in sufficient numbers, continue to retain existing clients, a portion of whom enter into service agreements ("Client Agreements") with short-term commitments, or agree sufficient rates to sustain and increase their client base or at all.

- The company enters into Space Owner Agreements to render operation and marketing services in relation to their managed aggregation ("MA") centers and are subject to risks related to such Space Owner Agreements.

- Their MA model requires them to identify, partner with space owners and agree to profit or revenue sharing models with these owners. They cannot assure you that they will be able to attract new space owners on favorable terms in order to grow their business and overall profitability.

- The company may incur additional capital expenditure under their MA model to attract new clients and retain existing clients, which may impact their cash flow and profitability.

Valuation:

Awfis Space, India's leading provider of flexible workspace solutions, offers a comprehensive range of options. These solutions cater to various needs, from individual flexible desks to customized office spaces designed for start-ups, small and medium enterprises (SMEs), large corporations, and multinational companies.

The company has a Price to Sales ratio of 4.9x of its FY23 earnings. The company has shifted to an asset light model which will show benefits in the coming time period.

The company has a large Total Addressable Market (TAM) driven by factors such as enterprise focus on flexibility, cost optimization, workforce fluidity, reverse migration, workplace evolution, focus on wellness, facilities, and amenities, as well as growth of start-ups in Tier 1 and Tier 2 cities. Looking at these factors we recommend "**Subscribe – Long Term**" rating to the IPO.

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