



Awfis Space Solutions Limited is the largest flexible workspace solutions company in India as of 9MFY24 providing solutions to SMEs, based on the total number of centers. As of 9MFY24, the company is ranked 1st among the top 5 benchmarked players in the flexible workspace segment with a presence in 16 cities in India. Further, as of 9MFY24, the company is present in the maximum number of micro-markets in India. As of 9MFY24, Awfis has 169 total centres across 16 total cities in India, with 105,258 total seats and a total chargeable area of 5.33 million sq. ft., of which 31 centres and 25,312 seats are under fit-out with chargeable area aggregating to 1.23 million sq.ft. In addition, the company has entered into signed letters of intent with space owners for 13 additional centers, with 10,859 seats aggregating to 0.55 million sq. ft. As of 9MFY24, the company has over 2,295 clients and has presence in 52 micromarkets in India.

Investment Rationale:

- Leadership in a Large and Growing Marketplace:** Awfis is the largest flexible workspace provider in India with 169 centers across 16 cities as of 9MFY24. The total addressable market (TAM) for flexible workspaces is projected to reach 282 million sq.ft. and ₹474-592 billion by FY26, with the segment growing at a CAGR of 18-19% in Tier 1 cities. Awfis plans to expand into three more Tier 2 cities by FY25, capitalizing on its leading position.
- Expand in New and Existing Markets:** Awfis follows a controlled growth strategy, focusing on high-demand micro-markets in Tier 1 cities and expanding into new Tier 2 cities like Lucknow, Guwahati, and Vijayawada. The company aims to establish 12 new centers using INR 420.30 million from net proceeds by FY25.
- Increasing Customer Base:** Awfis sold 10,743, 23,981, 36,020, and 27,484 seats in FY21, FY22, FY23, and 9MFY24, respectively. In 9MFY24, 32.18% of seats sold were to existing clients, showcasing strong customer relationships. The company has 2,295 clients, with 68.57% being large corporates or MNCs.
- Awfis' MA Model:** The company's MA model, which involves space owners co-investing in fit-out infrastructure, has grown significantly. As of 9MFY24, 63.31% of centers and 66.43% of seats operate under this asset-light model, allowing for rapid expansion with lower capital expenditure.
- Client Diversification and Retention:** Awfis' client base spans various industries including technology, financial services, and healthcare. Major clients include Capgemini, Lenovo, and Fujitsu. Additionally, 33.51% of occupied seats in 9MFY24 were from multi-center clients, with their number increasing by 228.36% since FY21.

Valuation and Outlook: Awfis Solutions, the largest flexible workspace provider in India as of 9MFY24, operates 169 centers with 105,258 seats across 16 cities. Awfis has maintained an efficient capital expenditure of ₹50,000 per seat, significantly lower than the industry average, thanks to its MA model, which covers 63.31% of its centers. Serving over 2,295 clients, including large corporates, SMEs, start-ups, and freelancers, Awfis has seen a 228.36% increase in multi-center clients from FY21 to 9MFY24. The total addressable market for flexible workspace in India is projected to reach 282 million sq. ft. (₹474-592 billion) by FY26, and Awfis is well-positioned to capture this growth, particularly in Tier 2 cities where demand is rising. The company plans to invest INR 420.30 million to establish 12 new centers by FY25 and upgrade existing workspaces in Tier 1 cities. With a strategic expansion plan and efficient operating model, Awfis is set for continued growth. The company's revenue grew 112.13% YoY in FY23. A strong double digit growth is expected to continue in FY25 aided by strategic expansion plans. The company's bottom line is also expected to improve in the coming quarters due to the company's MA model which is reducing the capital expenditure per seat gradually for the company. We recommend a subscribe to the issue as a good long term investment, given strong industry growth prospects, future growth from capex done and fresh post issue capex to be undertaken and the company having the leanest model within the industry

Key Financial & Operating Metrics (Consolidated)

In INR mn	Revenue	YoY (%)	EBITDA	EBITDA %	PAT	EPS	ROE	ROCE
FY21	1783.60	-	530.89	29.77%	-426.42	-4.09	-578.28	2.55
FY22	2570.45	44.12	683.25	26.58%	-571.56	-5.48	0.00	-6.48
FY23	5452.82	112.13	1555.58	28.53%	-466.37	-4.34	0.00	18.17

Issue Snapshot

Issue Open	22-May-24
Issue Close	27-May-24
Price Band	INR 364 - 383
Issue Size (Shares)	1,56,37,736
Market Cap (mIn)	INR 41204

Particulars

Fresh Issue (INR mIn)	INR 1280
OFS Issue (INR mIn)	INR 4709.25
QIB	75%
Non-institutionals	15%
Retail	10%

Capital Structure

Pre Issue Equity	10,42,39,961
Post Issue Equity	10,75,81,998
Bid Lot	39 shares
Minimum Bid amount @ 364	INR 14196
Maximum Bid amount @ 383	INR 14937

Share Holding Pattern

	Pre Issue	Post Issue
Promoters	41.05%	45.68%
Public	59.00%	54.32%

Particulars

Face Value	INR 1
Book Value	INR 276.41
EPS, Diluted	INR -4.34

Objects of the Issue

- Funding establishment of new centers- INR 420.30 million
- Funding working capital requirement- INR 543.70 million
- General corporate purposes

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Awfis Space Solutions Limited

May 21, 2024



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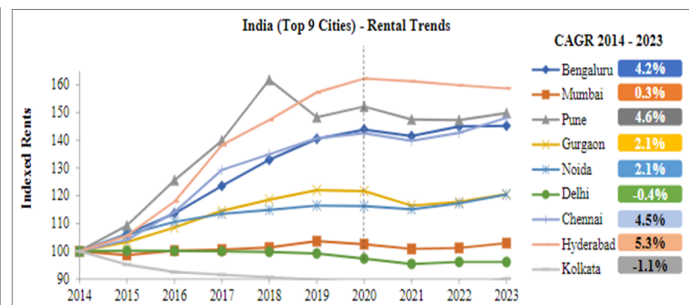
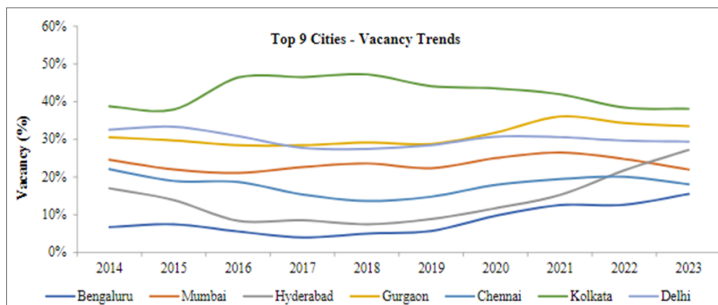
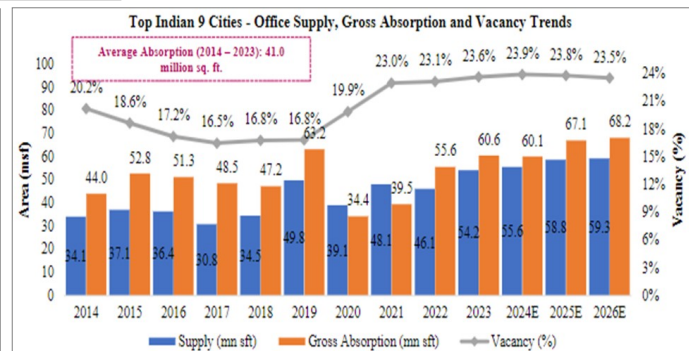
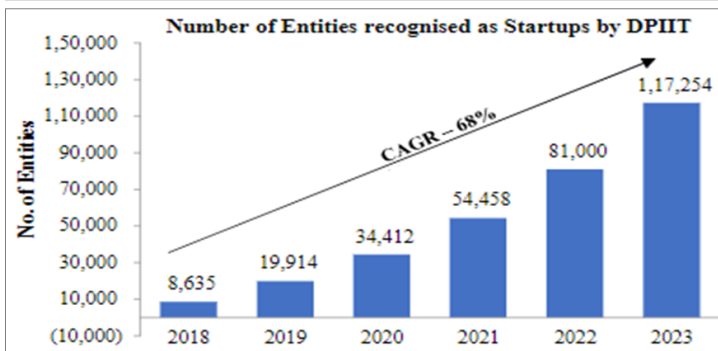
Revenue split as per segment:

Particulars	Segment Information							
	Fiscal 2021		Fiscal 2022		Fiscal 2023		Nine months ended December 31, 2023	
	(₹ in million)	(% of revenue from contract with customer s)	(₹ in million)	(% of revenue from contract with customer s)	(₹ in million)	(% of revenue from contract with customer s)	(₹ in million)	(% of revenue from contract with customer s)
Co-working space on rent and allied services	1,619.84	90.82%	1,963.38	76.38%	4,188.49	76.81%	4,511.10	73.17%
Construction and fit-out projects	114.86	6.44%	487.30	18.96%	1,050.18	19.26%	1,472.94	23.89%
Others	48.90	2.74%	119.77	4.66%	214.15	3.93%	180.95	2.94%
Revenue from contract with customers	1,783.60	100.00%	2,570.45	100.00%	5,452.82	100.00%	6,164.99	100%

Industry Overview:

Since the early 2000s, India's office real estate 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 9MFY23. Flexible office space has long been a viable solution for freelancers, remote workers, and start-ups, and is rapidly gaining ground among large enterprises, corporates, and MNCs. The total market size of the flexible workspace segment has more than tripled in the last 3 to 4 years and is projected to be approximately 105 million sq. ft. by 2026 in tier-1 and tier-2 cities.

IPO Note



Particulars	Bengaluru	MGR	Hyderabad	Gurgaon	Chennai	Pune	Noida	Kolkata	Delhi	Total
Total Stock as of December 31, 2023 (million sq. ft.)	215.7	144.6	126.8	89.3	87.2	75.9	45.4	35.0	15.0	832.0
Occupied Stock as of December 31, 2023 (million sq. ft.)	182.0	112.8	90.3	59.4	71.3	60.4	29.3	21.5	10.6	637.6
Vacancy as of December 31, 2023 (%)	15.5%	22.0%	27.2%	33.8%	18.1%	20.4%	35.6%	38.1%	29.4%	23.4%
Annual Absorption Avg. 2014-23 (million sq. ft.)	15.1	6.7	7.9	5.4	5.3	5.5	2.5	0.8	0.7	49.7
Market Rents* as of December 31, 2023 (per sq. ft. / month)	88.3	129.3	65.6	96.5	77.6	76.1	54.1	58.7	203.2	94.4

Indian Office Market Overview:

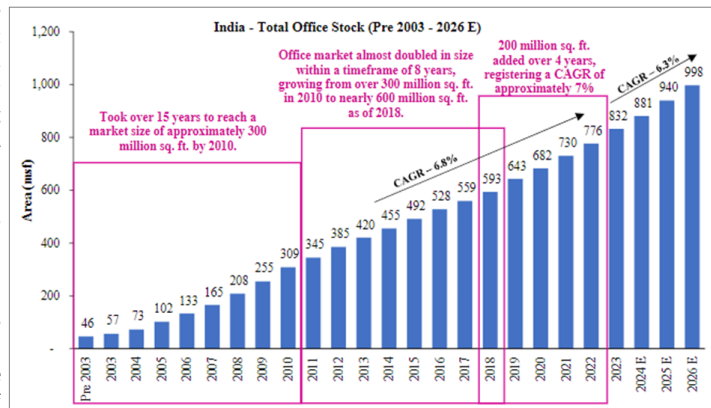
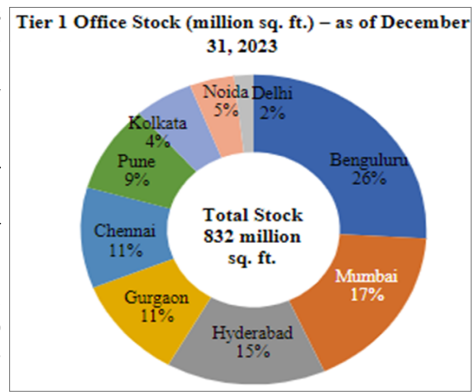
Investment rationale:

Leadership in a large and growing marketplace: The TAM for 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 FY26. 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 the growth of start-ups in Tier 1 and Tier 2 cities. The flexible workspaces segment can be considered one of the fastest-growing alternative real estate classes, adding value to the entire commercial office ecosystem. The CAGR for leasing flexible workspaces between FY22 and

FY26 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 8.5-9 million sq.ft. by FY26, which is approximately 1.7 times the supply as of 9MFY24. As the largest flexible workspace solutions company in India as of 9MFY24, based on the total number of centers, Awfis believes it is well-positioned to benefit and capture this growth in the flexible workspace segment. As of 9MFY24, the company is ranked 1st among the top 5 benchmarked players in the flexible workspace segment with a presence in 16 cities in India. As of 9MFY24, Awfis has the largest flexible workspace footprint in Tier 2 cities among the top 5 benchmarked operators, based on the total number of centers and total area. Several multinational corporations have utilized the company's offerings to set up their offices in Tier 2 cities. Awfis is present in seven Tier 2 cities, of which five are top Tier 2 cities, and intends to expand its geographical footprint to three more Tier 2 cities by FY25. As of 9MFY24, Awfis has 138 operational centers with 2,295 clients. The company is looking to establish 12 new centers by utilising INR 420.30 million from net proceeds by FY25. The company's presence in Tier 2 cities also aids in regional economic development and complements its broader aim of elevating the standard of office spaces in India. Lastly, Awfis' high NPS Score of 70% for the three months ended June 30, 2023, reflects the high level of satisfaction and loyalty among its clients, suggesting a robust foundation for continued leadership and growth in the flexible workspace sector.



Awfis MA model to reduce operating costs for the company: The company has two differentiated models for sourcing and procuring workspace (SL model and MA model). Under the SL model, developers or space owners lease space to flexible workspace operators on traditional leases where 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 MA model is more collaborative in nature, where space owners become stakeholders 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. Awfis has increased the percentage of operational centers and seats under the MA model from 50% and 46.37%, respectively, in FY21 to 55.46% and 57.66%, respectively, in FY23. As on 9MFY24, 63.31% of the company's total centers and 66.43% of its 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. The company intends to continue focusing on the lower-risk, asset-light MA model for sourcing and procuring office space. Awfis is also focused on developing mid-size centers to strike an optimal balance between operational efficiency, optimal centre margins, occupancy build-up, and community engagement. The average size of the company's centers launched since April 2022 stands at 32,979 sq.ft. of chargeable area. Awfis believes that this center size ensures optimal operating costs while creating an opportunity to facilitate a thriving community and enabling the company to foster closer interactions among clients. Further, in the company's experience, space owners under the MA model favour investments in mid-size centers due to lower total capital expenditure and minimal concentration risks. This also benefits clients, as the company believes that clients get access to personalized and tailored solutions in mid-sized centres. Awfis' strategy to focus on center size combined with the MA model is designed to meet the needs of its space owners and clients, thereby bridging both supply and demand factors in its ecosystem. Awfis' capital expenditure per seat was approximately ₹50,000 in FY22, FY23, and the nine months ended 9MFY24. The average capital expenditure per seat in FY23 for top operators in India typically ranged between ₹80,000 and ₹200,000. Due to the increasing share of MA centers in the company's total portfolio of centers, the company's average capital expenditure per seat is lower than the average capital expenditure incurred by top operators in India. This asset-light strategy has enabled the company to rapidly scale its business and expand its footprint without being subjected to high capital investment costs and fixed lease rental payment obligations, resulting in a high ROCE. While the MA model continues to be a key part of the company's supply strategy, Awfis enters into SL arrangements primarily when it aligns with its strategic interests or client demand is clearly identified in advance. For instance, the company may enter into arrangements under the SL model in prime locations where its brand presence is crucial or when a client demand is already established in a certain site or micromarkets.

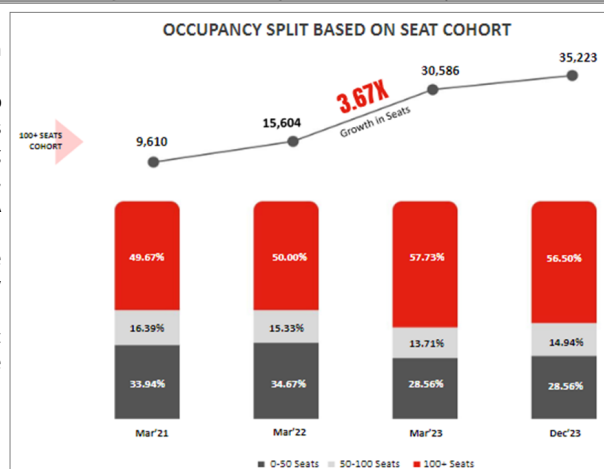


Expand in new and existing markets: Awfis employs a controlled and methodical growth strategy. The company carefully evaluates potential locations and cities for expansion based on multiple criteria, including client demands, availability of office infrastructure, and demographic profile. It will continue to invest in markets that provide strong returns on investment over the long term. Tier 1 cities in India are witnessing growing demand for flexible workspaces, particularly after the COVID-19 pandemic. Similarly, there is an increasing trend for flexible spaces in Tier 2 cities as companies aim to reduce costs, maintain proximity to their staff, and retain valuable employees through flexible work arrangements. These demand-side trends will further fuel the growth of the flexible workspace market, especially with the rise in global capability centers, business process offshoring centers, and offshoring industries. Awfis believes it is well-positioned to benefit from these trends due to its ability to provide flexible workspaces across its network in Tier 1 cities and the strategic advantage gained from its early focus on Tier 2 cities. The company's existing network, spread across nine Tier 1 and seven Tier 2 cities, provides a foundation for expanding into new areas in a more feasible and efficient manner. Awfis plans to further expand its network in high-demand micro-markets within these Tier 1 cities, thereby reinforcing its presence in these markets. Moreover, it has identified new Tier 2 cities such as Lucknow, Guwahati, and Vijayawada to enter in the near future. The company also intends to upgrade workspaces to higher-grade offices through its design and refurbishment activities in prime micro-markets of Tier 1 cities.

Increasing customer base: Awfis' scale and geographical presence act as a key enabler to meet the varied and diverse needs of its clients across different demographics, through its 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, occupiers are required to incur capital expenditure for setting up an office. However, in flexible workspaces, the upfront investment is incurred by the operator and occupiers have to pay fixed rentals on a monthly basis that include amortized capital expenditure as well as other operational expenses. A tenant can save approximately 20%-22% if they opt for a flexible workspace of 100 seats over a three-year period. Accordingly, the company's clients benefit from cost efficiencies as they do not have to incur any investment upfront. Awfis sold 10,743, 23,981, 36,020, and 27,484 seats at its centers in FY21, FY22, FY23, and 9MFY24, respectively. Further, in 9MFY24, 32.18% of the seats sold at its centers, i.e., additional seats sold between March 31, 2023, and 9MFY24, were sold to its existing clients expanding their portfolio with the company, showcasing Awfis' strong customer relationships. As on 9MFY24, Awfis has 2,295 clients. The company has a diversified base of clients and 68.57%, 19.79%, 10.84%, and 0.79% of its total client base, based on the number of occupied seats, are large corporates or multinational corporations, SMEs, start-ups, and freelancers, respectively. In addition, Awfis caters to all seat cohorts ranging from a single seat to multiple seats. Its cohort of over 100 seats steadily increased from 49.67% in FY21 to 56.50% in 9MFY24, demonstrating the growing confidence of its clients with larger cohorts in the company. Further, 33.51% of the occupied seats as on 9MFY24 were from multi-center clients, i.e., clients occupying seats in more than one of the company's centers. Additionally, the number of such multi-center clients has increased by 228.36% between FY21 and 9MFY24. Awfis' clients operate in a diverse range of industries such as technology, media and entertainment, automotives, financial services, and healthcare. The company's clients include Marlabs Innovations Pvt. Ltd., Body Cupid Pvt. Ltd., Capgemini Technology Services India Ltd., Lenovo (India) Pvt. Ltd., Fujitsu General (India) Pvt. Ltd., Atlas Copco (India) Pvt. Ltd., RR Kabel Ltd., Ideaforge Technology Ltd., Mahindra First Choice Wheels Ltd., Clevertap Pvt. Ltd., and Usha International Ltd.

Valuation and outlook: Awfis Solutions, the largest flexible workspace provider in India as of 9MFY24, operates 169 centers with 105,258 seats across 16 cities. Awfis has maintained an efficient capital expenditure of ₹50,000 per seat, significantly lower than the industry average, thanks to its MA model, which covers 63.31% of its centers. Serving over 2,295 clients, including large corporates, SMEs, start-ups, and freelancers, Awfis has seen a 228.36% increase in multi-center clients from FY21 to 9MFY24. The total addressable market for flexible workspace in India is projected to reach 282 million sq. ft. (₹474-592 billion) by FY26, and Awfis is well-positioned to capture this growth, particularly in Tier 2 cities where demand is rising. The company plans to invest INR 420.30 million to establish 12 new centers by FY25 and upgrade existing workspaces in Tier 1 cities. With a strategic expansion plan and efficient operating model, Awfis is set for continued growth. The company's revenue grew 112.13% YoY in FY23. A strong double digit growth is expected to continue in FY25 aided by strategic expansion plans. The company's bottom line is also expected to improve in the coming quarters due to the company's MA model which is reducing the capital expenditure per seat gradually for the company. We recommend a subscribe to the issue as a good long term investment, given strong industry growth prospects, future growth from capex done and fresh post issue capex to be undertaken and the company having the leanest model within the industry

Client	Fiscal			Nine months ended
	2021	2022	2023	December 31, 2023
Top client	9.23%	6.64%	2.97%	4.63%
Top 5 clients	26.67%	18.33%	12.67%	13.15%



Peer Comparison

(in ₹ million, unless otherwise stated)	Awfis			WEWORK			COWRKS			SMARTWORKS			TABLESPACE		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
KPI															
Revenue from contract with customers	1,784	2,570	5,453	6,402	7,844	13,145	1,828	1,757	2,836	2,796	3,602	7,114	2,563	3,441	6,784
Total Income	2,160	2,787	5,658	6,614	8,367	14,228	1,931	2,117	2,862	3,097	3,942	7,441	2,652	3,848	7,685
Total Assets	5,086	5,597	9,306	16,415	39,723	44,140	8,516	6,517	5,398	14,938	28,596	44,735	4,553	15,912	34,898
EBITDA	907	900	1,761	-1,928	4,587	9,039	1,064	1,203	1,716	1,963	2,401	4,567	812	2,710	4,786
EBIT	39	-84	261	-5,266	-2,530	2,672	-357	-303	582	240	282	1,004	595	1,339	2,141
Cash EBIT	71	14	362	-	-	-	-	-	-	-	-	-	-	-	-
PAT	-426	-572	-466	-6,482	-6,430	-1,468	-1,699	-1,694	-688	-542	-699	-1,010	389	446	460
Total Equity	1,508	947	1,694	-12,367	-1,547	-2,924	-3,165	-4,858	-5,544	1,841	1,141	315	639	582	3,051
Net Debt	-853	-134	-262	18,832	2,637	3,842	2,663	4,309	4,588	187	1,456	3,017	-33	2,156	7,991
Total Capital Employed	654	813	1,431	6,464	1,090	918	-502	-549	-1,006	2,028	2,597	3,331	606	2,738	11,042
EBITDA Margin (%)	42%	32%	31%	-29%	-55%	-64%	55%	57%	60%	63%	61%	61%	31%	70%	62%
PAT Margin (%)	-20%	-21%	-8%	-98%	-77%	-10%	-88%	-80%	-24%	-17%	-18%	-14%	15%	9%	12%
ROCE (%)	10.88%	1.75%	25.26%	-	-	-	-	-	-	-	-	-	-	-	-
Debt to Equity Ratio (x)	0.02	0.13	0.06	-1.76	-1.89	-1.65	-1.15	-0.94	-0.85	0.66	2.17	16.38	1.39	4.06	2.65
Net Debt Equity Ratio (x)	-0.57	-0.14	-0.15	-1.52	-1.70	-1.31	-0.84	-0.89	-0.82	0.10	1.28	9.59	-0.05	3.70	2.62

Income Statement				Balance Sheet			
Y/E (INR mn)	FY21	FY22	FY23	Y/E (INR mn)	FY21	FY22	FY23
Revenue	1783.60	2570.45	5452.82	Source of funds			
Expenses:				Equity Share Capital	1695.22	1695.22	2250.96
Employee Cost	318.37	541.54	957.97	Reserves	-227.60	-799.09	-648.01
Sub-Contracting Cost	96.35	418.69	904.72	Total Share holders funds	1507.53	947.21	1693.64
Total Expenses	2586.62	3358.72	6124.24	Total Debt	29.67	121.07	109.23
EBITDA	530.89	683.25	1555.58	Current Liabilities	1089.46	2130.52	2804.57
EBITDA Margin %	29.77%	26.58%	28.53%	Trade Payables	277.65	451.16	508.28
Interest	465.55	487.19	727.21	Total Non-Current Liabilities	2488.82	2519.15	4807.84
Depreciation	868.36	984.33	1499.79	Total Liabilities	5085.81	5596.88	9306.05
Other Income	376.60	216.71	205.05				
PAT	-426.42	-571.56	-466.37	Application of funds			
EPS	-4.09	-5.48	-4.47	Fixed Assets	2998.56	3401.79	6528.81
				Cash and Bank	418.96	56.33	181.00
				Total Current Assets	1508.75	1221.21	1386.27
				Other current assets	68.58	73.06	97.02
				Sundry Debtors	153.87	307.17	484.79
				Total Assets	5085.81	5596.88	9306.05

Cash Flow				Key Ratios			
Y/E (INR mn)	FY21	FY22	FY23	Y/E (INR mln)	FY21	FY22	FY23
Profit Before Tax	-426.42	-571.56	-466.37	Growth Ratio			
Adjustment	1091.07	1276.43	2118.50	Net Sales Growth(%)	0.00	44.12	112.13
Changes In working Capital	-280.96	189.24	432.40	EBITDA Growth(%)	0.00	-0.83	95.63
Cash Flow after changes in Working Capital	383.69	894.11	2084.53	PAT Growth(%)	0.00	-34.04	18.40
Tax Paid	190.75	-67.17	-132.65	Margin Ratios			
Cash From Operating Activities	574.44	826.94	1951.88	Gross Profit	99.25	98.44	97.68
Cash Flow from Investing Activities	-377.39	-72.16	-1701.07	PBIDTM	50.88	35.01	32.29
Cash from Financing Activities	-166.86	-798.56	-277.74	EBITM	2.19	-3.28	4.78
Net Cash Inflow / Outflow	30.19	-43.78	-26.93	PBT	-23.91	-22.24	-8.55
Opening Cash & Cash Equivalent	66.67	96.85	53.07	PAT	-23.91	-22.24	-8.55
Closing Cash & Cash Equivalent	96.86	53.07	26.14	Return Ratios			
				ROA	-8.38	-10.70	-6.26
				ROE	-578.28	0.00	0.00
				ROCE	2.55	-6.48	18.17
				Turnover Ratios			
				Asset Turnover(x)	0.35	0.48	0.73
				Inventory Turnover(x)	870.05	693.78	1171.39
				Debtors Turnover(x)	11.59	11.15	13.77
				Fixed Asset Turnover (x)	0.47	0.58	0.73
				Solvency Ratios			
				Total Debt/Equity(x)	0.02	0.14	0.07
				Current Ratio(x)	1.38	0.57	0.49
				Quick Ratio(x)	1.38	0.57	0.49
				Interest Cover(x)	0.08	-0.17	0.36

Analyst Certification:

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