

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

AWIFS SPACE SOLUTION LTD

May 22, 2024



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May 22, 2024

Details of the Issue

Price Band	₹ 367 - ₹ 383
Issue Size	₹ 598.93 Cr
Face Value	₹ 10
Bid Lot	39
Listing on	BSE, NSE
Post Issue Mcap	₹ 2,658.70 Cr
Investment Range	₹ 14,313 - ₹ 14,937

Important Indicative Dates (2024)

Opening	22 - May
Closing	27 - May
Basis of Allotment	28 - May
Refund Initiation	29 - May
Credit to Demat	29 - May
Listing Date	30 - May

Lead Manager

ICICI Securities Limited
Axis Capital Limited
IIFL Securities Limited
Emkay Global Financial Services Limited

Offer Details

Offer Size	₹ 598.93 Cr
Fresh Issue	₹ 128 Cr
OFS	₹ 470.93 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	449	11.72	12.34	75
NIB	90	2.34	2.46	15
Retail	60	1.56	1.64	10
Em-ploy.	-	-	-	-
Total	598.93	16.45	14.82	100

Invest NowCompany Profile

Established in December 2014, Awfis Space Solutions Limited is a leading workspace provider in India. Specializing in flexible workspace solutions, Awfis caters to individuals, startups, SMEs, and large corporations. Their primary offering is co-working spaces, including customizable offices and mobility solutions, complemented by ancillary services like F&B, IT support, infrastructure, and event hosting. As of December 31, 2023, Awfis operates 169 centers across 16 Indian cities, boasting a total of 105,258 seats and 5.33 million sq. ft. of chargeable area. Additionally, they have 31 centers under fit-out, with 25,312 seats and 1.23 million sq. ft. chargeable area.

Expanding their portfolio, Awfis now provides in-house fit-out and facility management services at their centers. Their workforce comprises over 100 hospitality-trained employees, while a dedicated team of 63 designers and project managers ensures top-notch service delivery and client satisfaction. As of December 31, 2023, commercial assets account for 81.66% of Awfis centers, with alternate assets making up the remaining 18.34%.

Business Highlights & Services

Company offer 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. The flexible workspace solutions cater to varied seat cohorts ranging from a single seat to multiple seats, which can be contracted by the 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). It also provide allied services ranging from food and beverages, information technology support services and infrastructure services such as storage and customization to event hosting and meeting arrangements.

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. (Source: CBRE Report) As a result, it originally launched Awfis in Fiscal 2015 as a co-working space provider, when it 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.

It 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 a 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 lockin period, lease tenure and escalations. (Source: CBRE Report) The capital expenditure for fitting out the property is entirely borne by the company.



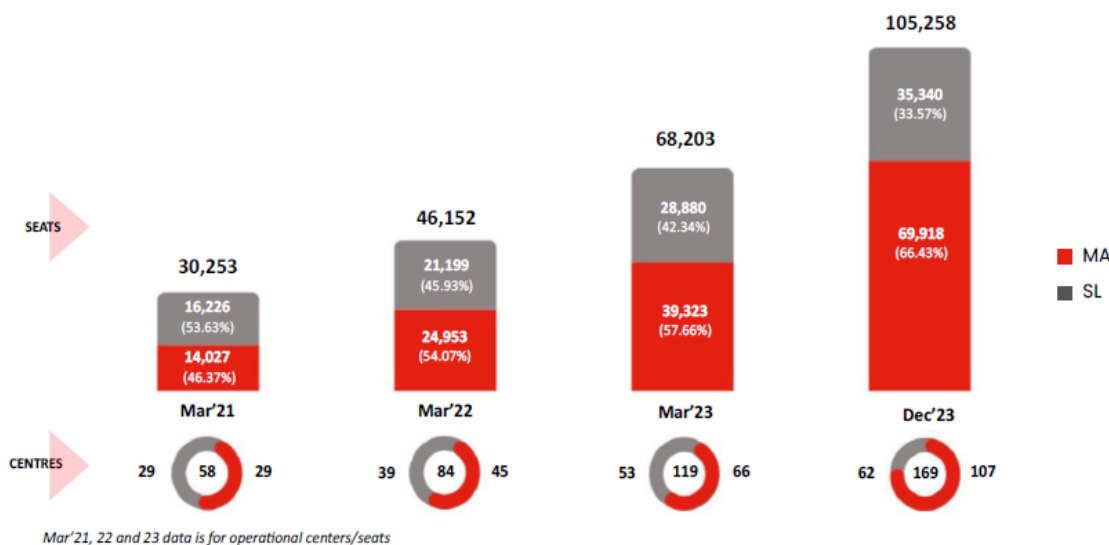
Company’s business model, based on Management Agreements (MAs), involves shared capital expenditure with space owners, focusing on profit-sharing and providing minimum guarantees. As of December 2023, their minimum guarantees averaged 45.88% of micro-market rental. It prioritize mid-size centers (average size 32,979 sq. ft.) for operational efficiency and community engagement. Their demand-based build approach involves initial construction of base amenities, with further build-out based on client arrangements. Expanding beyond Tier 1 cities, it have centers in seven Tier 2 cities, aligning with projected growth in flexible workspaces in these areas. This strategic move positions us to seize opportunities in Tier 2 cities’ burgeoning commercial real estate markets.

Post-COVID-19, corporates and MNCs value flexible tenures and cost optimization, driving India’s rapid growth in flexible workspaces. The demand surged across all seat cohorts, with CAGR reaching up to 57%. To cater to this trend, it introduced 'Awfis Gold', a premium offering targeting large enterprises, providing top-tier spaces in Grade A buildings. This strategic shift aligns with the evolving needs of their clientele in the dynamic post-pandemic landscape.

Segmental Revenue Breakup

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%

SPLIT OF CENTERS & SEATS UNDER MA & SL MODEL





Geographical Footprint

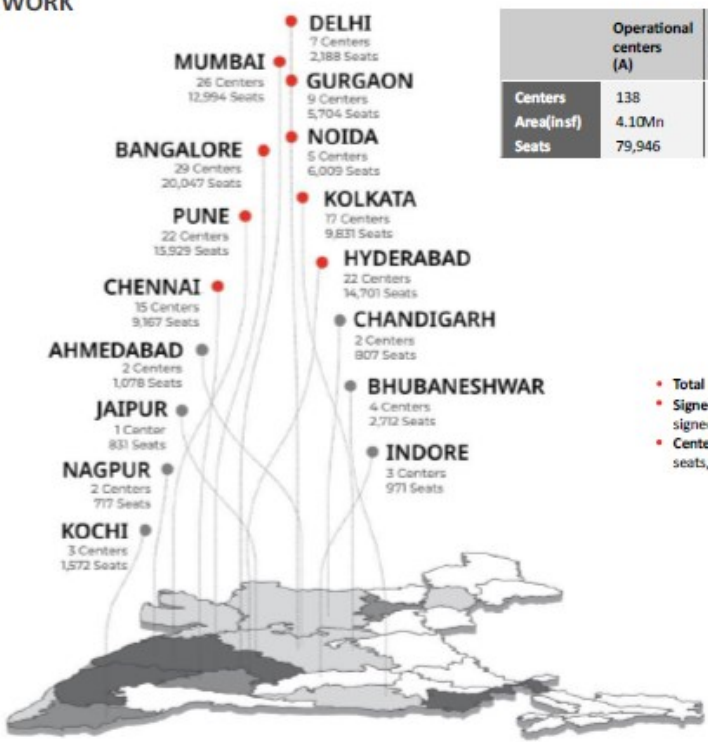
As of FY 2023, AWISF is present in all Tier 1 cities and seven Tier 2 cities, covering 16 cities and 52 micro markets in India.

OUR NETWORK

169
Total Centers

52
Micro-Markets

16
Cities



	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(insf)	4.10Mn	1.23Mn	5.33Mn	0.55Mn	5.87Mn
Seats	79,946	25,312	105,258	10,859	116,117

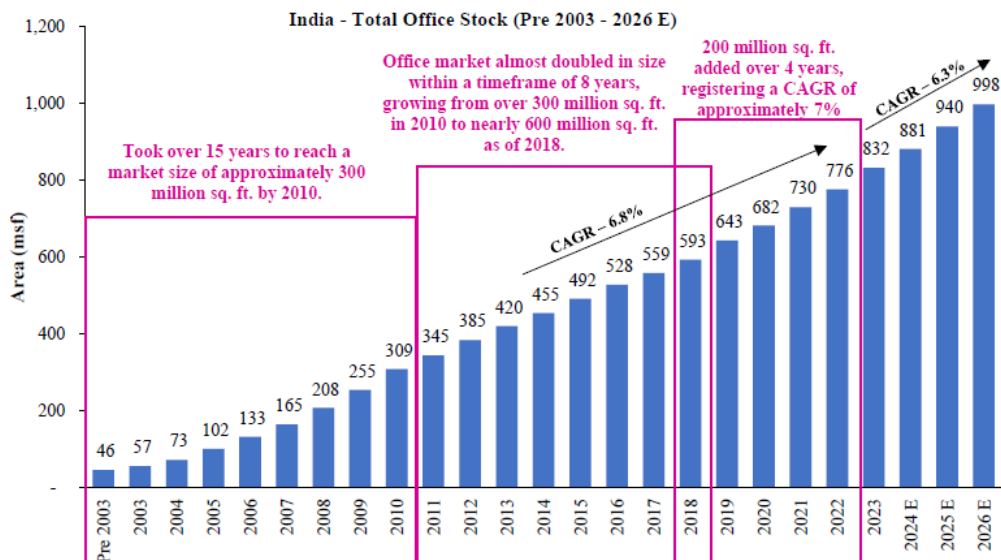
- Total centers include operational and under fit-out centers
- Signed LOI centers pertains to centers where LOI has been signed
- Centers and seats against each city is for total centers and seats, which includes operational and under fit-out

*All data as on December 31, 2023

● Tier 1 Cities
● Tier 2 Cities

Market Opportunity

The Indian office market is expected to grow at a CAGR of 6.3% from 2023 to 2026. (Source: CBRE Report) According to the CBRE Report, India's commercial Tier 1 office stock stands at 832 million sq. ft. as of December 31, 2023. 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. (Source: CBRE Report) 'Grade B stock' 1 accounted for approximately 15% of the organized commercial office stock in India as on December 31, 2023. (Source: CBRE Report) Further, approximately 74% of the total commercial organized stock in India is non-institutionally owned stock as on December 31, 2023. (Source: CBRE Report) strategic decision to source space for the centers from the entire spectrum of the commercial real estate market ranging from organized to unorganized, institutional to non- institutional and across various grades and classes of properties, grants the access to a large pool of properties and flexibility of center sizes for building the centers. For further details in relation to the organized and unorganized stock, As of December 31, 2023, 51.48% of the operational centers have been sourced from non-developer space owners such as high net worth individuals ("HNIs"), family offices and funds.





Companies Competitive Strength

- Leadership in a large and growing marketplace.
- Innovating in the flexible workspace industry with the adoption of the MA model.
- Diverse space sourcing and demand strategies.
- Growth through an integrated platform approach.
- Delivering strong financial and operating metrics.
- Experienced and diverse senior management team.

Key Strategies Implemented by Company

- Continue to build an industry leading capital efficient model.
- Expand in new and existing markets.
- Enhance the product and service offerings.
- Improving operational efficiency.

Particular (INR in Cr)	9MFY24	FY23	FY22	FY21
Equity Share Capital	19.15	30.13	30.13	30.13
Net Worth	247.19	169.36	94.72	150.72
Revenue	616.5	545.28	257.05	178.36
Growth%		112%	44%	
EBITDA	178.21	155.09	67.97	53.56
EBITDAm%	29%	28%	26%	30%
PAT	-18.94	-46.63	-57.16	-42.64
PATm%	-3.1%	-8.6%	-22.2%	-23.9%
Operational Seats	79,946	68,203	46,152	30
Total No. of Clinets	2,295	1,967	1,525	1,020

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/B of 9.56x. Thus the issue appears priced.
- The company has faced net losses in FY2021, FY2022, FY2023, and the first nine months of FY2024, along with negative cash flows in prior years. With 33.57% of seats under fixed lease rentals, reduced occupancy affects profitability. IT sector clients make up 52.39% of occupancy; a slowdown in key sectors like IT can impact this due to client concentration. Short-term client agreements (29.38% under 12 months) require ongoing new client acquisition to sustain occupancy and growth. The competitive flexible workspace market in India adds pressure, with risks from space development and potential negative publicity from legal issues involving group companies. The company borrowing has remain in increasing trend due to this company's profit may remain in loss on account of high finance cost. Hence, we recommend an "Avoid" rating for the issue.



Notes

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