

AWFIS SPACE SOLUTIONS LTD

22-05-2024 - 27-05-2024

Industry: Workspace Solution
Recommendation: Subscribe

Price Band: ₹364-383
Post Implied Market Cap: – ₹2,533 - ₹2,659 Cr

Key Data

Issue Size (₹ Cr)	577-599
Fresh (₹)	128
OFS (₹)	471
No. of shares offered	1,58,18,213 - 1,56,43,153
Face Value (₹ /share)	10
Bid Lot	39

About the Company

Awfis is the largest flexible workspace solutions company in India as of December 31, 2023, with a presence in 16 cities and over 2,295 clients across 52 micro markets. Besides core co-working solutions, Awfis offers design, construction, and facility management services through Awfis Transform and Awfis Care. Catering to diverse client needs, their workspace solutions range from single seats to multiple seats, available for durations from an hour to several years. Awfis operates using differentiated models for sourcing workspace, including the Straight Lease (SL) Model and the Managed Aggregation (MA) Model.

Investment Rationales

- Leadership in a large and growing marketplace:** Awfis is ranked first among the top five flexible workspace providers in India, with a strong presence in 16 cities and the largest footprint in Tier 2 cities. The total addressable market for flexible workspaces is projected to reach 282 million sq. ft. and ₹ 474-592 billion by 2026. Leasing of flexible workspaces is expected to grow at a CAGR of 18-19% in Tier 1 cities and demand in Tier 2 cities is projected to be approximately 1.7 times the current supply by 2026. Awfis, as the largest player in the segment, is well-positioned to capitalize on this growth.
- Innovating in the flexible workspace industry with the adoption of the MA model:** Company has revolutionized the co working industry with its Managed Aggregation (MA) model, increasing operational seats under this model from 46.37% in FY2021 to 66.43% by December 31, 2023. This model significantly reduces capital expenditure per seat to approximately ₹ 50,000, compared to ₹ 80,000 to ₹ 200,000 for other top operators. The MA model benefits both the space owner and the company by sharing risks and rewards, and has become a key differentiator for Awfis, enhancing its strong unit economics and execution expertise.
- Diverse space sourcing and demand strategies:** Awfis employs a diverse supply sourcing strategy across all segments of the Indian commercial office market, including organized, unorganized, institutional, and non-institutional properties. It caters to a wide range of clients, from freelancers and start-ups to SMEs and MNCs, offering flexible workspace solutions for various seat cohorts at different price points. Its offerings include value-based solutions under the Awfis brand and premium solutions under Awfis Gold. This diversification in both space sourcing and demand strategies helps de-risk Awfis' business model and supports accelerated growth.
- Growth through an integrated platform approach:** Awfis provides tailored flexible workspace solutions to diverse clients through its integrated platform strategy, which includes Awfis Transform for design and build services and Awfis Care for facility management. By offering both backward and forward integration, Awfis meets modern workspace requirements comprehensively, catering to various demographics, seat cohorts, and industry sectors. This cohesive, one-stop solution differentiates Awfis from its peers, enhancing its ability to address varied client needs effectively.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	28-05-2024
Refunds/Unblocking ASBA Fund	29-05-2024
Credit of equity shares to DP A/c	29-05-2024
Trading commences	30-05-2024

Shareholding (No. of shares)

Pre-Issue	6,60,75,779
Post Issue (Lower price band)	6,95,98,293
Post Issue (Higher price band)	6,94,23,233

Shareholding Pattern

Promoter:	
Pre Issue	41.50%
Post Issue	30.00%

Public - Selling Shareholders:

Pre Issue	24.10%
Post Issue	14.80%

Public - Others:

Pre Issue	34.40%
Post Issue	55.30%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Other Details

BRLMs: Axis Capital, ICICI Securities, IIFL Securities, Emkay Global Financial Services

Registrar: Bigshare Services Private Limited

Listing: BSE & NSE

Research Analyst

Rajan Shinde
rajan.shinde@mehtagroup.in
022-61507142

Risk

- 1) Slowdown in economy.
- 2) May continue to have losses on books.
- 3) Change in leasing terms can adverse impact economic operations.

MView

We believe Awfis Space Solution Ltd IPO brings investors a unique opportunity to invest in a leading player who is ranked no 1 among the top 5 benchmarked players in India in the flexible workspace segment. We think awfis leadership position is backed by significant growth potential, with the total addressable market expected to reach 282 million sq. ft. and ₹ 474-592 billion by 2026. The flexible workspace market is projected to grow at a CAGR of 18-19% in Tier 1 cities and demand in Tier 2 cities is set to outpace supply by 1.7 times, positioning Awfis well to capture this expansion. We also think the company's innovative MA (Managed Aggregation) model has increased operational seats to 66.43% by the end of 2023, reducing capital expenditure per seat to ₹ 50,000, enhancing unit economics and operational efficiency. We also believe the company's diverse supply sourcing strategy and ability to cater to a wide range of clients, coupled with its integrated platform strategy through Awfis Transform and Awfis Care, provide a comprehensive solution that de-risks its business model and boosts client satisfaction and loyalty. By looking at the financials company shown a robust growth in revenue from operations in FY2022 and FY 2023 by 44%/112%, and lowering the losses from ₹ -57.16 cr to ₹ -46.63 cr in FY 2022 & FY 2023. Despite challenges, management is showing confidence that the company can turn net cash positive by the next fiscal year. They anticipate bright prospects ahead, driven by the significant demand and supply gap in the flexible workspace segment in which Awfis operates. This optimistic outlook, coupled with strategic initiatives and market positioning, suggests a strong potential for future growth and profitability. But given the complicated business model investors should look at it as a start-up investment case and invest accordingly. While due to its unique business model and first of its kind getting into listing space and early mover advantage, the company may command some listing gains. Investors should also understand the offer which comes with higher OFS which is an area of concern for new investors. Hence considering all parameters, we recommend only risk taking investors can "SUBSCRIBE" to Awfis Space Solution Ltd IPO with listing gain prospective only.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Dec' 31	As at March' 31		
	2023 (09)	2023	2022	2021
Equity Share Capital	19.15	30.13	30.13	30.13
Net worth	247.19	169.36	94.72	150.75
Revenue from contract with customers	616.50	545.28	257.05	178.36
Restated loss for the period / year	-18.94	-46.63	-57.16	-42.64
EPS/ (Loss) Basic & Diluted (₹)	-3.05	-8.11	-10.68	-8.38
NAV per Share (₹)	123.86	56.20	31.43	50.03
Total borrowings	23.72	10.92	12.11	2.97
Operational Seats	79,946	68,203	46,152	30,253
Total number of Clients	2,295	1,967	1,525	1,020
Operational chargeable area (mn sq. ft)	4.10	3.50	2.21	1.46

Source: Company RHP



MSEARCH

DISCLAIMER & DISCLOSURE

This Report is published by Mehta Equities Limited (hereinafter referred to as "MEL") for registered client circulation only. MEL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH00000552. MEL is a registered broker with the Securities & Exchange Board of India (SEBI) and registered with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments, Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stockbroking activities & is Depository participant with Central Depository Services Limited (CDSL), is registered with SEBI for providing PMS services and distribute third party PMS product and also member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

MEL a "Research Entity" under SEBI (Research Analyst) Regulations 2014 has independent research teams working with a Chinese wall rule with other business divisions of MEL as mentioned above.

MEL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. MEL, its associates or Research analyst or his relatives do not hold any financial interest in the subject company. MEL or its associates or Research analysts do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. MEL or its associates or Research Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

MEL or its associates or Research analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Research analyst during the past twelve months. MEL or its associates have not received any compensation or other benefits from the company covered by Research analyst or third party in connection with the research report. Research Analyst has not served as an officer, director or employee of Subject Company and MEL / Research analyst has not been engaged in market making activity of the subject company.

This report is for the personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. MEL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. This research has been prepared for the general use of the clients of MEL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MEL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MEL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. MEL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MEL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. MEL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, MEL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of MEL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither MEL, nor its directors, employees, or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Analyst Certification: Research Analyst the author of this report, hereby certifies that the views expressed in this research report accurately reflect my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the Research Analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The Research Analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD

BSE: - Membership Clearing No. 122 - SEBI Regn. No. INB010683856, NSE: - Membership Clearing No. 13512-
SEBI Regn. No. INB231351231, NSE FO SEBI Regn. No. INF231351231, CIN No: U65990MH1994PLC078478
MSEI: - Membership Clearing No. 51800 - SEBI Regn. No. INB261351234 SEBI registered RA Reg No INH00000552
Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in

Compliance Officer: Prakash Joshi

Email Id: compliance@mehtagroup.in

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: help.kyc@mehtagroup.in Phone: + 91 22 61507154