



**Rating: Buy (17 Dec 2024)**  
**CMP: Rs.727 Target Price Rs.1400**

**Awfis Space Solution**  
**Managing Real Estate**

**Company striking all the right targets to become a profitable business in the growing managed co-working space industry in India**

**Exceptional performance in Q2FY25 with highest topline and profits in its history**

- Company reported Q2 FY'25 revenue growth of 40% YoY, reaching ₹292 crores
  - Co-working and Allied Services segment revenue was up by 43% and reached ₹218 crores.
  - Construction and Fit-Out Projects segment reported ₹68 crores, saw 36% growth
- EBITDA up by 67% YoY to ₹100 crores; EBITDA margin of 34.3% (+550 bps YoY).
- Overall monthly occupancy rate was at 73%, while with centers operational for over 12 months it reached 84%
- 110k+ operational seats across 180 centers; total capacity 150k seats across 224 centers
- **Management anticipates upside potential to initial guidance of 30% revenue growth and improvement in margins**

**Margin improvements supported by management's well set plan of moving to Asset Light Business Model along with moving into premium workspace solutions**

- 1) Shifting to Asset Lite Model under MA (Managed Aggregation model) agreements, where capital expenditure per seat has halved thereby offering early breakeven
  - By end of Q2, 67% of seats under managed aggregation model, aligning with an asset-light, risk-averse strategy.
- 2) Launched first Elite Center in Hyderabad, aimed at premium workspace solutions, with expected seat realization 40%-45% higher than Awfis products.

**Expansion Strategy to increase presence in Tier 1 and Tier 2 cities will add further scale**

1. The company operates in 9 Tier 1 and 7 Tier 2 cities, with plans to expand into high-demand micro-markets within Tier 1 cities. It also aims to enter new Tier 2 cities like Lucknow, Guwahati, and Vijayawada. Additionally, it intends to upgrade workspaces in prime micro-markets of Tier 1 cities.
2. Significant expansion in Tier-2 cities, now present in 20 centers across regions including Ahmedabad, Guwahati, and Indore





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## About the company

Awfis Space Solutions is the largest flexible workspace solutions company with a presence in 58 micro markets across 18 cities in India.

- Presence at 100+ locations in India
- have surpassed 110K operational seats and 180 centers. Including Fit-out and LOI, they have a total of 150K+ seats across 224 centers, covering 7.6 million sq. ft., on track to reach our target of 135K operational seats by March 2025
- their footprint in Tier II cities has grown by 43% since September 2023, increasing from 14 to 20 centers, reinforcing their commitment to these regions
- their asset-light, risk-averse Managed Aggregation (MA) model remains at the core of their strategy, with 67% of seats and 64% of centers aligned under this approach to maximize returns on investment.

## NETWORK LEADERSHIP

**INDIA's LARGEST NETWORK OF FLEXIBLE WORKSPACES**

Awfis's presence in **Nine Tier 1** and **Nine Tier 2 cities** facilitates in fulfilling the growing and diverse needs of our clients

**18**  
Cities | **58**  
Micro-markets | **205**  
Centres

**130K+**  
Seats | **6.6Mn** sq. ft.  
Chargeable Area

**TIER 1**  
90% → 185 centers  
92% → 120,185 seats

**TIER 2**  
10% → 20 centers  
8% → 10,601 seats



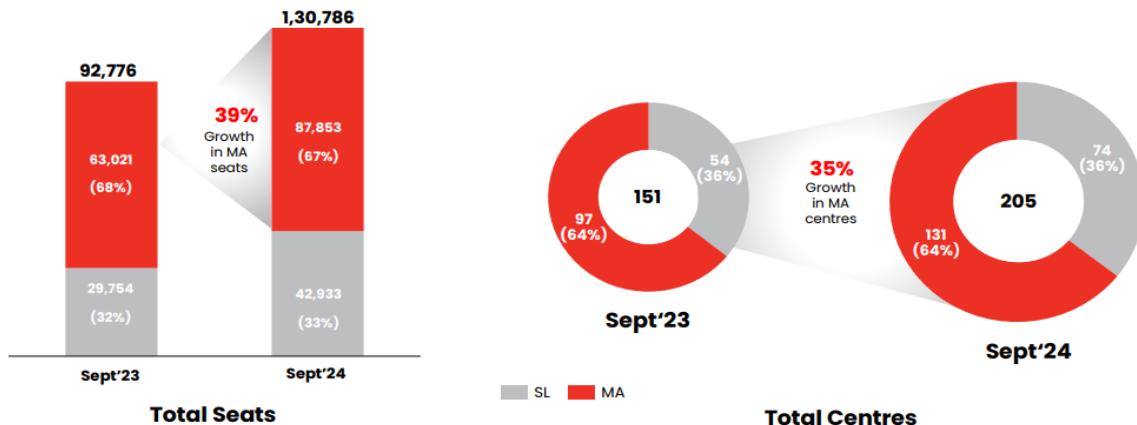
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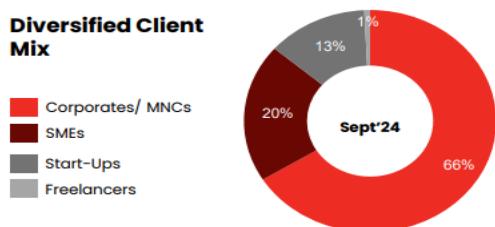
**Strategic focus on increasing seats under Managed Aggregation Model which is Asset Light (requiring less capex) and Low Risk Model**

- In the MA model, developers or space owners usually cover part or all of the capital expenditure on fit-outs, and remainder being potentially covered by the operator. They often forgo a fixed rental in exchange for a minimum guarantee and possibly a share of revenue or profit based on pre-negotiated terms.
- While on Fixed Lease Model the company is responsible for agreed lease payments, irrespective of whether it can secure client agreements for the space.

**67% total seats and 64% total centers under MA model as of Sept'24 driving capital efficiencies for the business**



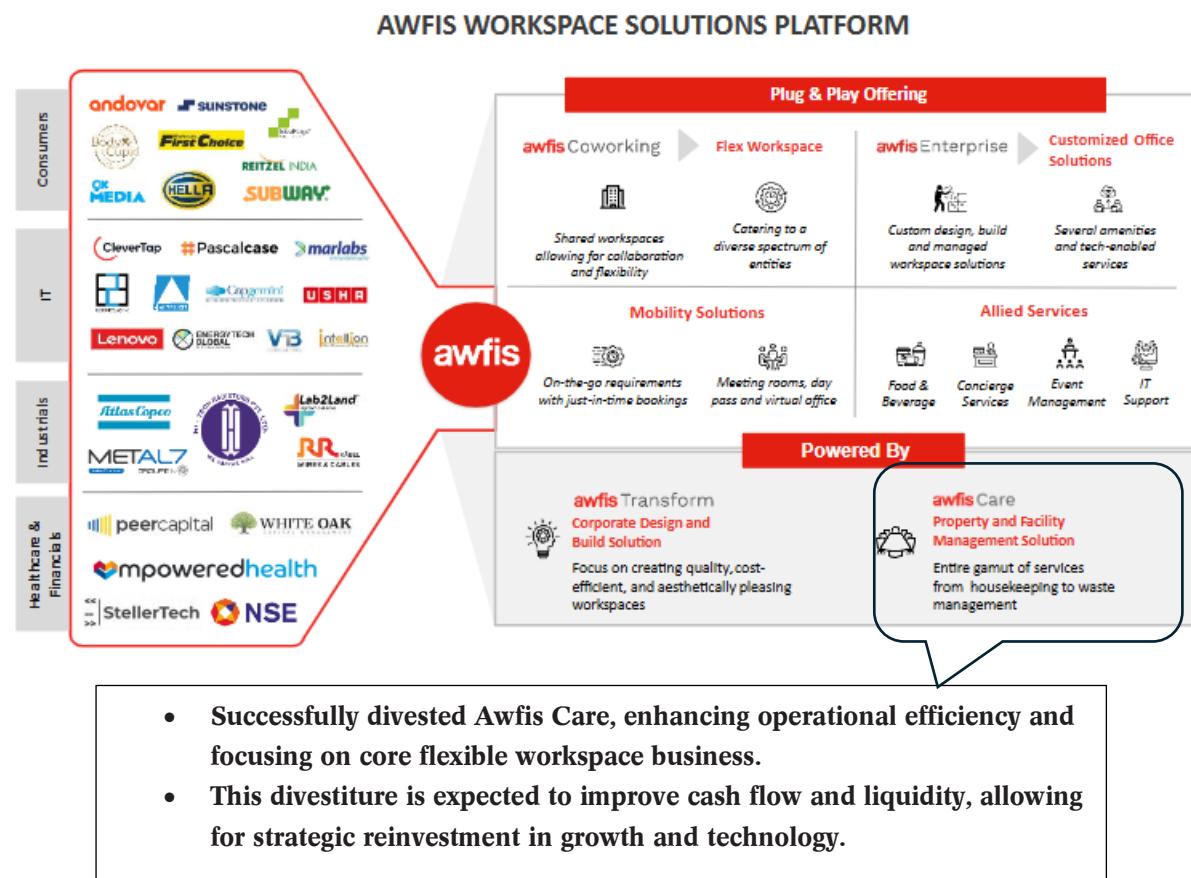
**It offers flexible workspace solutions, from individual desks to customized office spaces for start-ups, SMEs, large corporations, and MNCs. Clients can contract spaces from one hour to several years, with over 2,877 active clients**



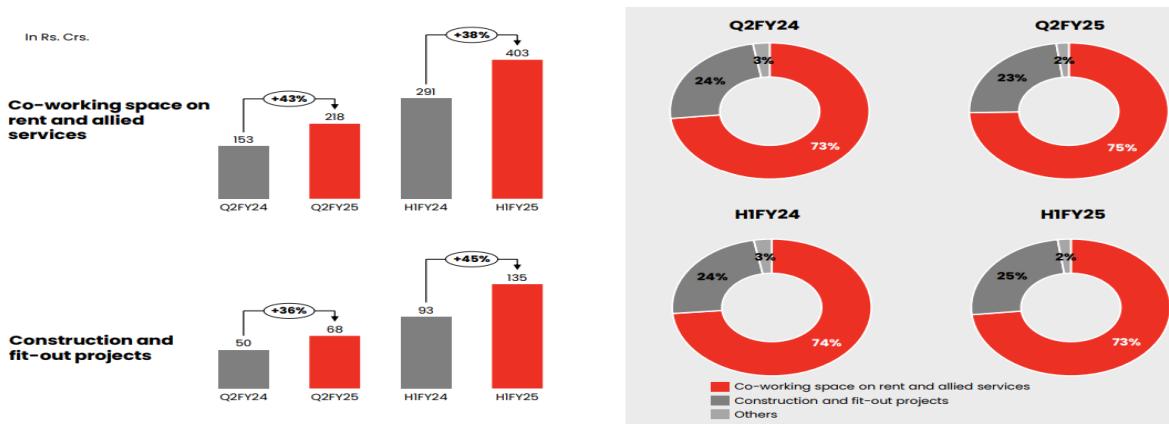
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### Segmental Overview and Revenue Contribution



**Co-working space on rent and allied services is larger segment with 74% revenue share**



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## Company History

Over the Years We've Evolved to become a Leading Flexible Workspace Solutions Platform. It inaugurated its first center in 2015 and Coworking app was launched in 2016. 2018 expanded to its first tier 2 city. Added new relevant business segments expanding its scope of services



## Industry veterans are leading the business



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## Key Financial Metrics

### Profit & Loss

Rs. Crores	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	TTM
Revenue	154	226	178	257	545	849	1,003
Operating Expenses	187	223	125	189	388	603	689
Operating Profit	-33	3	53	68	157	246	314
<b>OPM %</b>	<b>nm</b>	<b>1.3%</b>	<b>29.8%</b>	<b>26.5%</b>	<b>28.8%</b>	<b>29.0%</b>	<b>31.3%</b>
Other Income/ (expenses)	7	-9	38	22	19	25	58
Interest	5	9	47	49	73	93	108
Depreciation	31	54	87	98	150	196	227
<b>PBT</b>	<b>-62</b>	<b>-69</b>	<b>-43</b>	<b>-57</b>	<b>-47</b>	<b>-18</b>	<b>37</b>
<b>PBT %</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>3.7%</b>
							145

### Key Ratios

RoCE			5.0%	9.0%	9.2%
Debt to Equity		0.02	0.14	0.07	0.14

Company has reported profits in its last 2 quarters, so on trailing 12 months basis company has already turned into a profitable venture.

## Key Balance Sheet Items

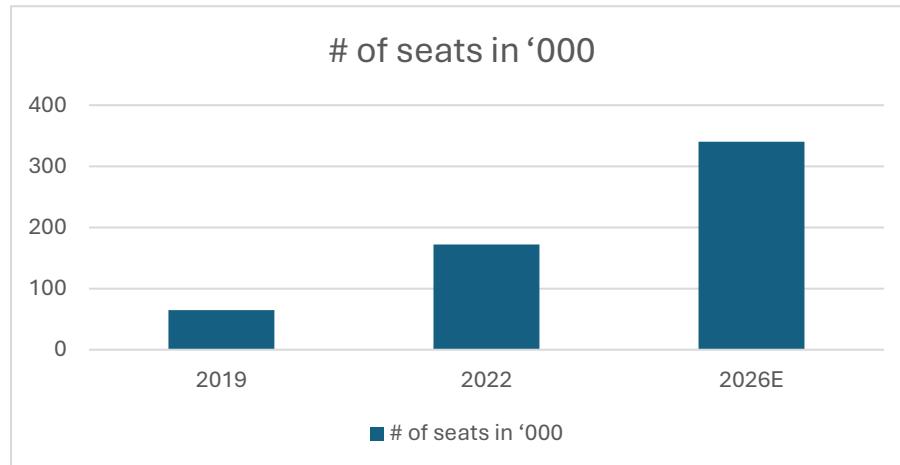
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Sep-24
Equity Capital	30	30	30	30	30	19	70
Reserves	-67	-112	-19	-75	-56	-113	354
Borrowings +	139	248	401	437	695	1,079	1,044
Other Liabilities +	95	110	96	167	262	413	486
<b>Total Liabilities</b>	<b>197</b>	<b>276</b>	<b>508</b>	<b>559</b>	<b>931</b>	<b>1398</b>	<b>1954</b>
Fixed Assets +	66	96	300	340	653	916	1,250
CWIP	4	1	0	9	1	9	18
Investments	32	58	42	16	0	0	0
Other Assets +	95	121	166	194	277	473	686
<b>Total Assets</b>	<b>197</b>	<b>276</b>	<b>508</b>	<b>559</b>	<b>931</b>	<b>1398</b>	<b>1954</b>

The profitability effect is clearly visible on Reserves condition in balance sheet now which is positive number and resulting book value is 60. So stock is now trading at 12x P/PB

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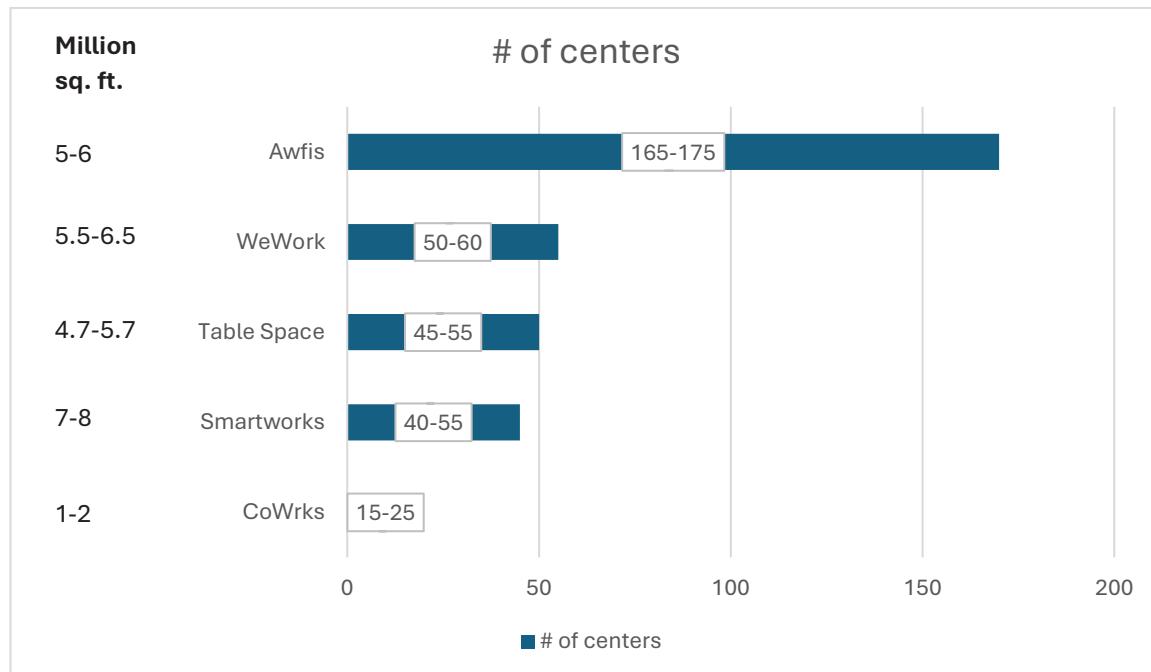
### Growing Market for Flexible Workspaces



Demand for seats is growing at 25%+ CAGR

As per an estimate current Total Addressable Market stands at Rs.485-600 billion

60% of overall PAN India stock is controlled by top 10 operators (by portfolio size)



Top 5 operators constitute ~23-28 million sq ft of flexible workspaces translating into 37% to 39% of the total India level stock. Awfis leads in terms of more diversified presence across 16 cities. Also Awfis has the high share of Managed Space rather than fixed lease liability which offers a chance to scale at lower cost



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### Stock Price Performance



After listing on NSE and BSE on 30 May at 450 levels it correct for a while and later moved up doubling its market capitalization. Now the stock price is consolidating a forming a VCP (Volatility Contract Pattern).

During listing the company was not profitable at PBT level. In last 2 quarters as the price is consolidating the company has posted profits with increasing sales and improving margins.

**At current level, stock is trading at 5x Market cap/ Sales and 12x Price/ book value. Company is generating Rs.9 crore per 1k operational seating. Company has already set a target of 135 operation seats by end of FY25 which could translate into expected sales of ~Rs. 1231 crore and PAT of Rs.39 cr giving it expected EPS of Rs13 and 55x PE**



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<b>PBT %</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>3.7%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>7.0%</b>

### Key Ratios

EPS	9.8	13.1	27.5	44.8
PE	74.3	55.8	26.6	16.3
Sales to Market Cap	5.1	4.2	3.0	2.1

Expecting the company to grow at current 40% y-o-y (lower range of growth for last 3 years) it will generate Rs2400+ crore in next 2 years generating a PAT of Rs.135 crore (at 6%)

**This means that Awfis share price is trading at only 16x 2 year forward PE and 2.1x Sales to Market Cap there by offering a significant upside from current levels**

**I recommend a Buy at current market price of 730 with expectation that price could double in the next 1 year**





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