

Awfis Space Solutions Ltd.

February 13, 2025 |

CMP: INR 653 | Target Price: INR 860 | Potential Upside: 30%

BUY

Change in Estimates	✓
Target Price Change	✓
Change in Recommendation	✗

Company Info

BB Code	AWFIS IN EQUITY
Face Value (INR)	10
52 W High/Low (INR)	946/372
Mkt Cap (Bn)	INR 47.22/ \$0.54
Shares o/s (Mn)	70.83
3M Avg. Daily Volume	4,77,129

Change in CEBPL Estimates

INR Bn	FY26E			FY27E
	New	Old	Dev. (%)	New
Revenue	14,561	13,895	5%	17,093
EBITDA	4,660	4,494	4%	5,555
EBITDAM %	32.0%	32.3%	(30 bps)	32.5%
PAT	1,893	2,203	-14%	2,630
EPS	27.0	40.0	-33%	37.5

Actual vs Consensus

INR Bn	Q3FY25A	CEBPL est	Dev. %
Revenue	3,177	2,488	27.7
EBITDA	1,073	939	14.3
EBITDAM	33.8%	37.7%	(397)
PAT	152	199	(23.6)
PATM	2.1	3.1	(31.2)

Key Financials

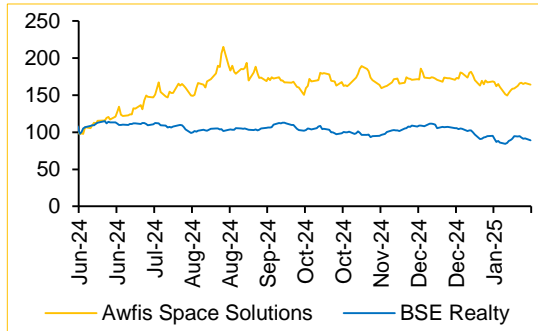
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	5,453	8,488	11,731	14,561	17,093
YoY (%)	0%	306.4	51.8	33.5	41.7
EBITDA	1,556	2,454	3,637	4,660	5,555
EBITDAM %	28.5%	28.9%	31.0%	32.0%	32.5%
Adj PAT	(466)	(176)	1,041	1,893	2,630
EPS	(15.5)	(5.2)	14.8	27.0	37.5
ROE %	(8%)	(7%)	26%	32%	31%
ROCE %	3%	20	14	21	30
PE(x)	(43)	(127)	45	25	18
EV/EBITDA	17	11	7	6	5
BVPS	42	63	102	149	215
FCF	356	833	2,488	2,895	3,498

Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	20.44	28.24	28.56
Fils	21.07	20.66	22.54
Dils	29.37	20.81	13.54
Public	29.12	30.28	35.36

Relative Performance (%)

YTD	8M	4M	1M
BSE REALTY	(23.2)	(19.2)	(13.4)
AWFIS	39.6	-6.6	-7.4



Aayush Saboo

Email: aayush.saboo@choiceindia.com

Ph: +91 22 6707 9512

Bharat Kumar Kudikyala

Email: Bharat.Kudikyala@choiceindia.com

Ph: +91 22 6707 9798

AWFIS is on track to exceed its initial FY25 revenue growth guidance of 30%

- Q3FY25 consolidated revenues at INR 3,177 Mn, up 41% YoY and 5% QoQ (vs CEBPL est. INR 2,488 Mn).
- EBITDA for Q3FY25 was reported at INR 1,073 Mn, up 2% YoY and 7% QoQ (vs CEBPL est. INR 1,039 Mn).
- Net profit for Q3FY25 stood at INR 152 Mn, down 51% YoY and 61% QoQ (vs CEBPL est. INR 199 Mn).
- Number of seats added was 11,554 in Q3FY25 (vs 15,148 in Q2FY25), taking the total operational seat count to 1,20,000. The blended utilization level is 73%.

Scaling up of its seat capacity through the asset-light 'Managed Aggregation Model' (MA): The share of seats under the Managed Aggregation (MA) model has grown from 46% in FY21 to 67% currently. This model offers a superior return on investment due to its lower capital requirements and reduced risk profile compared to the Straight Lease (SL) model. Its agility in adapting to market conditions and minimal upfront investment provide AWFIS with a strategic advantage, enhancing scalability while lowering risk.

The Office Rental and AWFIS Transform segments (construction & fit-out vertical) are set to propel at 26% CAGR in revenue growth over FY24-FY27.

- In the Office Rental segment, the seating capacity is expected to reach to ~1,60,000 seats vs 1,35,000 seats by March 25 and capacity utilization will inch up from 73% to ~83% over time due to increasing contribution from more than 1 year old seats. This will lead to a 25% CAGR in revenue over FY24-FY27E.
- In the AWFIS Transform segment, increase in business from external clients will be margin accretive as it commands higher margins in the range of 18-20% (gross margins) as compared to 15% margin being derived from doing fit-outs of its own landlord's work spaces. This will lead to a 30% CAGR in revenue over FY24-FY27E.

View and Valuation:

Management expects the co-working sector to grow at a 20-25% CAGR over the coming years, with AWFIS, the market leader in terms of seating capacity well-positioned to capitalize on this growth. The company plans to expand primarily through an asset-light MA model, enabling rapid scaling with lower capital investment. Higher occupancy levels are expected to drive better margins, while strong brand recall and a cost advantage over peers will support market share gains. In addition, robust demand in the office fitout segment from increasing share of third party orders will lead to revenue growth and margin improvement. We have introduced our FY27 estimates and retain our multiple of 23x on FY27E EPS, revising our TP to INR 860.

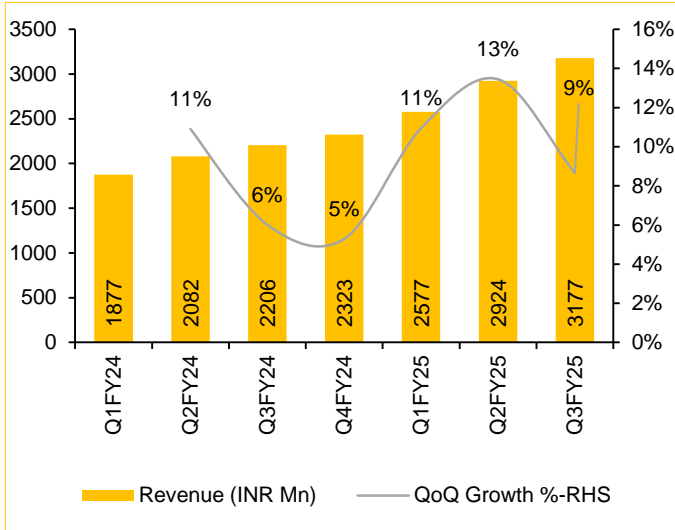
Point to note: Post the IPO in May 2024, one of the promoters, Peak XV Partners, has reduced its stake significantly from 11.04 to 3.3%. However, Amit Ramani, the current promoter and managing director's stake is almost unchanged at 17.1%.

AWFIS Particulars	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Net Sales (incl OOI)	3,177	2,258	40.7	3,020	5.2
Material Exp	109	77	42.1	97	12.4
Gross Profit	3,068	2,181	40.7	2,923	5.0
Subcontracting Cost	604	77	688.8	561	7.6
Employee Exp	280	370	(24.5)	394	(29.0)
Other Exp	1,112	635	75.0	870	27.8
EBITDA	1,073	1,048	2.4	1,097	(2.2)
Depreciation	718	536	33.9	647	11.0
EBIT	394	99	297.8	224	76.2
Other Income	137	51	167.8	96	43.7
Interest Cost	349	252	38.4	304	14.9
Exceptional Items	9	1	1,592.5	240	(96.3)
PBT	152	311	(51.2)	387	(60.7)
Tax	-	-	-	-	-
RPAT	152	311	(51.2)	387	(60.7)
Adj EPS (Rs)	2.1	5.8	(62.8)	5.5	(61.1)
Margin Analysis	Q3FY25	Q3FY24	YoY (bps)	Q2FY25	QoQ (bps)
Gross Margin (%)	96.6	96.6	(3)	96.8	(22)
EBITDA Margin (%)	33.8	46.4	(1,265)	36.3	(258)
APAT Margin (%)	4.8	13.8	(900)	12.8	(803)

Management Call - Highlights

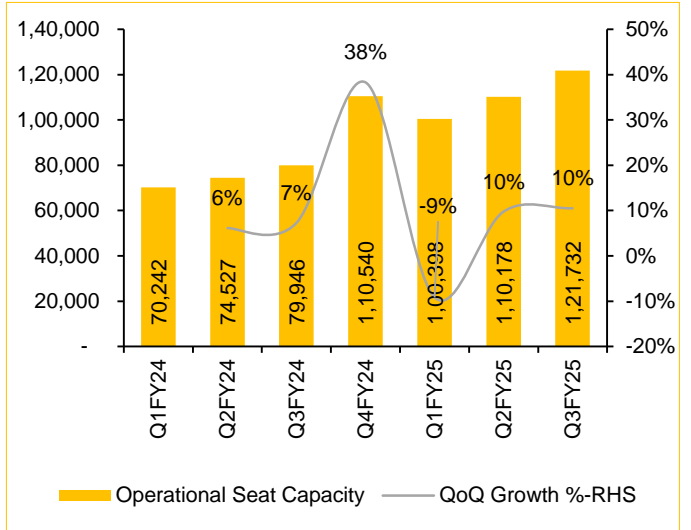
- The co-working sector is expected to grow at an annual rate of 20-25%, driven by the increased adoption of hybrid work models, the rise of remote work, and companies seeking satellite offices.
- AWFIS is expanding its presence in Tier 2 cities, with a 29% increase in centers in these markets since December 2023. The Management believe that India's INR 5 to10 trillion economy will be centered in these cities.
- 85% revenue is from Tier 1 cities and 10-15% from Tier 2 cities.
- The exit month occupancy stood at 73%, while centers operational for over 12 months reached 84%, demonstrating strong demand for their flexible workspace solutions.
- AWFIS launched 55 new centers and added 41,786 new seats since December 2023, with a strong expansion pipeline that includes signed letters of intent for 23 new centers and 18,000 seats.
- In the MA model, the minimum guarantee is typically about 50% of the market rental and the majority of the capital comes from landlord partners.
- Seat pricing is correlated to micro-market rental rates and minimum guarantees with space owners. Price escalations range from 5-8% for smaller cohorts and 4-6% for larger cohorts.
- Approximately 140 to 150 clients have taken more than 100 seats, with the average number of seats in this cohort being around 3,609.
- These points highlight AWFIS's strong growth, strategic expansion, and competitive positioning within the co-working industry. The company's focus on diverse client segments, strategic partnerships with landlords, and expansion into Tier 2 cities are important factors driving its success.
- Q3FY25 capacity utilization stood at 73%.
- Rent cost for the Q3FY25 stood at INR 6,610 Mn and 1,690 Mn for 9MFY25.

Revenues increased 44% YoY and 9% QoQ



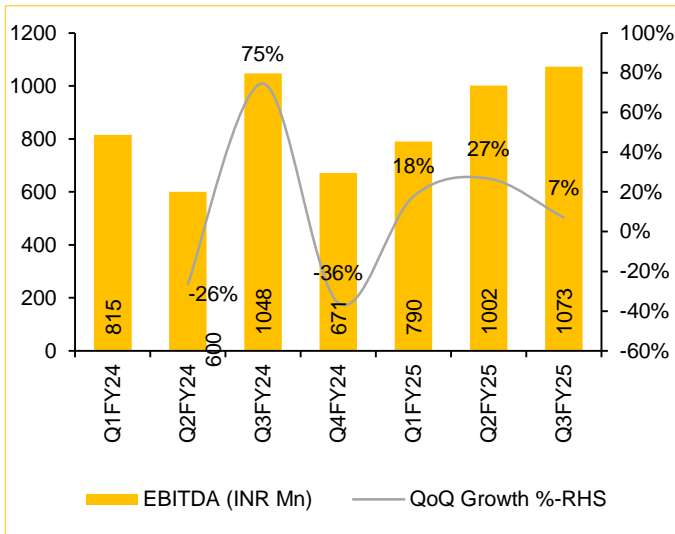
Source: Company, CEBPL

Operational seat capacity up 52% YoY and 10% QoQ



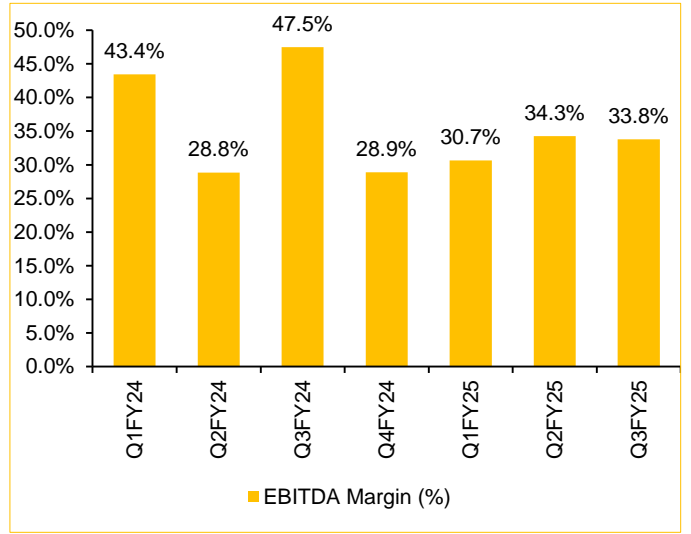
Source: Company, CEBPL

EBITDA increased 2% YoY and 7% QoQ



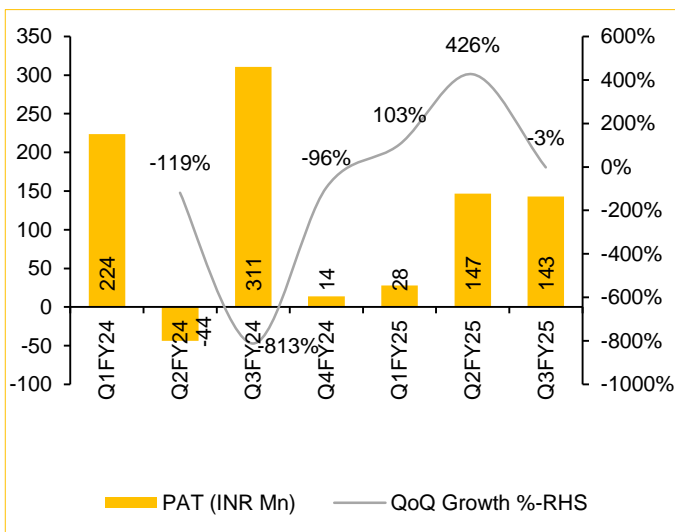
Source: Company, CEBPL

EBITDA margins steady at 33.8%



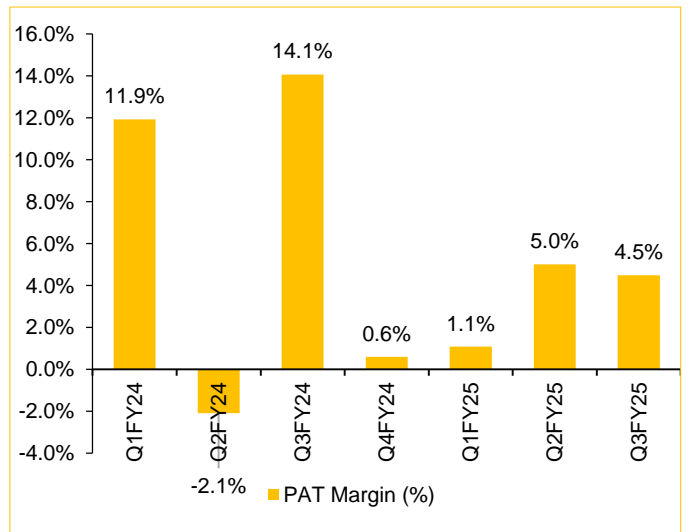
Source: Company, CEBPL

PAT decreased 54% YoY and 3% QoQ



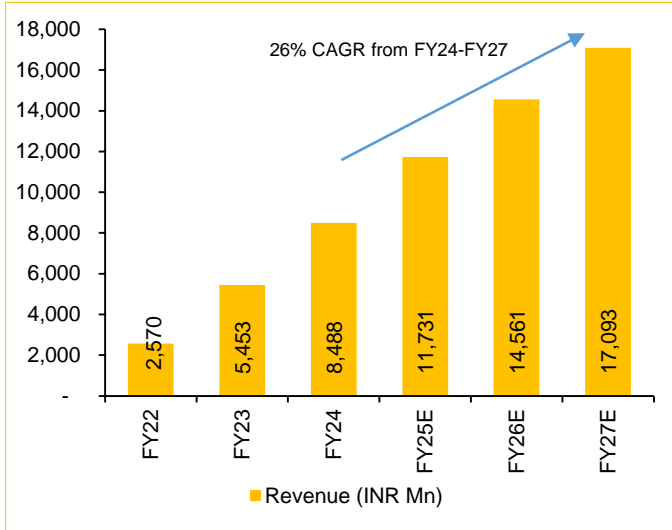
Source: Company, CEBPL

PAT margins settle at 4.5%



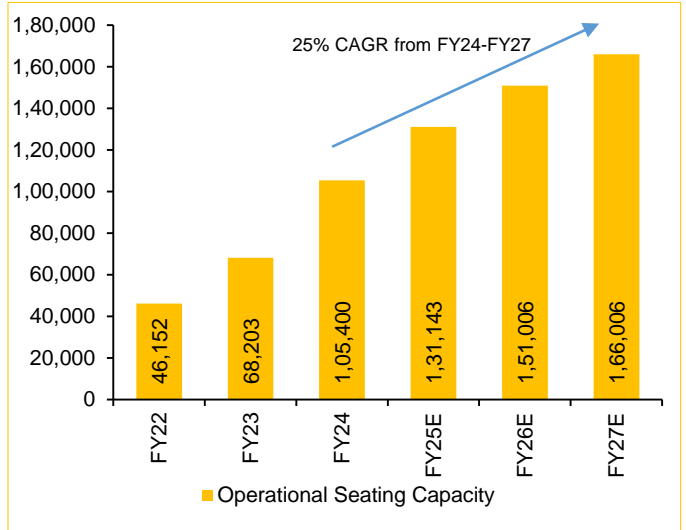
Source: Company, CEBPL

Revenue to grow by 21% CAGR from FY25-FY27



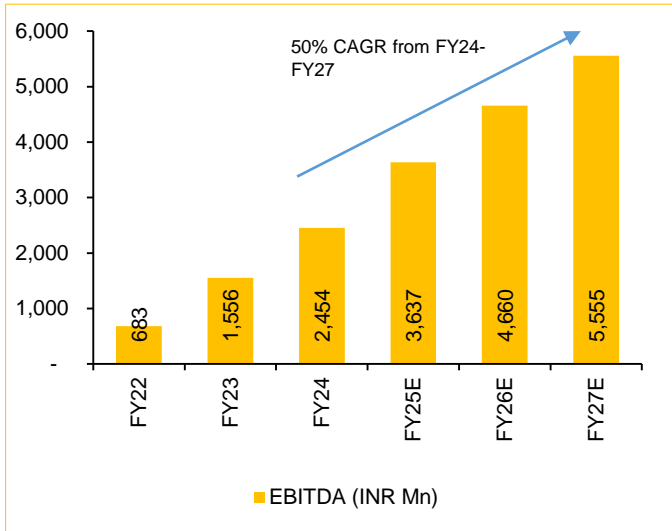
Source: Company, CEBPL

Operational Seats to grow by 13% CAGR from FY25-FY27



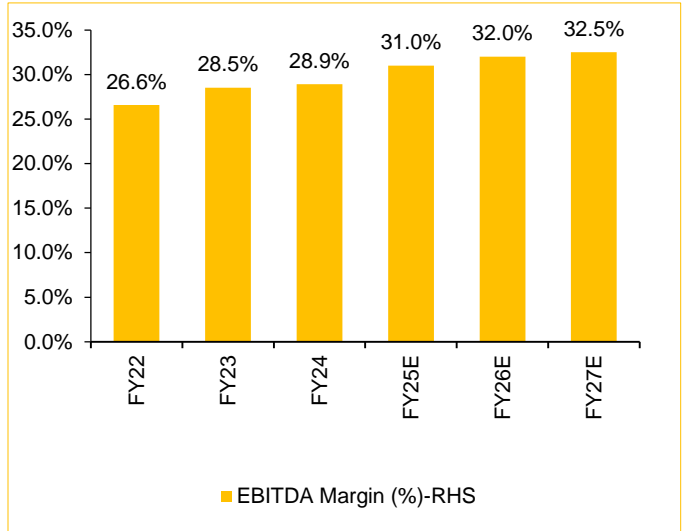
Source: Company, CEBPL

EBITDA to grow by 50% CAGR



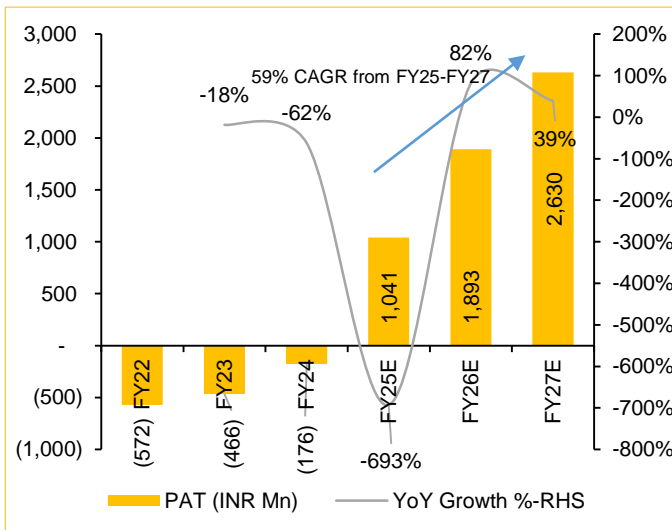
Source: Company, CEBPL

EBITDA margin to increase consistently



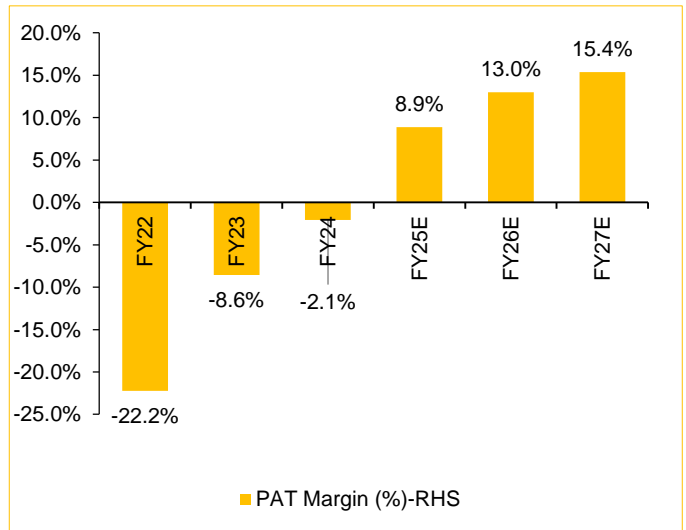
Source: Company, CEBPL

PAT to grow by 59% CAGR from FY25-FY27



Source: Company, CEBPL

PAT margins to see healthy growth



Source: Company, CEBPL

Income Statement (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	5,453	8,488	11,731	14,561	17,093
Gross Profit	4,626	6,530	9,033	11,212	13,162
EBITDA	1,556	2,454	3,637	4,660	5,555
Depreciation	1,500	1,960	2,061	2,267	2,483
EBIT	56	494	1,575	2,393	3,072
Interest Expense	727	930	934	920	892
Other Income (Including EO Items)	205	260	400	420	450
Reported PAT	(466)	(176)	1,041	1,893	2,630
EPS (INR)	(15.5)	(5.2)	14.8	27.0	37.5

Source: Company, CEBPL

Balance Sheet (Consolidated in INR Mn)

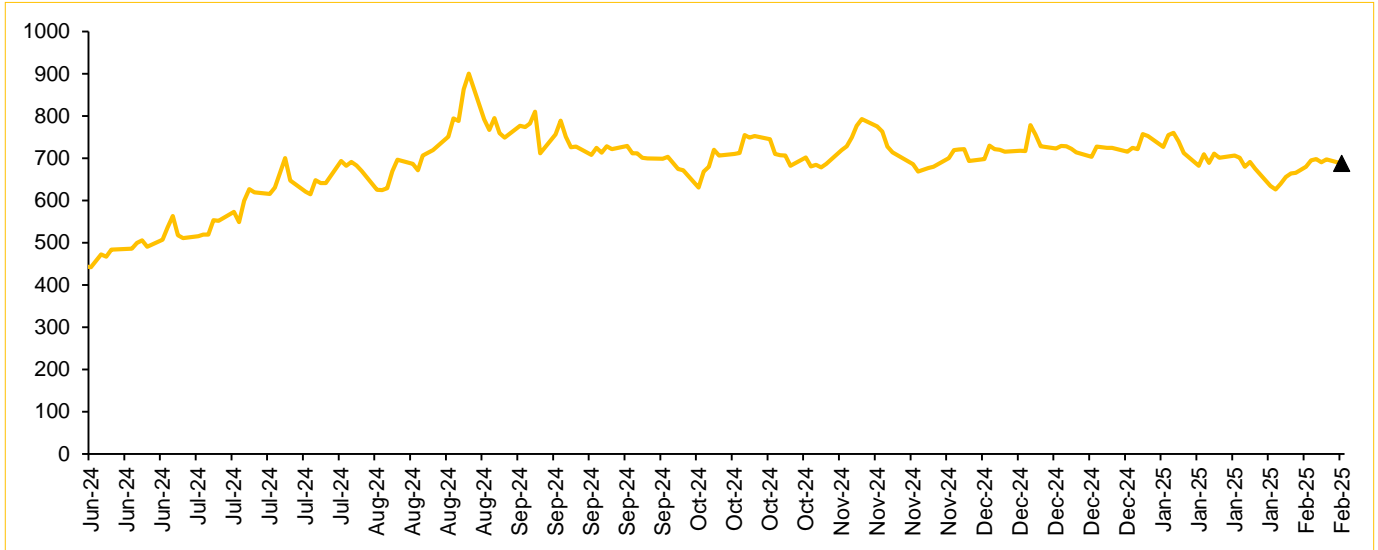
Particular	FY23	FY24	FY25E	FY26E	FY27E
Net Worth	1,694	2,514	4,064	5,957	8,587
Total Debt	109	322	279	279	279
Other Liabilities & Provisions	998	960	960	960	960
Total Net Worth & Liabilities	6,571	9,502	11,009	12,902	15,532
Net Fixed Assets	6,516	9,141	9,180	9,313	9,530
Capital Work In Progress	4.5	82.3	177.0	177.0	177.0
Investments	-	-	-	-	-
Cash & Bank Balance	125	4	4	4	4
Loans & Advances & Other Assets	1,399	1,787	1,787	1,787	1,787
Net Current Assets	(1,349)	(1,509)	(135)	1,625	4,038
Total Assets	6,571	9,502	11,009	12,902	15,532
Capital Employed	1,803	2,836	4,343	6,236	8,866
Invested Capital	(877)	(1,728)	(1,155)	272	2,486
Net Debt	(16)	317	274	274	274
FCFF	356	833	2,488	2,895	3,498

Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
CFO	1,814	2,284	4,683	5,295	6,198
Capex	(1,457)	(1,451)	(2,195)	(2,400)	(2,700)
FCF	356	833	2,488	2,895	3,498
CFI	(1,563)	(1,620)	(2,195)	(2,400)	(2,700)
CFF	(278)	(645)	(468)	(920)	(892)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	112%	56%	38%	24%	17%
EBITDA	128%	58%	48%	28%	19%
PAT	(19%)	(62%)	NA	82%	39%
Margin Ratios (%)					
EBITDA	29%	29%	31%	32%	33%
PAT	(9%)	-2%	9%	13%	15%
Performance Ratios (%)					
OCF/EBITDA (X)	1.2	0.9	1.3	1.1	1.1
OCF/IC	(207)	(132)	(405)	1,945	249
ROE	(28%)	(-7%)	26%	32%	31%
ROCE	3%	17%	36%	38%	35%
Turnover Ratios (Days)					
Inventory	0	0	0	0	0
Debtor	32	32	32	32	32
Payables (days)	34	56	60	60	60
Net Working Cycle (days)	(1)	(24)	(28)	(28)	(28)
Financial Stability Ratios (X)					
Net Debt To Equity	(0.0)	0.1	0.1	0.0	0.0
Net Debt To EBITDA	(0.0)	0.1	0.1	0.1	0.0
Interest Cover	0.1	0.5	1.7	2.6	3.4
Valuation Metrics					
Fully Diluted Shares (Mn)	30	19	70	70	70
Price (INR)	653	653	653	653	653
PE(x)	-42	-126	44	24	17
EV (INR. Mn)	19,662	12,938	46,123	46,123	46,123
EV/EBITDA (x)	13	5	13	10	8
Book Value (INR/share)	56	130	58	85	122
Price To BV (x)	11.6	5.0	11.3	7.7	5.3
EV/OCF (x)	11	6	10	9	7

Source: Company, CEBPL

Historical Price Chart: Awfis Space Solutions Ltd



Institutional Research Team

Utsav Verma	Head of Research – Institutional Equities	utsav.verma@choiceindia.com	+91 22 6707 9440
Deepika Murarka	Analyst – Pharmaceuticals / Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Ashutosh Murarka	Analyst – Cement	ashutosh.murarka@choiceindia.com	+91 22 6707 9887
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush Saboo	Analyst – Real Estate & Infrastructure	aayush.saboo@choiceindia.com	+91 22 6707 9512
Maitri Sheth	Analyst – Pharmaceuticals / Healthcare	maitri.sheth@choiceindia.com	+91 22 6707 9511
Bharat Kumar Kudikyala	Associate – Building Material	bharat.kudikyala@choiceindia.com	+91 22 6707 9887
Heet Chheda	Associate – Automobile	heet.chheda@choiceindia.com	+91 22 6707 9952
Aryan Goyal	Associate – Auto	aryan.goyal@choiceindia.com	+91 22 6707 9517
Rushil Katiyar	Associate – Information Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9887

CHOICE RATING DISTRIBUTION & METHODOLOGY

BUY	The security is expected to generate upside of 15% or more over the next 12 months
HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

Disclaimer

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Private Limited-Research Analyst - INH00000222. (CIN. NO.: U65999MH2010PTC198714). Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri(East), Mumbai 400099. Tel. No. 022-6707 9999

Compliance Officer--Prashant Salián, Email Id – Prashant.salain@choiceindia.com Contact no. 022- 67079999- Ext-2310

Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834. Email- ig@choiceindia.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

This Research Report (hereinafter referred as "Report") has been prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as "CEBPL RE" Limited). The Research Analysts, strategists are principally responsible for the preparation of "CEBPL RE" research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and CEBPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

General Disclaimer: This 'Report' is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein.

These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this "Report" should rely on information/data arising out of their own Study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This 'Report' has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Past performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India). Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this report.

Disclosures of Interest (Additional):

1. "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company(ies) covered in this report.
2. "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than 1 of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this research report.
4. "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in this report, in the past twelve months.
5. "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.
7. "CEBPL", or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
8. CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.
9. "CEBPL", its research analyst has not been engaged in market making activity for the company(ies) covered in the Research report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. <https://choiceindia.com/research-listing>

Sr. No.	Particulars	Yes / No
1.	Whether compensation has been received from the company(ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2.	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1 of the company(ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company(ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company(ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in the Research report, in the last twelve months	No

Copyright: The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADINR) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Research report are given above.