Awfis Space Solutions

Facilitating a shift from capex to opex

Long Term Recommendation | BUY

CMP: INR 752 | TP: INR 1,013 | Upside: 35%

Amit Agarwal | Rishith Shah

20th August 2024

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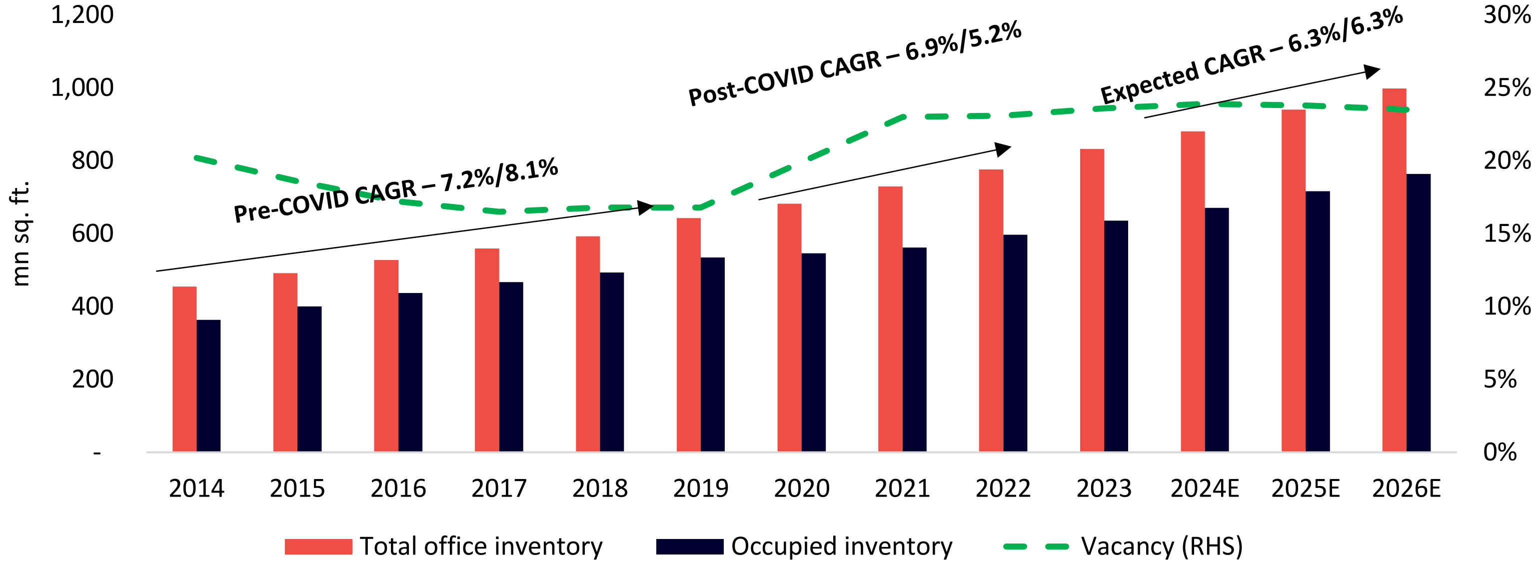
Industry Section

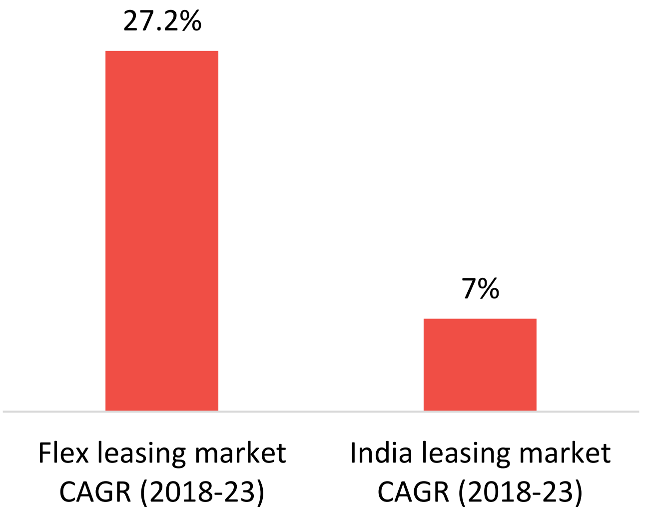
India co-working

India's flex market grew 27.2% v/s a 7% growth in office market

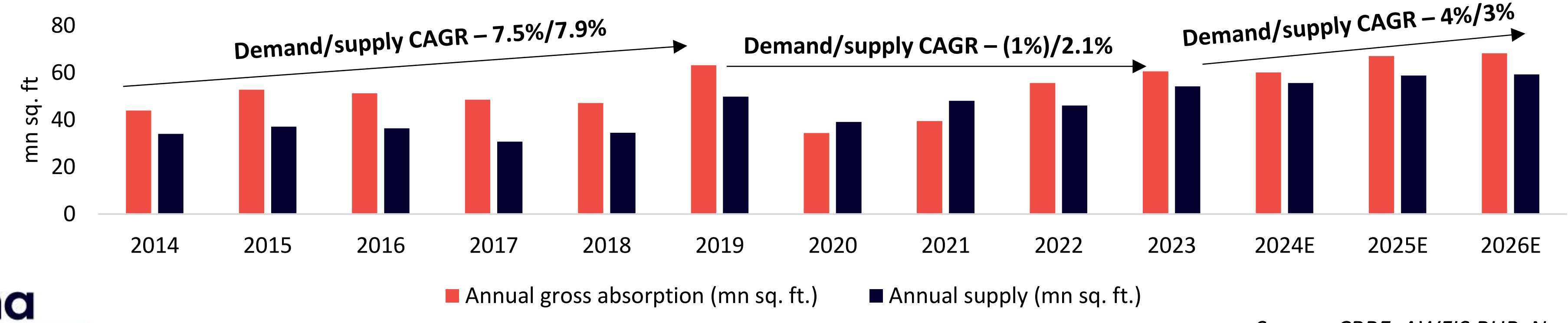
India's total office stock/occupied stock stands at 832mn sq. ft./636mn sq. ft.; expected to grow at 6.3% CAGR to ~998mn sq. ft./763mn sq. ft.



Indian flex leasing market has grown 4x the overall industry over 2018-23



Annual absorption to breach pre-COVID peak in 2025. Demand/supply to grow at 4%/3% CAGR over 2023-26E



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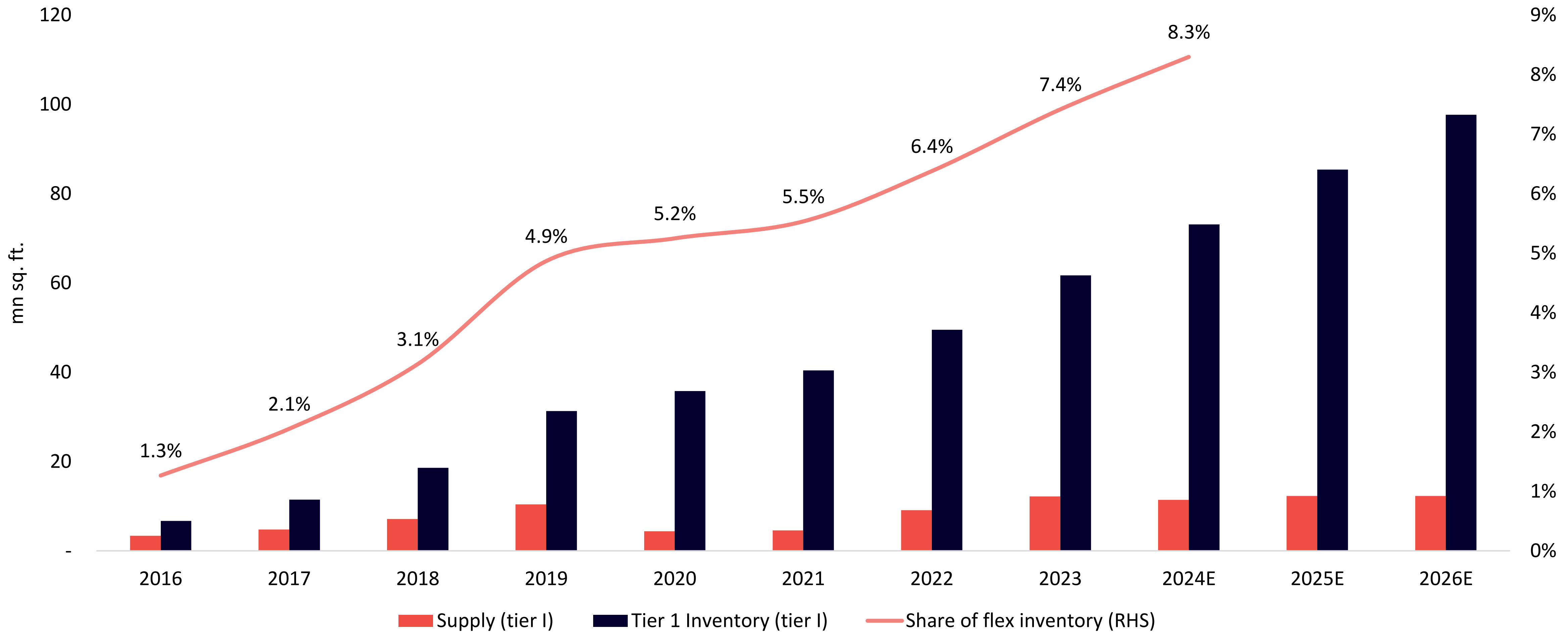
Source: CBRE, AWFIS RHP, Nuvama Wealth Research

Flexible office spaces – penetration increased 2.7x in 5 years

Share of flex inventory in the India leasing market has grown from 3.1% in 2018 to 7.4% in 2024; see inventory growing at 16.6% CAGR over 2023-26E to support the rapid demand surge



Source: CBRE, AWFIS RHP, Nuvama Wealth Research

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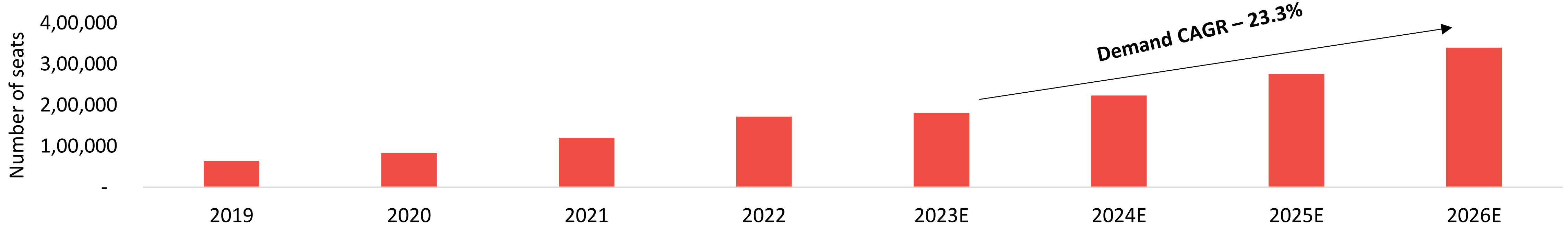
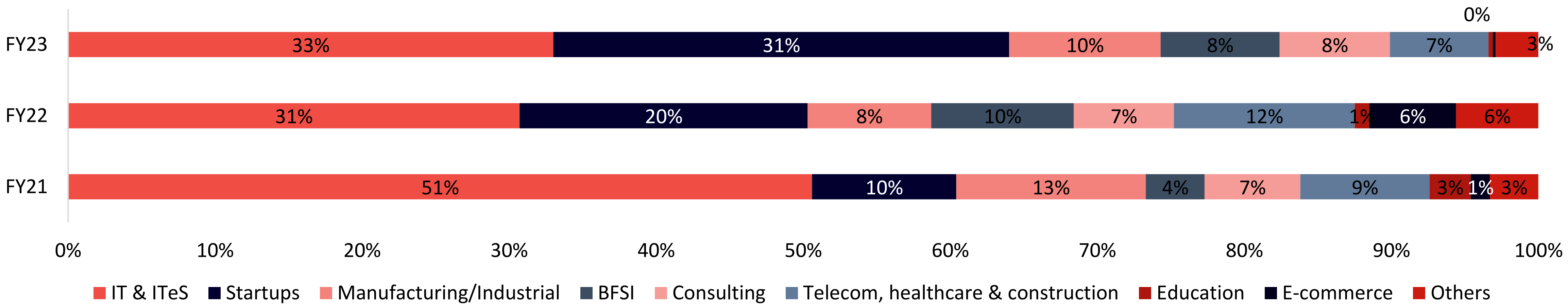
Flexible office spaces – see 23.3% demand growth v/s 16.6% inventory growth

Against a 10% supply CAGR, annual demand (absorption) grew at 30% CAGR to ~181,000 seats in 2023 from ~64,000 seats in 2019; average occupancy stands at 75-80%; See the demand growing at 23.3% CAGR over 2023-26E



Startups drive majority of flexible space demand; GCCs in BFSI and healthcare segments support



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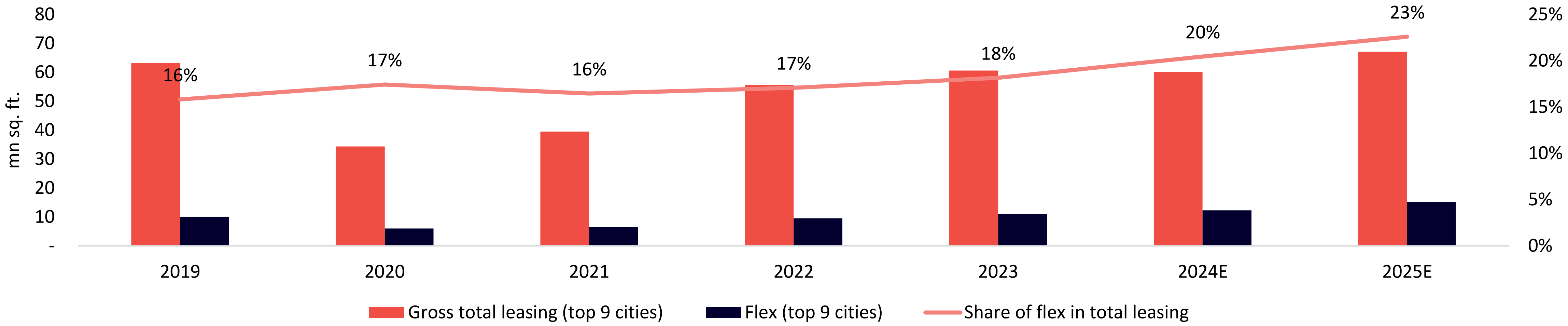
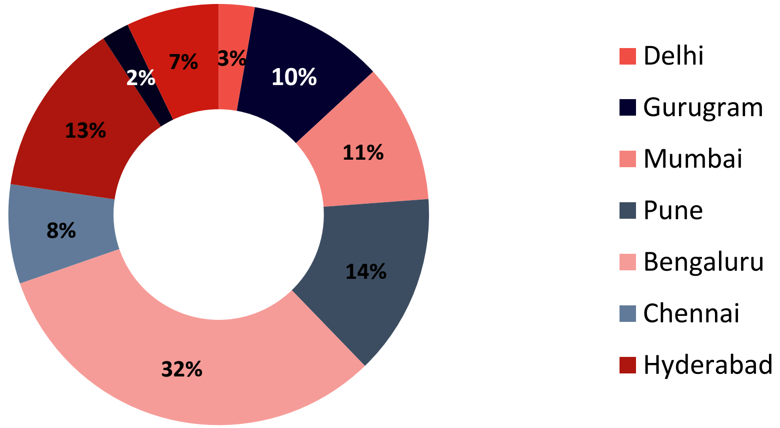
Source: CBRE, JLL, Nuvama Wealth Research

Flexible office spaces – share of flex in total absorption to expand

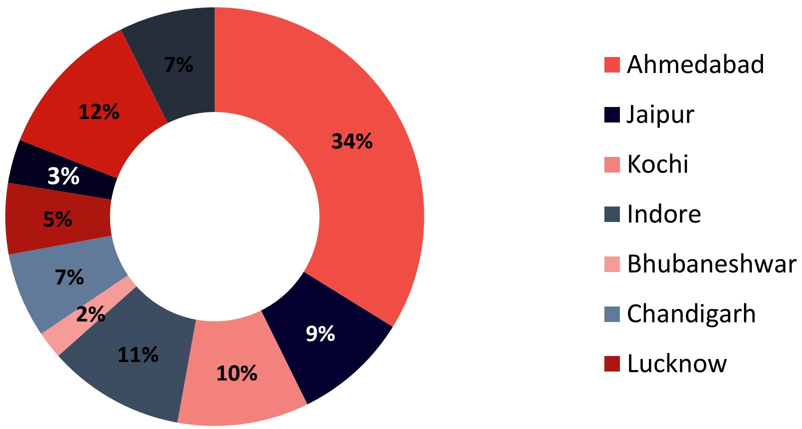
Share of flex spaces in the total gross leasing increased from ~16% in 2019 to 18% in 2023; set to expand to 23% in 2025E



Inventory mix in Tier I cities [Inventory/seats/occupancy - 62msf/950,000/75-80%]



Inventory mix in Tier II cities [Inventory/seats/occupancy - 4.7mn sq. ft./95,000/75-80%]



Source: CBRE, JLL, Nuvama Wealth Research

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What is driving the demand for flex spaces?

I. Sharp growth in start-ups, grown at a CAGR of 68% since 2019

II. Influx of GCCs to capitalize on the strong talent pool, favorable demographics; to grow at 9.7% CAGR over 2023-25

III. A win-win-win proposal for owner-operator-tenant

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Source: CBRE, JLL, Nuvama Wealth Research

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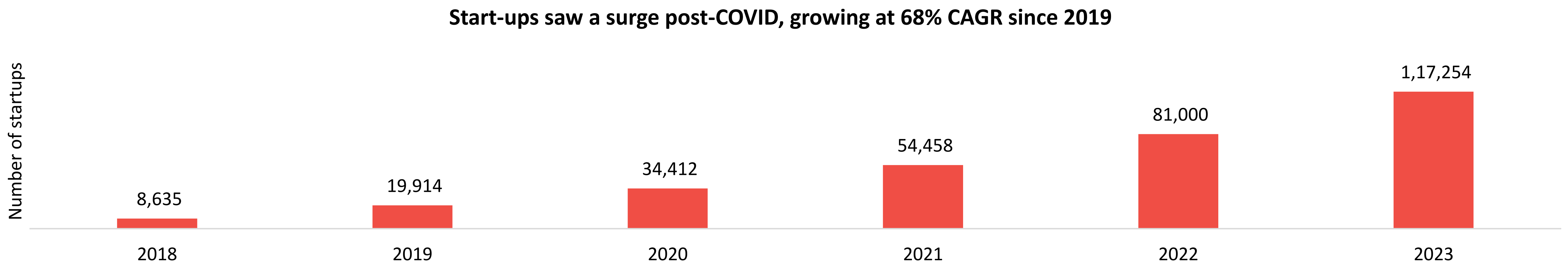

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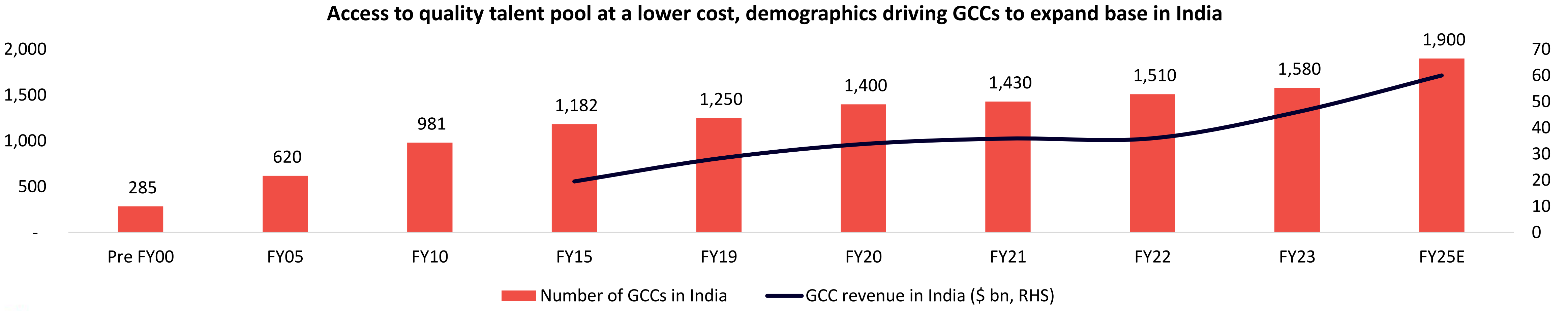

Source: NASSCOM, IBEF, Nuvama Wealth Research

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What is driving the demand for flex spaces?

III. A win-win-win proposal for owner-operator-tenant

Owner POV

Anchor tenant for commencing new location

Helps in attracting tenants in F&B and wellness space

Lower operational intensity

No capex on fitouts for leased spaces; For aggregated spaces, capex shared with operator

Operator bears the cost of rent-free period in leased model

Deal structure provides owners with higher-than-market yield in aggregation model to compensate for inventory risk

Tenant POV

Flexibility and lower commitments

De-centralization

Efficient area and design efficiency, leading to lower space requirement

Cost savings, conversion of capex to opex

Cost per seat in traditional v/s flex lease

Particulars	Traditional lease	Flex lease
Number of seats	100	100
Seat density	80	60
Area required (sqft)	8,000	6,000
Rent (INR/sqft/month)	120	270
Opex (INR/sqft/month)	60	-
CAM (INR/sqft/month)	20	-
Total monthly charge (INR/sqft/month)	200	270

Total cash flow over 3 years

Particulars (INR cr)	Traditional lease	Flex lease
Rent (incl CAM and opex)	5.8	5.8
Security deposit	0.6	1.0
Capex (INR 2,200/sqft)	1.8	0.0
Total outflow	8.1	6.8

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Source: NASSCOM, IBEF, Nuvama Wealth Research

What is driving the demand for flex spaces?

Operator POV

Presence in a high growing segment within the leasing sector

Higher rent earning capability as tenants are willing to pay higher for the non-committal approach to ownership

All the values in the subsequent tables are in ₹ Crores.

S No.	Cash Flows for Operator	Managed Aggregation	Straight Lease	Comments
	Capital / One Time Expenditure			
A	Cost of Fit-out	approximately 0.66	approximately 2.20	₹ 2,200 per sq. ft. on leasable area based on cost benchmarks for fit-out for a typical flexible workspace center split between space owner and operator
B	Total Upfront Cost	approximately **0.66**	approximately **2.20**	-
	Revenue (Year 2 – Stabilized Occupancy)			
C	Revenue from Seats	approximately 2.29	approximately 2.29	Based on per seat prices at a 2.5x multiple of space owner to operator seat rentals, 85% occupancy, 10% other revenue and escalation assumptions for the center
	Expenditure (Year 2 – Stabilized Occupancy)			
D	Rentals to space owner	-	approximately 0.98	Rentals of ₹ 80 – 82 / sq. ft. / month in SL model (basis market standards)
E	CAM charges to space owner	approximately 0.19	approximately 0.19	CAM Charges of ₹ 16 / sq. ft. / month in straight lease model (basis market standards)
F	Operating expenses	approximately 0.38	approximately 0.38	OPEX Charges of ₹ 32/ sq. ft. / month in straight lease model (basis market standards
G = (C-E-F) *70%	Profit Share to space owner	approximately 1.20	-	Based on share of profits in managed aggregation model as 70% of profits
H = C - E - F - G	EBITDA	**0.51**	**0.73**	-
I = H / C	EBITDA Margin (%)	approximately **22%**	approximately **32%**	-
J = H / B	Return on capital employed (“**ROCE**”) (%)	approximately **78%**	approximately **33%**	-

Source: AWFIS RHP, Nuvama Wealth Research

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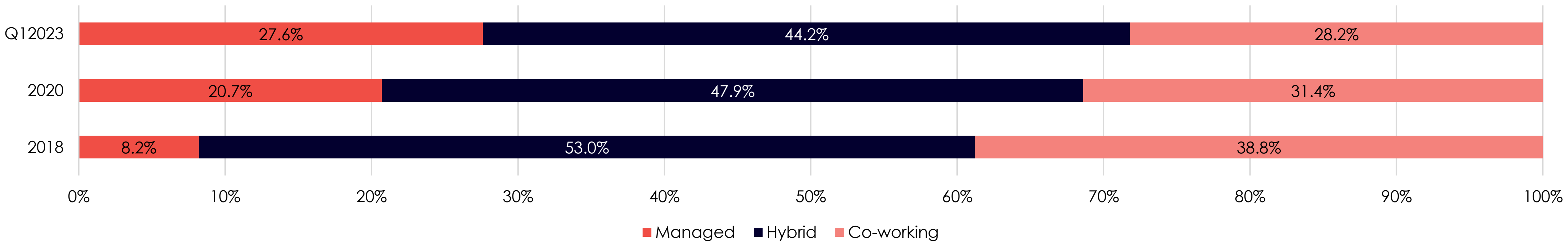
Operating models of flex spaces – shift towards managed spaces

Managed	Co-working	Hybrid
• Fully customized as per tenant requirement • Furnished and serviced • Either private or semi-private space • Maintained fully by the operator, charged to the tenant as a monthly fee • Typical lock-in of 36-48 months • Leased either per seat or per sq. ft. • Larger ticket size per client	• Membership based • More prominent in social working environments, a community setup • Typical tenant tenures as low as 3-6 months • Suitable for clients with requirement of a smaller space • Charged per seat • Not a private setup, shared among multiple tenants	• Fully serviced • Mix of dedicated spaces, open work desks, meeting rooms, and cabins • Leased on a per workstation basis, typically for a tenure of 12-24 months • Multiple clients per centre • Focus on enterprise clients with requirement of mid-size workspaces

Managed spaces gaining traction post COVID on 'capex to opex' theme with tenants still wishing a private/semi-private setup



Source: JLL, Nuvama Wealth Research

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India's competitive landscape – 60% stock controlled by top 10

Particulars	AWFIS	EFC	CoWrks	Smartworks	Table Space	WeWork
Number of centres	160	50	15-25	41	60	53+
Desks	95030	36539	20000+	180000+	50000	90000+
Operational area (mn sq. ft.)	4.8	1.9	1-2	8+	5+	8+
Cities	16	7	8	13	7	8
Average facility size	30000	38000	40000-90000	150000-200000	70000-120000	100000-150000
% of MA	High	n.a.	Low-medium	Low-medium	Low-medium	Low-medium
Centres in Tier 2	15-20	n.a.	n.a.	1-5	n.a.	n.a.
Tier 2 invetory (mn sq. ft.)	0.5	n.a.	n.a.	0.2-0.25	n.a.	n.a.
Operator model	Hybrid	Managed	Co-working	Managed	Managed	Co-working
Average tenure	33 months	24 months	Multiple tenure offerings	Longer duration offerings	Longer duration offerings	Multiple tenure offerings
Focus Cohort	All	>100 seats	Small to medium	>100 seats	>100 seats	All
Organic leasing	Medium	Low-medium	Medium	Low-medium	Low-medium	Medium

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Source: JLL, Nuvama Wealth Research

Company Section

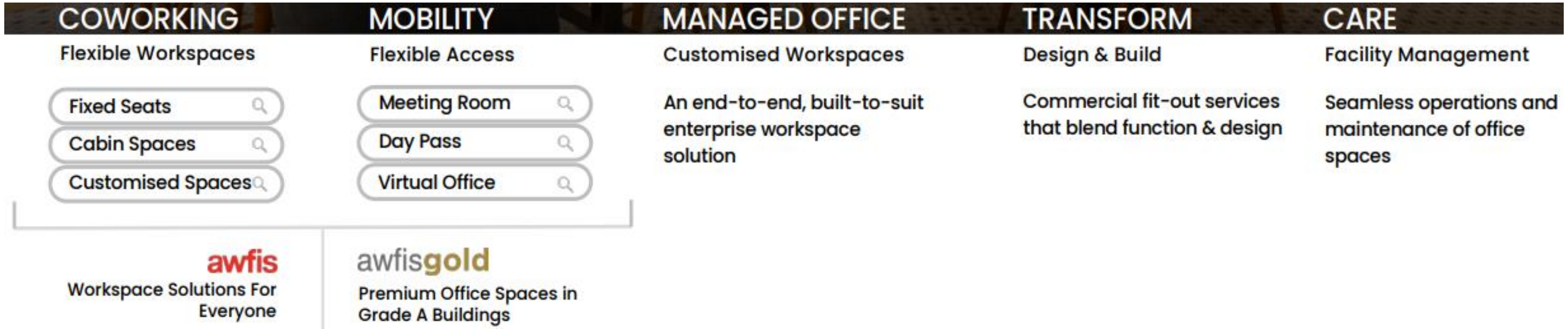
Awfis Space Solutions (AWFIS)

Snapshot of the company

A full-service flex space operator with diverse offerings

AWFIS
(incorporated in Dec 2014)

- **Rent & allied services** (73% of revenue - INR 619cr)
- **Design & Build** (24% of revenue - INR 205cr)
- **Others** (3% of revenue - INR 25cr)



Listed on NSE and BSE in May 2024, raised INR 599cr (fresh issue – INR 128cr

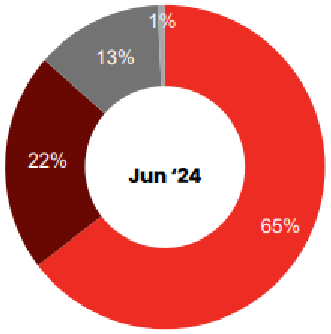
Snapshot of the company

I. Rent & allied services

Operational seats	Chargeable area	Area/seat	Occupancy	Revenue/seat	ASR	Wtd avg tenure
1,00,398	5 mn sq. ft.	50 sq. ft.	71%	INR 5,427	INR 7,644	~32 months
Centres (Tier I)	**Centres (Tier II)**	**Inventory CAGR**	**Revenue CAGR**	**Top 5 client share**	**Number of clients**	**Wtd avg lock-in**
162	19	46.4% (FY21-24)	58% (FY21-24)	13.8%	2,459	~24 months

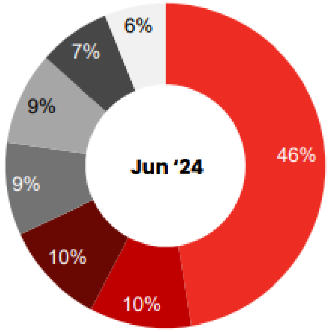
Diversified Client Mix

- Corporates/ MNCs
- SMEs
- Start-Ups
- Freelancers



Across various sectors

- IT
- Professional Services
- Consumer & Durables
- Healthcare & Pharma
- Financial Services
- Construction & Engineering
- Others*



CONSUMERS

IT

INDUSTRIALS

HEALTHCARE & FINANCIALS

Source: Company, Nuvama Wealth Research

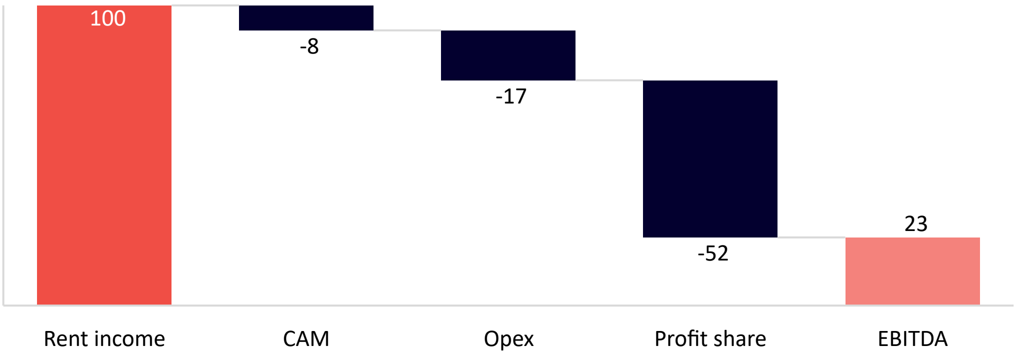
Snapshot of the company – shift towards asset-light MA model

I. Rent & allied services

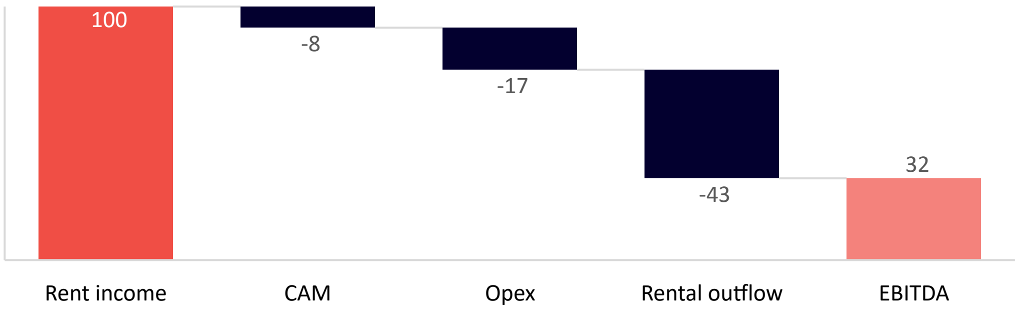
Diverse supply models to manage risk – focus on managed aggregation, which is asset light

MANAGED AGGREGATION MODEL	ATTRIBUTES	STRAIGHT LEASE MODEL
Variable Lease	Type of Lease	Traditional Lease terms apply
Large portion of the capital expenditure funded by space owners (~50-90%)	Capital Expenditure	Operator bears all capital expenditure
Minimum Guarantee (MG) or profit share basis whichever is higher	Monthly Rent	Fixed monthly rent
Profit and Risk shared between owners and operator	Risks & Rewards	Operator bears risks of capital investment, occupancy build-up, and preoperative operational expenses
~78%	ROCE *	~33%
16 Months	Payback Period	36 Months

Revenue and cost breakdown in MA model (%)



Revenue and cost breakdown in SL Model (%)

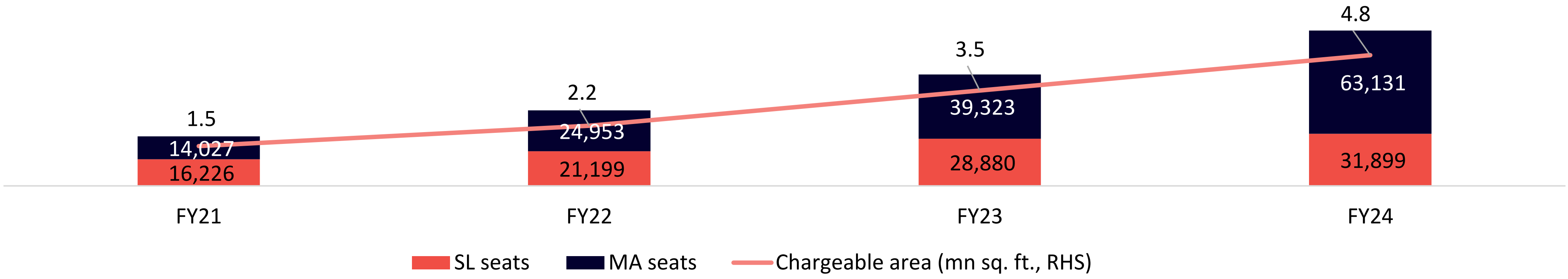


**Assumption at optimum occupancy; Source: Company, Nuvama Wealth Research*

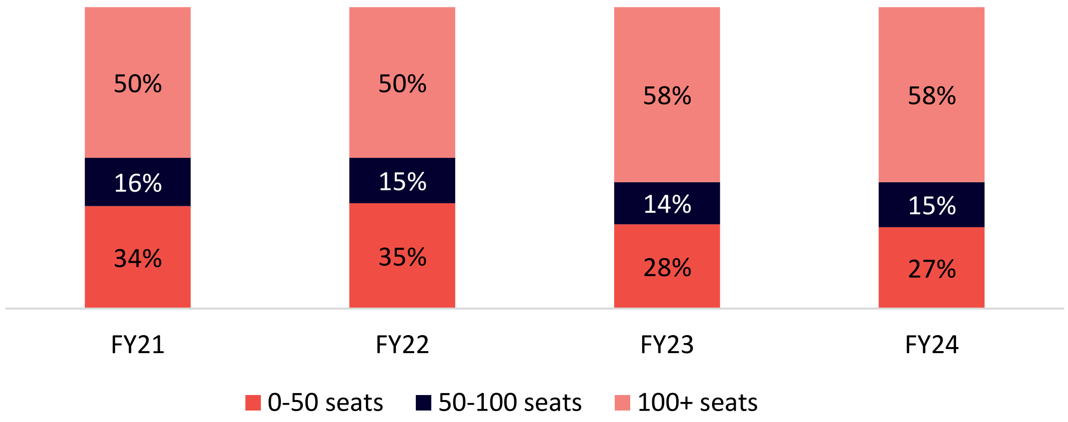
Snapshot of the company – seat inventory grew at 46% CAGR

I. Rent & allied services

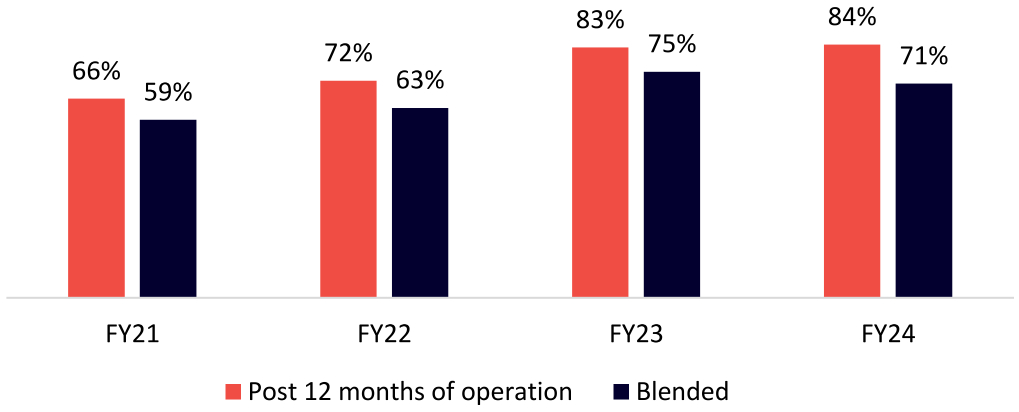
Seat inventory expanded at 46% CAGR over FY21-24 with MA seat share increasing from 46% to 66%



Catering across seat cohorts, gradually moving towards 100+ seats



Occupancy trending upward on brand pull, increasing demand for flex spaces



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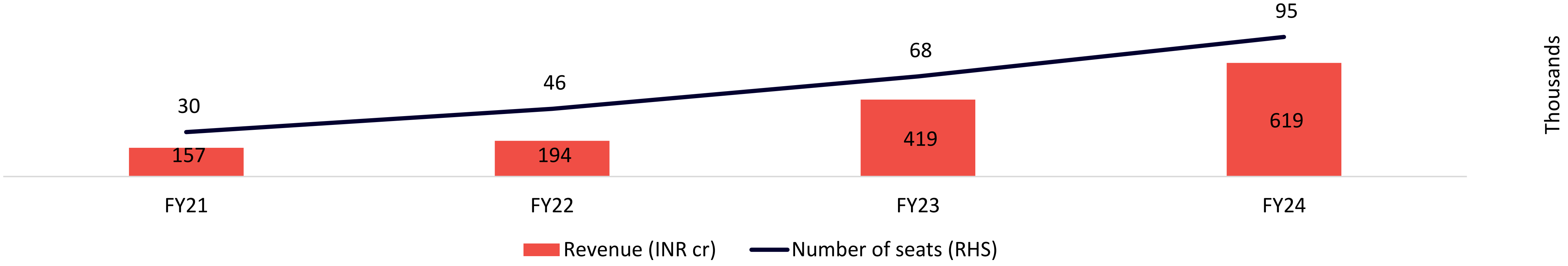
Source: Company, Nuvama Wealth Research

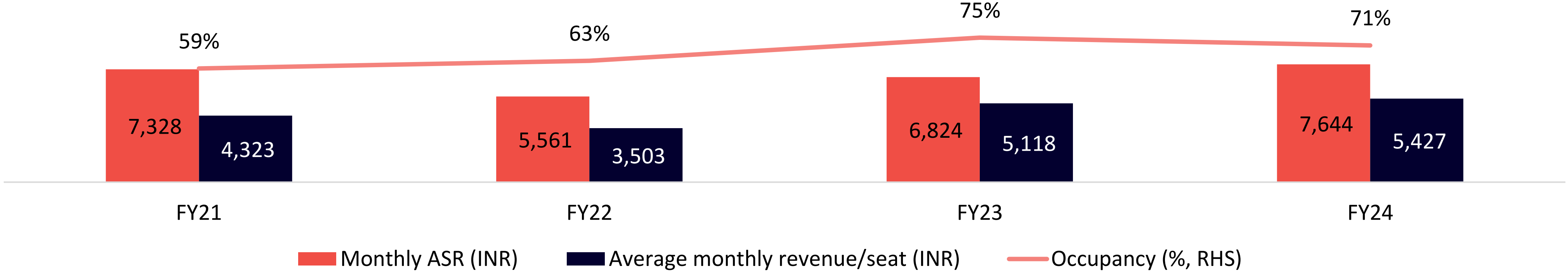
Snapshot of the company – 58% rental CAGR over FY21-24

I. Rent & allied services

Rental revenue saw a 58% CAGR over FY21-24, led by a 46%/1.4% CAGR in seat count/ASR; occupancy expanded by 12pp to 71% in FY24



Monthly average revenue per seat grew at 7.8% CAGR over FY21-24 supported by higher occupancy and better rates per seat



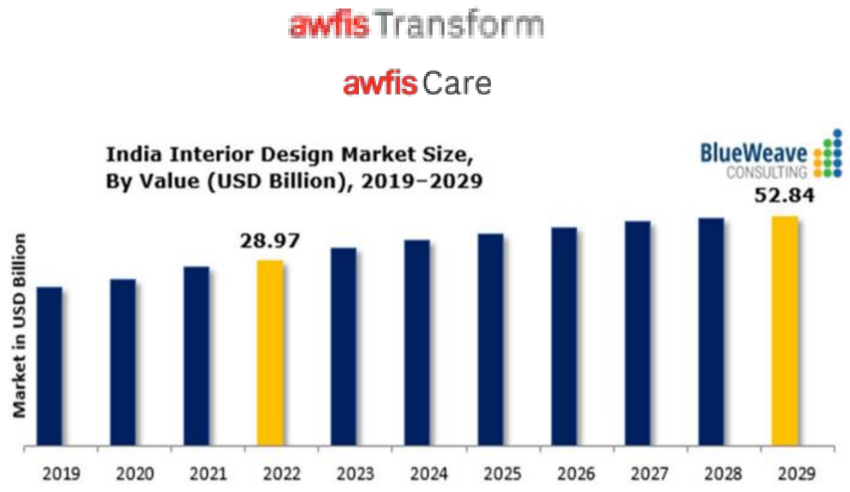
Source: Company, Nuvama Wealth Research

Snapshot of the company – D&B grew at 161% CAGR over FY21-24

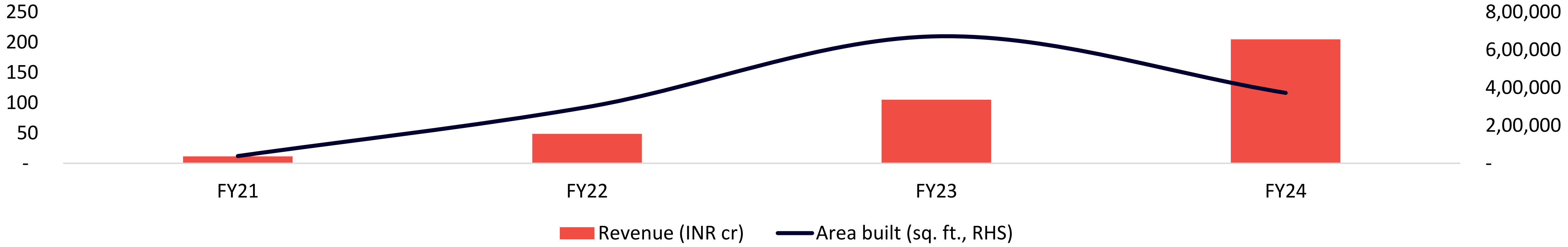
II. Design & Build

- Interior fitout and design services for internal as well as external clients
- In house team of 150+ designers, drives efficiency in operations, enabling faster turnaround
- Exclusive tie ups with furniture manufacturers
- Strong procurement and execution team

Revenue contribution	24%
Revenue CAGR (FY21-24)	161%
EBITDA margin	16-18%



Design & build revenue saw a 161% CAGR over FY21-24, led by a 114%/22% CAGR in area built/average realization

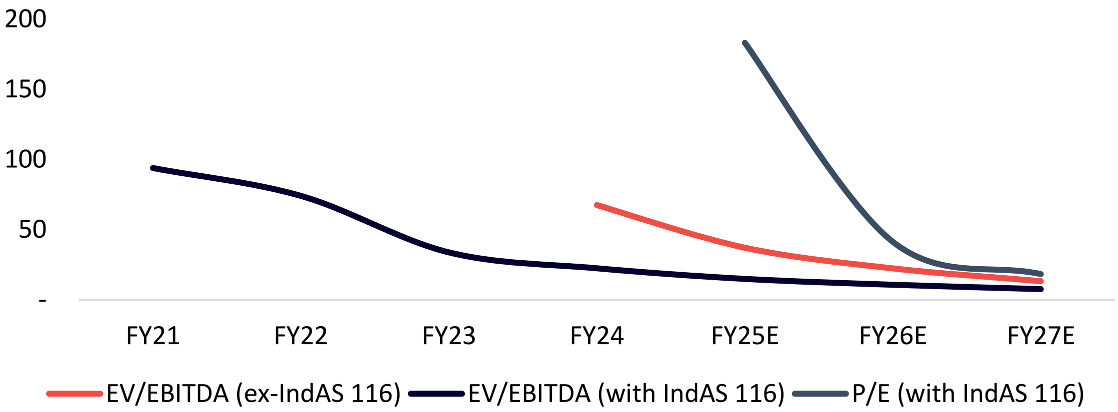


Source: Company, Nuvama Wealth Research

Recommend BUY with TP of INR 1,013 using SoTP valuation (FY26)

Particulars	Value (INR cr)	Per share (INR)	Basis
Commercial rental - MA model	2,222	320	DCF
Commercial rental - SL model	3,757	541	DCF
GAV - rental division	5,979	861	
Fitout	1,006	145	13x FY26 EBITDA
Implied GAV	**6,985**	**1,006**	
Net debt	-47	-7	
Fair value	**7,031**	**1,013**	
Current market cap	5,218	752	
Upside	**35%**	**35%**	

At CMP, see the stock trading at ~20x FY27E EPS



Exit Multiple	FY27E
EV/EBITDA (with IndAS 116)	10.8
P/E (with IndAS 116)	26.9

Key assumptions	
WACC	9.8%
- Cost of debt	*9.5%*
- Cost of equity	*9.0%*
Terminal growth rate	4.0%
Tax rate	0.0%
Average ARR growth in rental services	6.0%
Cost inflation	5.0%

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Valuation – sensitivity analysis

I. Sensitivity of TP (INR) to change in volume/pricing growth in rental services segment

Price/volume growth	23%	26%	29%	32%	35%
4%	653	689	726	768	810
5%	779	822	864	913	962
6%	915	964	1,013	1,069	1,125
7%	1,060	1,115	1,172	1,235	1,299
8%	1,214	1,277	1,341	1,413	1,485

II. Sensitivity of TP (INR) to WACC/terminal growth assumptions

WACC/Terminal growth	2%	3%	4%	5%	6%
8%	1,119	1,252	1,455	1,804	2,540
9%	974	1,064	1,191	1,385	1,718
10%	863	927	1,013	1,134	1,320
11%	776	823	884	966	1,082
12%	705	740	785	844	922

Investment Rationale

I. Favorable market dynamics, **flex seat demand to grow at 23.3% CAGR** over 2023-26E

II. Strong expansion plan to capitalize on demand, to add **~108,000 seats (28.8% CAGR) over FY24-27E**

III. See **blended revenue expanding at 40.1% CAGR** over FY24-27E to INR 2,336cr, led by

   I. A 37.8% revenue CAGR in **rental and allied services** over FY24-27E on expansion and healthy rental rates

   II. A 50% revenue CAGR in Design & Build on market share gains

IV. EBITDA (ex-IndAS 116) **to grow at 68.6% CAGR** over FY24-27 to INR 340cr, margin to reach 14.6%

V. Expect a **92.3% PAT CAGR** (ex-IndAS 116) over FY24-27E; margin to climb to 11.6%

VI. A shift towards capital efficient, low-risk **managed aggregation supply model**

VII. RoE to expand to 32.6% in FY27 from 15.1% in FY24 on improving margin and asset light expansion

Investment Rationale - flex seat demand to grow at 23.3% CAGR

I. **Favorable market dynamics, flex seat demand to grow at 23.3% CAGR over 2023-26E, led by**

   i. Sharp **increase** in the **number of start-ups**

   ii. **Influx of GCCs** given the strong, diverse and relatively low-cost talent pool

   iii. Rising need for a flexible workspace on **hybrid mode of working, 'return to office', decentralization**

   iv. **Mutual commercial benefits** of flex workspaces for both, owner and tenant

   v. **Supply to lag demand growth**, inventory set to grow at 16.6% CAGR over 2023-26E

Investment Rationale – capacity expanding at 28.8% CAGR

II. <u>Strong expansion plan to capitalize on demand, to add ~108,000 seats (28.8% CAGR) over FY24-27E</u>

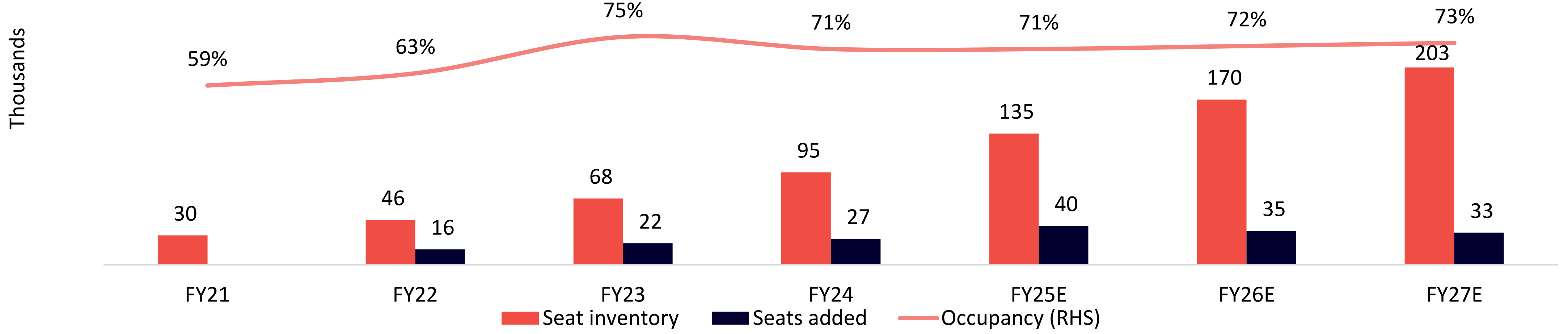
i. AWFIS has guided at **addition of 40,000 seats for FY25**. Of these, 15,510 seats are already under fit-outs. Another 16,522 are under negotiation, where LoI has been signed.

ii. Its human infrastructure has the capacity to handle addition of 50,000 seats per annum. We expect **addition of 35,000/33,000 seats in FY26E/FY27E**.

iii. We see total seats at **203,030 as of March 2027, a CAGR of 28.8% over FY24-27E**.

iv. AWFIS' industry capacity share expected to increase from ~6% in FY21 to ~11% in FY27E.

AWFIS' seat inventory set to grow at 28.8% CAGR over FY24-27E, with occupancy remaining in 71-73% range



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Source: Company, Nuvama Wealth Research

Investment Rationale – rental revenue to grow at 37.8% CAGR

III. <u>See revenue from rental and allied services to grow at 37.8% over FY24-27E, led by</u>

i. A 28.8% CAGR in seat inventory

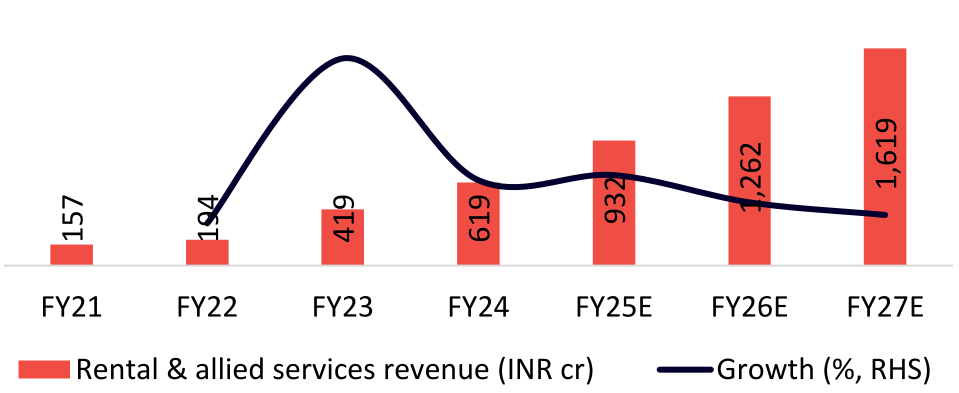
ii. A 6% CAGR in **average seat rate (ASR) on favorable demand-supply dynamics.** From an average of INR 7,644 in FY24, see monthly ASR growing to ~INR 9,100 in FY27E (rates grew between 8-14% YoY in FY24)

iii. A ~200bp expansion in occupancy to 73% on a shift towards larger seat cohort, driving a 7% CAGR in blended **monthly revenue per seat to INR 6,646 in FY27E** from INR 5,427 in FY24

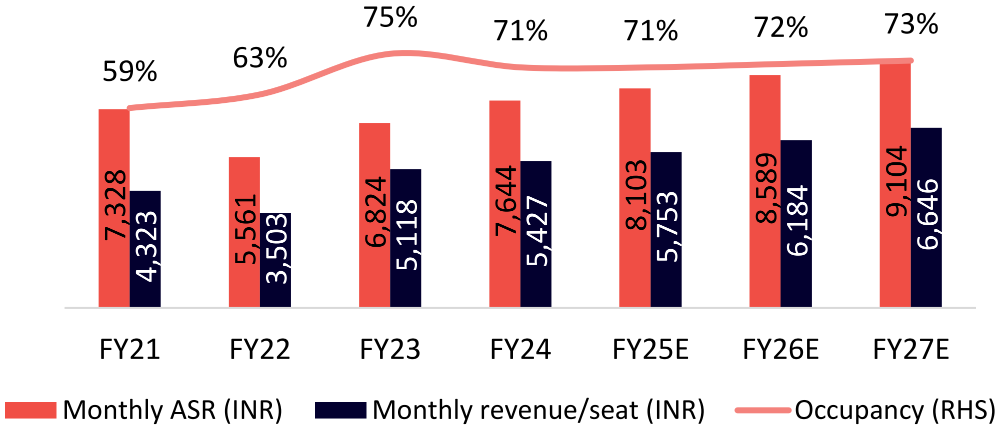
iv. Share of F&B and services in the revenue expected to remain consistent

v. Overall, we see the **revenue from rental and allied services growing to INR 1,619cr in FY27E from INR 619cr in FY24, a CAGR of 37.8%.**

Expect rental revenue to deliver 37.8% CAGR over FY24-27E on 28.8% annual capacity expansion, and a 7% realization CAGR



See monthly revenue/seat growing at 7% p.a. over FY24-27E; occupancy to expand by 200bp to 73%



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Source: Company, Nuvama Wealth Research

Investment Rationale – D&B revenue to grow at 50% CAGR

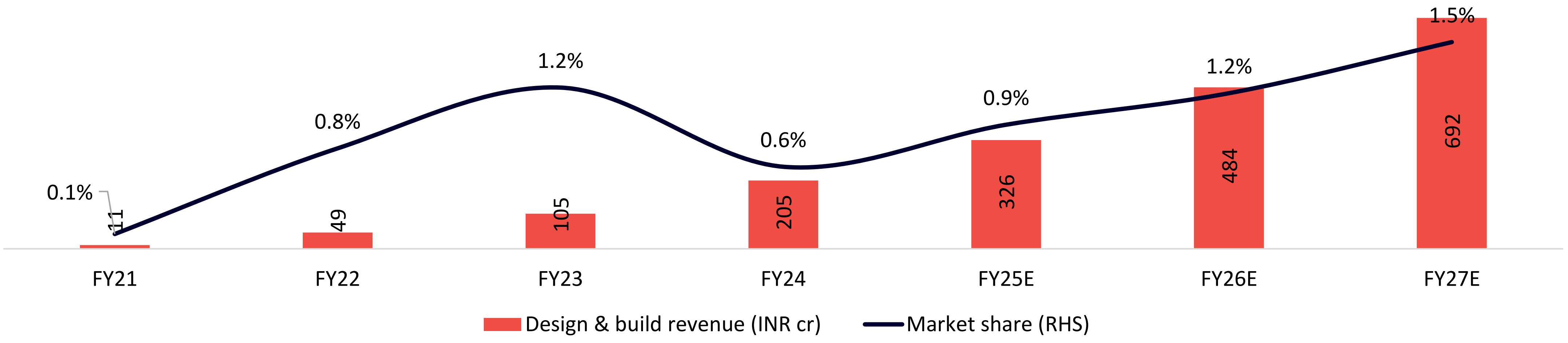
V. <u>Design & Build – a key adjacency; see a 50% CAGR in revenue over FY24-27 on marginal increase in market share</u>

i. In FY24, AWFIS built ~0.37msf of office space for external clients, making up for 0.6% of industry's gross absorption

ii. We see its market share expanding to 1.5% in FY27 on improving brand recall and cost advantage versus peers (internal design and execution team, exclusive tie ups with furniture manufacturers)

iii. EBITDA margin to expand to 19% in FY27E from 16.6% in FY24 on operating leverage benefit and efficiency

See AWFIS' market share in design & build to increase to 1.5% in FY27E, revenue set to grow at 50% CAGR to INR 692cr



Source: Company, Nuvama Wealth Research

Investment Rationale – Blended revenue to see 40.1% CAGR

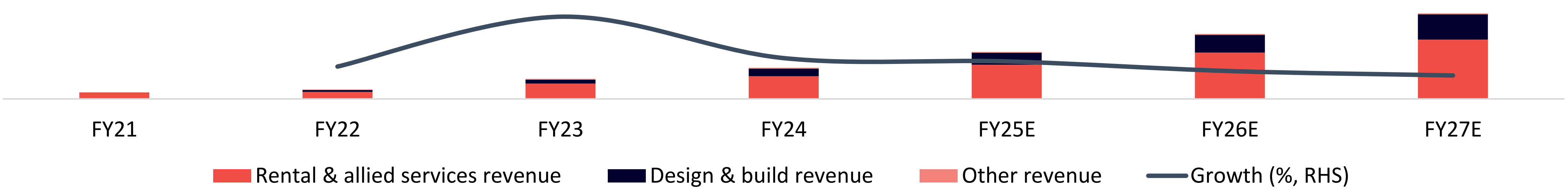
VI. See blended revenue expanding at 40.1% CAGR over FY24-27E to INR 2,336cr, led by

i. A 37.8% CAGR in rental revenue on capacity expansion, higher realization and steady growth in occupancy

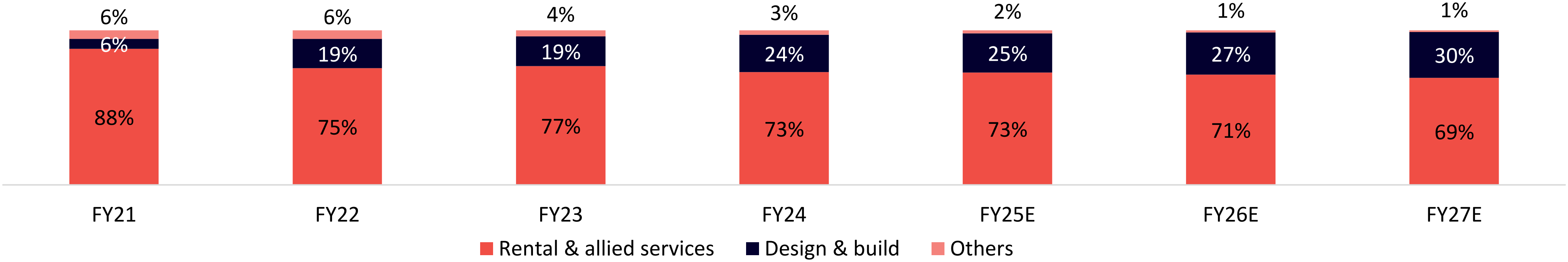
ii. A 50% CAGR in Design & Build segment on increase in market share

iii. A flattish other services revenue

See revenue growing at 40.1% CAGR over FY24-27E to INR 2,336cr



Share of D&B to increase to 30% in FY27E on a relatively lower base and larger addressable market



Source: Company, Nuvama Wealth Research

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Investment Rationale – expect EBITDA/PAT CAGR of 68.6%/92.3%

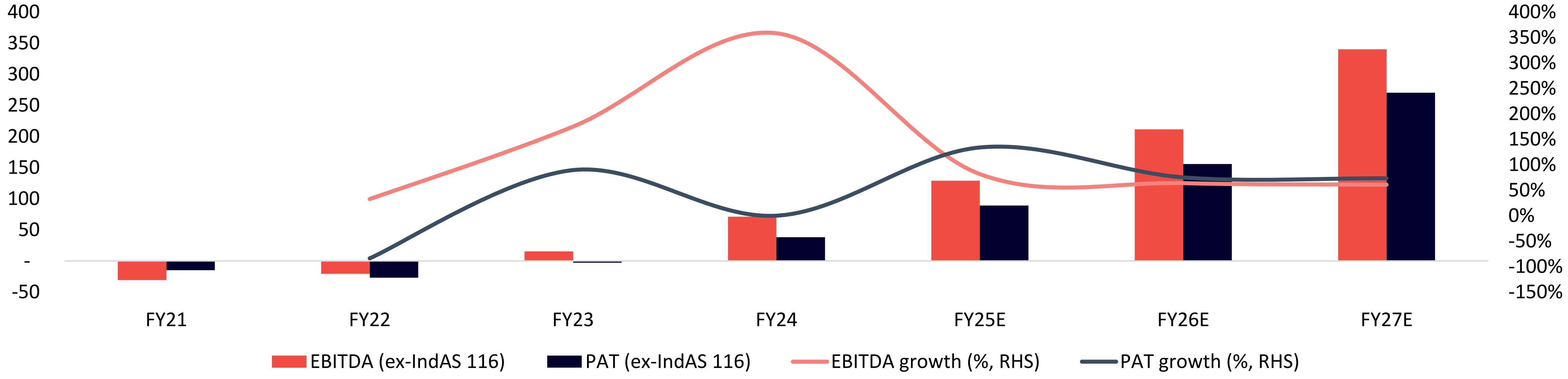
VII. <u>EBITDA (ex-IndAS 116) to grow at 68.6% CAGR over FY24-27 to INR 340cr, margin to reach 14.6% on</u>

i. Steady growth in occupancy, a 6% ASR CAGR and improving design efficiency (lower area/seat)
ii. Operating efficiency in DnB segment
iii. Operating leverage benefits

VIII. <u>Expect a 92.3% PAT CAGR (ex-IndAS 116) over FY24-27E; margin to climb to 11.6%</u>

i. Higher operating profits
ii. Relatively stable interest cost, don't foresee any change in debt. Internal accruals sufficient to fund capex

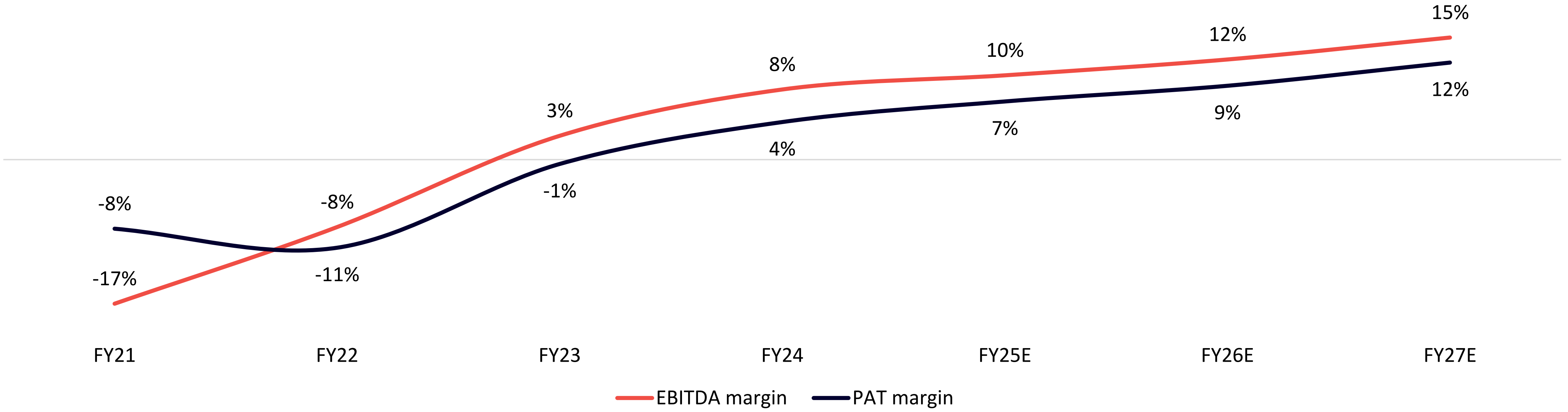
Expect EBITDA/PAT of 68.6%/92.3% over FY24-27 to INR 340cr/INR 270cr



Source: Company, Nuvama Wealth Research

Investment Rationale – Margin to expand more than 2x

EBITDA/PAT margin to expand to 15%/12% in FY27 from 8%/4% in FY24



Source: Company, Nuvama Wealth Research

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Investment Rationale – focus on asset light MA model

IV. A shift towards capital efficient, low-risk managed aggregation supply model

i. Share of managed seats in the total inventory has increased from 46% in FY21 to 66% in FY24

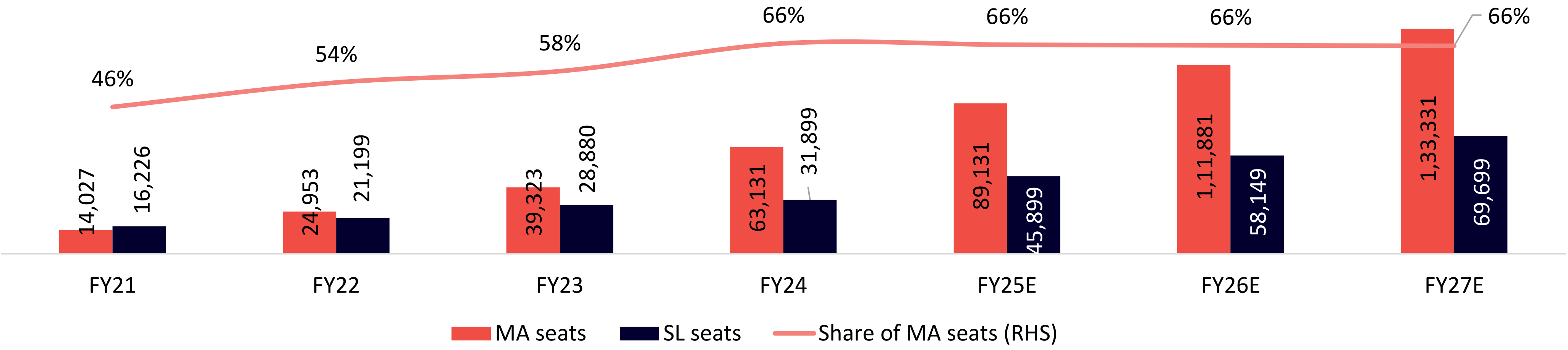
ii. Pros – a) Sharing of inventory risk with landlord (profit sharing), b) sharing of capex with landlord (30-40% incurred by AWFIS), c) shorter payback period (~16 months v/s ~36 months in SL), d) lower rental obligation (MG at ~46% of micro-market rentals)

iii. Cons – i) lower margin (~22% vs ~32% in SL)

iv. Supply model does not impact the customer profile at the centre but more suited for a co-working model

v. Expect share of MA seats to remain in 65-67% range, which will ensure higher RoCEs

Share of capital-light MA seats increased from 46% in FY21 to 66% in FY25, expected to remain at these levels



Source: Company, Nuvama Wealth Research

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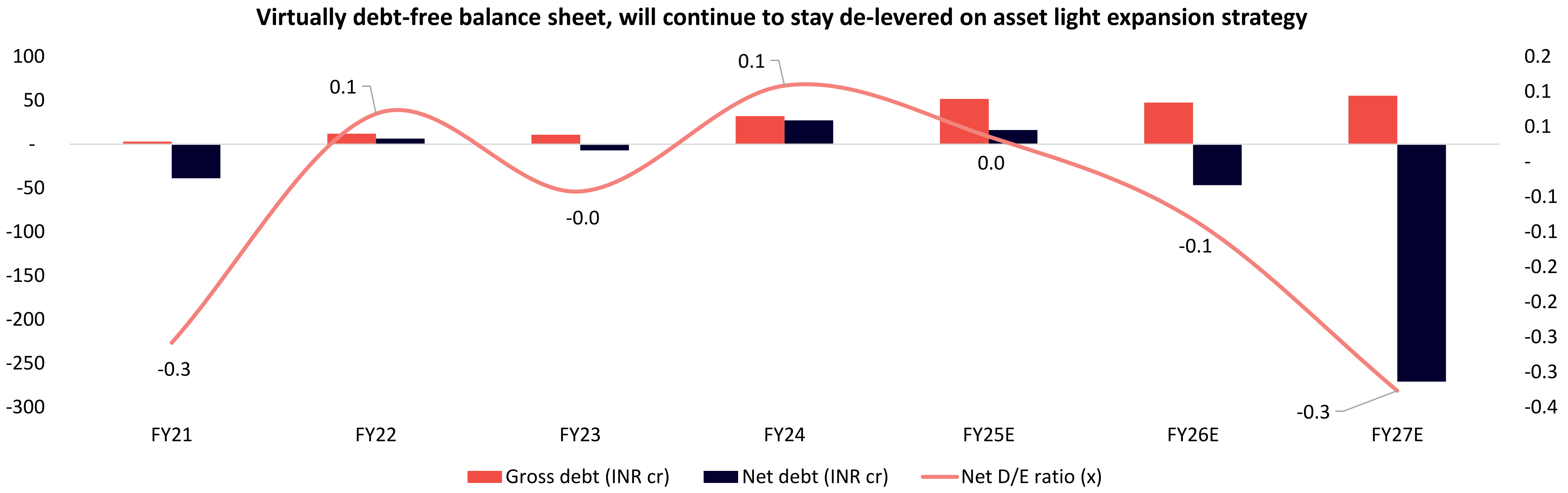
Investment Rationale – virtually debt-free balance sheet



Source: Company, Nuvama Wealth Research

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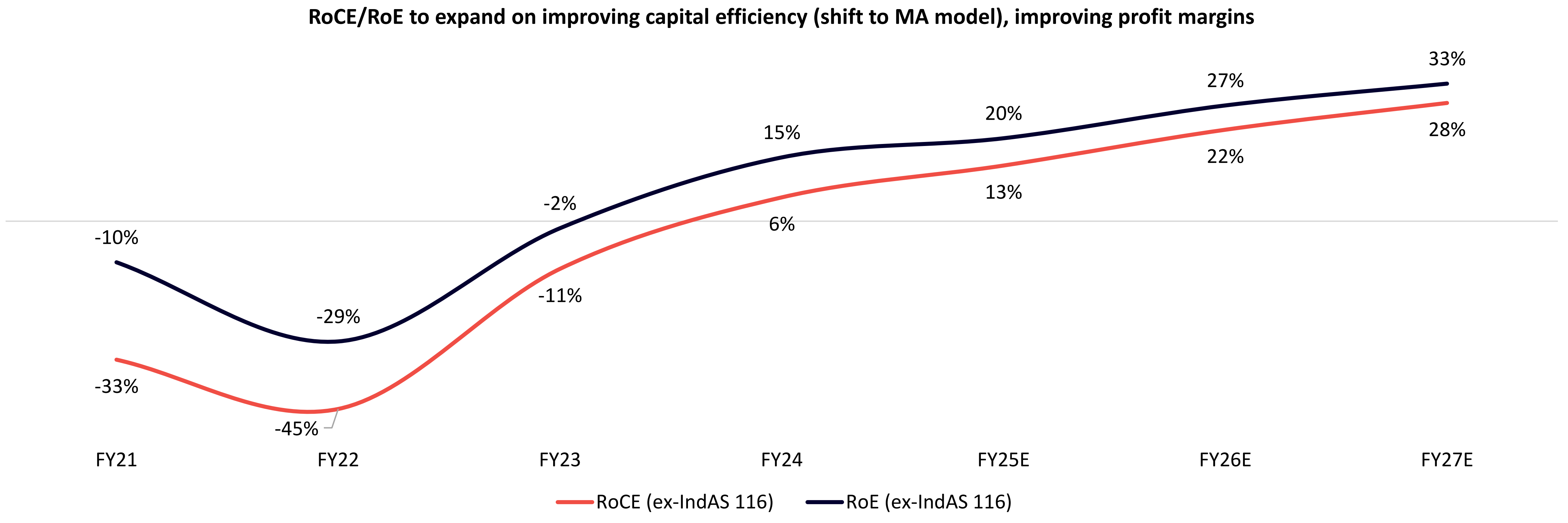
Investment Rationale – RoCE/RoE to expand meaningfully



Source: Company, Nuvama Wealth Research

Abridged financials

Particulars (INR cr)	Awfis				
	FY23	FY24	FY25E	FY26E	FY27E
Financial metrics					
Revenue	545.3	848.8	1,283.0	1,770.3	2,336.2
EBITDA (with IndAS)	155.6	245.4	387.4	548.5	756.0
EBITDA margin	**28.5%**	**28.9%**	**30.2%**	**31.0%**	**32.4%**
PBT	-46.6	-17.6	26.0	115.5	261.1
PBT margin	**-8.6%**	**-2.1%**	**2.0%**	**6.5%**	**11.2%**
PAT	-46.6	-17.6	26.0	115.5	261.1
PAT margin	**-8.6%**	**-2.1%**	**2.0%**	**6.5%**	**11.2%**
Rental revenue	418.8	618.9	932.2	1,261.8	1,619.3
Fitout/interior revenue	105.0	204.9	325.8	483.5	691.9
Other revenue	21.4	25.0	25.0	25.0	25.0
Net worth	169.4	251.4	452.4	567.9	829.0
RoE	**-27.5%**	**-7.0%**	**5.7%**	**20.3%**	**31.5%**
Operational metrics					
Number of operational seats	**68,203**	**95,030**	**1,35,030**	**1,70,030**	**2,03,030**
Revenue/seat/month	**5,118**	**5,427**	**5,753**	**6,184**	**6,646**
Occupancy	**75%**	**71%**	**71%**	**72%**	**73%**
ASR	6,824	7,644	8,103	8,589	9,104
Chargeable area (msf)	3.5	4.8	6.8	8.4	9.9
Revenue/sqft/month	**99.7**	**107.5**	**115.1**	**124.9**	**135.6**
Area/seat	**51.3**	**50.5**	**50.0**	**49.5**	**49.0**
Managed seats	39,323	63,131	89,131	1,11,881	1,33,331
Leased seats	28,880	31,899	45,899	58,149	69,699
Valuation					
Market cap	5,218	5,218	5,218	5,218	5,218
EV	5,210	5,245	5,234	5,171	4,947
P/E	**n.m.**	**n.m.**	**200.62**	**45.18**	**19.98**
EV/EBITDA	**33.5**	**21.4**	**13.5**	**9.4**	**6.5**
EV/seat	**7,63,956**	**5,51,918**	**3,87,605**	**3,04,110**	**2,43,646**
EV/sq ft	**14,887**	**10,927**	**7,752**	**6,144**	**4,972**

Peer comparison – AWFIS v/s EFC

Particulars (INR cr)	Awfis		EFC	
	FY23	FY24	FY23	FY24
Financial metrics				
Revenue	545.3	848.8	103.2	419.5
EBITDA (with IndAS)	155.6	245.4	55.4	182.6
EBITDA margin	**28.5%**	**28.9%**	**53.7%**	**43.5%**
PBT	-46.6	-17.6	7.2	81.0
PBT margin	**-8.6%**	**-2.1%**	**7.0%**	**19.3%**
PAT	-46.6	-17.6	3.9	63.3
PAT margin	**-8.6%**	**-2.1%**	**3.7%**	**15.1%**
Rental revenue	418.8	618.9	99.0	263.0
Fitout/interior revenue	105.0	204.9	4.2	113.1
Other revenue	21.4	25.0	0.0	43.3
Debt	10.9	32.2	58.4	128.9
RoCE	**0.8%**	**5.0%**	**16.0%**	**19.3%**
RoE	**-27.5%**	**-7.0%**	**5.3%**	**14.8%**
Operational metrics				
Number of operational seats	**68,203**	**95,030**	**23,000**	**36,539**
Revenue/seat/month	**5,118**	**5,427**	**3,587**	**5,999**
Occupancy	**75%**	**71%**	**n/a**	**85%**
ASR	6,824	7,644	n/a	7,058
Chargeable area (msf)	3.5	4.8	1.0	1.9
Revenue/sqft/month	**99.7**	**107.5**	**82.5**	**115.4**
Area/seat	**51.3**	**50.5**	**43.5**	**52.0**
Centres	119.0	160.0	n/a	50.0
Managed seats	39,323	63,131	-	-
Leased seats	28,880	31,899	23,000	36,539
Valuation				
Market cap	5,218	5,218	2,544	2,544
EV	5,210	5,245	2,600	2,499
P/E	**n.m.**	**n.m.**	**658.64**	**40.19**
EV/EBITDA	**33.5**	**21.4**	**46.9**	**13.7**

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Financial performance

Income Statement

Year to March (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
Income from operations	545	849	1,283	1,770	2,336
Cost of units sold	103	196	306	453	633
Employee costs	96	136	191	245	298
Other expenses	191	272	398	524	649
Total Operating expenses	390	603	896	1,222	1,580
EBITDA	156	245	387	548	756
Depreciation and amortisation	150	196	262	313	364
EBIT	6	49	125	235	392
Interest expenses	73	93	125	145	157
Other income	21	26	26	26	26
Profit before tax	-47	-18	26	115	261
Provision for tax	-	-	-	-	-
Profit after tax	-47	-18	26	115	261
Adjusted EPS	-8	-3	4	17	38

Growth metrics (%)

Year to March	FY23	FY24	FY25E	FY26E	FY27E
Revenues	112	56	51	38	32
EBITDA	128	58	58	42	38
PBT	n.m.	n.m.	248	344	126
Adj. Net profit	n.m.	n.m.	248	344	126
Adj. EPS	n.m.	n.m.	248	344	126

Financial performance

Balance Sheet

As on 31st March	FY23	FY24	FY25E	FY26E	FY27E
Equity share capital	30	19	69	69	69
Reserves & surplus	139	232	383	498	760
Shareholders’ funds	169	251	452	568	829
Total Debt	11	32	52	48	55
Other Long-Term Liabilities	589	797	1,055	1,215	1,306
Sources of funds	**769**	**1,081**	**1,560**	**1,831**	**2,190**
Net block	-	336	566	644	693
Capital work in progress	1	9	9	9	9
Total fixed assets	1	345	575	652	702
Investments	-	-	-	-	-
Inventories	0	0	0	0	0
Sundry debtors	48	75	112	155	205
Cash and equivalents	18	5	35	94	326
Loans and advances	72	217	250	287	330
Total current assets	139	297	398	537	861
Sundry creditors and others	159	314	470	649	856
Provisions	3	3	3	3	3
Total CL & provisions	162	317	473	652	859
Net current assets	-23	-20	-75	-115	3
Other Assets	543	756	1,060	1,293	1,485
Uses of funds	**521**	**1,081**	**1,560**	**1,831**	**2,190**

Financial performance

Ratios

Year to March	FY23	FY24	FY25E	FY26E	FY27E
ROAE (%)	-35.3	-8.3	7.4	22.6	37.4
ROACE (%)	1.1	6.0	10.2	14.7	18.7
Debtors (days)	32	32	32	32	32
Inventory (days)	0	0	0	0	0
Payable (days)	34	56	55	55	55
Cash conversion cycle (days)	-1	-24	-23	-23	-23
Debt/Equity	0.1	0.1	0.1	0.1	0.1
Debt/EBITDA	0.7	0.5	0.4	0.2	0.2
Adjusted debt/Equity	-0.0	0.1	0.0	-0.1	-0.3

Valuation parameters

Year to March	FY23	FY24	FY25E	FY26E	FY27E
Diluted EPS (INR)	-8.1	-2.8	3.7	16.6	37.6
Diluted P/E (x)	n.m.	n.m.	58.6	33.5	19.3
Price/BV(x)	30.8	20.8	11.5	9.2	6.3
EV/EBITDA (x)	336.3	73.9	40.6	24.4	14.5

Nuvama Wealth and Investment Limited, Eight Floor 801 to 804, Inspire BKC G Block, BKC Main Road, Bandra Kurla Complex, Bandra East, Mumbai-400051

Sandeep Raina

Head of Research – Professional Client Group

sandeep.raina@nuvama.com

SANDEEP ASHOK RAINA

Digitally signed by SANDEEP ASHOK RAINA
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