Date: 16/05/2025

To, National Stock Exchange of India Limited (“NSE”) Listing Department Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051	To, BSE Limited (“BSE”) Listing Department Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
NSE Scrip Symbol: AWFIS	BSE Scrip Code: 544181
ISIN: INE108V01019	ISIN: INE108V01019

SUBJECT: Intimation on obtaining an upgraded Credit Rating under SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015

Dear Sir/Ma’am,

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (‘Listing Regulations’), we wish to inform that the Company has obtained an upgraded credit rating from India Ratings and Research Pvt. Ltd. (‘India Ratings’) vide its press release dated May 16, 2025.

Copy of aforesaid press release issued by India Ratings is enclosed herewith in Annexure-A.

The details of the call will also be posted on the company’s website at https://www.awfis.com/investor-relations.

This is for your information and record.

Thanking You,

For Awfis Space Solutions Limited

AMIT KUMAR Digitally signed by AMIT KUMAR Date: 2025.05.16 17:33:46 +05'30'

Amit Kumar
Company Secretary and Compliance Officer
M. No. A31237
Address: C-28 and 29 Kissan Bhawan, Qutub Institutional Area New Delhi 110016

India Ratings Upgrades Awfis Space Solutions’s Bank Loans to ‘IND A+’/Stable, Rates Proposed Limits

May 16, 2025 | Residential | Commercial Projects

India Ratings and Research (Ind-Ra) has upgraded Awfis Space Solutions Limited’s (ASSL) term loan rating to ‘IND A+’ with a Stable Outlook from ‘IND A’. The instrument-wise rating actions are as follows:

Details of Instruments

Instrument Type	Coupon Rate	Date of Issuance	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Term loan	-	-	20 March 2028	INR650	IND A+/Stable	Upgraded
Proposed Term loan	-	-	-	INR800	IND A+/Stable	Assigned
Fund-based working capital facilities *	-	-	-	INR350	WD	Upgraded and withdrawn
Proposed Fund-based working capital facilities **	-	-	-	INR300	IND A+/Stable	Assigned

* Upgraded to ‘IND A+’/Stable before being withdrawn. Ind-Ra is no longer required to maintain the ratings, as the agency has received no-objection certificates from the lenders and a withdrawal request from the issuer. This is consistent with Ind-Ra’s Policy on Withdrawal of Ratings.
** Proposed fund-based working capital facility as sub-limit of the proposed term loan of INR800 million

Analytical Approach

Ind-Ra continues to take a standalone view of ASSL to arrive at the ratings.

Detailed Rationale of the Rating Action

The upgrade reflects an improvement in ASSL’s operational performance with the revenue increasing 55% yoy in FY24 and operational area by 37% yoy in FY24 and 27% during 9MFY25. Ind-Ra expects the revenue to have further increased by about 30% yoy in FY25 and a continued expansion in ASSL’s number of centres and an improvement in its scale of operations in 2024 and 9MFY25. Furthermore, ASSL is likely to continue to benefit from the adoption of managed aggregation (MA) model for its leases with space-owners, thus reducing the risk of downturn in occupancy or short-term economic cycles. The ratings remain supported by ASSL’s continued net cash position as of 9MFY25 .

List of Key Rating Drivers

Strengths
- Strong market presence
- Business strategy; asset light model

- Diverse clientele - reduced tenant concentration risk
- Strong operational performance
- Adequate liquidity

Weaknesses

- Moderate asset-liability management (ALM) risk
- Significant capex requirements
- Exposure to cyclicality in economic downturn

Detailed Description of Key Rating Drivers

Strong Market Presence: ASSL continues to be the largest flexible workspace operator in India in terms of number of centres. The company had over 1,21,732 operational seats as of December 2024 spread across 193 locations with over 6.1 million square feet (msf) of leasable space in 18 cities and 58 micro-markets, thereby leading to a significant network and geographical diversification. ASSL offers its services into various segments - co-working services (Awfis, Awfis Gold and Elite), along with comprehensive design and build solutions (Awfis Transform). ASSL sold its end-to-end property and facility management services business (Awfis Care) in FY25.

Robust Business Strategy, Asset-light Model: ASSL has increased the share of centres based on the MA model in its supply mix to more than 63% of the total centres in December 2024 (March 2021: 50%), thereby moving to an asset-light model. The MA model requires the fit-out costs of the centre to be borne by both the space owner and ASSL in exchange for a share in revenue/profits, vis-a-vis the entire fit-out costs being borne by ASSL under straight leases. This shift towards the MA model improved the return on capital employed to about 43% in FY24 and 76% (annualised) in 9MFY25 (FY21: about 11%).

Diverse Clientele - Reduced Tenant Concentration Risk: ASSL has a diversified client base of more than 3,000 active tenants as of December 2024, which reduced the tenancy risk due to granular concentration. The top five clients contributed less than 15% of total revenue and the top client contributed less than 5% of the total revenue as of December 2024, reducing its tenant concentration risk. The tenant mix is moderately diversified with 44% of tenants being from the information technology industry with exposure to large corporates/multinational companies at about 66% and start-ups at about 13%.

Strong Operational Performance: ASSL’s Ind-Ra-adjusted EBITDA improved to INR930 million in FY24 (FY23: about INR344 million). During 9MFY25, the company already exceeded the FY24 Ind-Ra-adjusted EBITDA and is likely to have achieved EBITDA of about INR1,650 million in FY25. ASSL has been able to increase the number of operational centres to 193 in December 2024 (March 2021: 58), operational seats to about 1,21,732 (about 30,000). The operational centres and operational seats are likely to have exceeded 200 and 130,000 in FY25, respectively. The occupancy rate also increased to about 73% in 9MFY25 (FY21: about 60%) despite the increase in operational seats. These operational parameters reflect its strong operational performance and Ind-Ra expects occupancy levels to sustain at 70-75% over FY25-FY27.

Adequate Liquidity: Please refer to the liquidity section below.

Moderate ALM Risk: Cash outflows in the form of lease payments, employee expenses, among others, are generally fixed, whereas cash inflows are dependent on occupancy levels. Co-working spaces do not enjoy sticky customers compared to established commercial real estate spaces with long-term leases with strong tenants. The weighted average lease tenure of leases with clients is about 33 months compared to 60-120 months with lessors, leading to an asset-liability mismatch in case of non-renewals. Ind-Ra takes comfort from the lock-in period of about 24 months and low monthly net churn rate of 1.2%, which is one of the lowest, as per management estimates. The lease agreements typically have a rental escalation of 10%-15% every three years for the space-owners and about 5% annually for the tenants.

Significant Capex Requirements: ASSL has been expanding its business operations in India and is required to incur fit-out and other fixed costs associated with opening of each new centre. Although the company is moving to the asset-light MA model, ASSL is still required to incur a significant amount towards fit-outs and the same have been funded by cash accruals, investor funding and initial public offering proceeds till December 2024. The agency expects annual capex outflows in the range of INR1,750 million-2,000 million in the medium term to be largely funded through internal accruals/ available cash balances with low debt component.

Exposure to Cyclicality in Economic Downturn: The real estate sector in India is cyclical and volatile, resulting in high fluctuations in cash inflows because of volatility in realisations. Rental collections (key source of revenue) are susceptible to economic downturns, which constrain tenants' business risk profile and, therefore, occupancy and rental rates. Furthermore, about 34% of the company's clientele are small and medium enterprises, start-ups and freelancers. Thus, any funding-related risks for these can have an adverse impact on the income of ASSL. Any downturn in economic cycles can negatively impact ASSL's rental income. The cash flow volatility is partly offset by the lock-in clauses and security deposits being stipulated in the tenant leases, along with lower fixed rental outflows due to managed aggregation supply side strategy majorly adopted by ASSL resulting into lower profit shares to space-owners in periods of stress and low leverage levels leading to lower debt payments.

Liquidity

Adequate: ASSL's Ind-Ra-adjusted EBITDA was at INR930 million in FY24 and is likely to have remained over INR1,650 million in FY25. The cash and cash equivalents including unencumbered fixed deposits were INR1,538 million at 9MFY25 (FYE24: INR427 million). The increase was owing to the IPO proceeds of about INR362 million available for future capex and working capital requirements. ASSL has a strong balance sheet with negative net debt levels. The total debt was about INR257 million at 9MFYE25 with undrawn bank limits of over INR1,100 million (including the proposed limits of INR800 million under approval). Given the low debt levels, ASSL's cash debt service coverage ratio remains robust with an expected cash debt service coverage ratio of about more than 5x over FY25-FY28. The agency expects the debt-to-rental ratio to be below 1.0x over the medium term.

Rating Sensitivities

Positive: A substantial improvement in operational profitability, centre occupancy, counterparty mix and business profile on a sustained basis with longer tenure customer leases, leading to better cash flow visibility while maintaining the credit metrics can lead to a positive rating action.

Negative: A substantial decline in operational profitability, centre occupancy, deterioration in counterparty mix, an increase in churn rates and/or an unexpected debt-led capex leading to Ind-Ra adjusted net leverage increasing above 2.0x can lead to a negative rating action.

About the Company

ASSL is a flexible workspace solutions company incorporated in 2014. The company has a presence in 18 cities in India across 58 micro-markets with about 6.1msf chargeable area across operational 193 centres as of 9MFY25.

Key Financial Indicators

Particulars	FY24	FY23
Revenue from operations (INR million)	8,468	5,453
Ind-Ra adjusted EBITDA (INR million)	930	344
Cash interest paid (INR million)	28	10
Interest coverage (x)	33.3	34.4
Net leverage (x)	-0.3	-0.5
Source: ASSL; Ind-Ra Note: Ind-Ra Adjusted EBITDA is EBITDA less cash lease payments and interest income on FD		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating / Outlook
	Rating Type	Rated Limits (million)	Rating	22 April 2024

Term loan	Long-term	INR1,450	IND A+/Stable	IND A/Stable
Fund-based working capital facilities	Long-term	INR350	WD	IND A/Stable
Proposed Fund-based working capital facilities *	Long-term	INR300	IND A+/Stable	-

* Proposed fund-based working capital facility as sub-limit of proposed term loan of INR800 million

Bank wise Facilities Details

The details are as reported by the issuer as on (16 May 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	Tata Capital Financial Services Ltd	Term Loan	250	IND A+/Stable
2	Kotak Mahindra Bank	Term Loan	400	IND A+/Stable
3	NA	Proposed Term loan	800	IND A+/Stable
4	Kotak Mahindra Bank	Fund-based working capital limits	100	WD
5	ICICI Bank	Fund-based working capital limits	250	WD

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low
term loan	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process