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# Workspace Firms Queue Up For IPOs On Back Of Awfis Success, Demand Revival

*It's rare that a sector that has witnessed venture capital funding is today left with multiple players, all heading towards a listing, without too many acquisitions and consolidation taking place.*

Rishabh Bhatnagar

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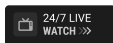
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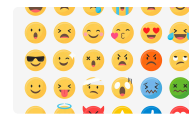
Co-working and managed office firms such as Bhive, Smartworks, Indiqube and Simpliwork are lining up to list on the bourses, backed by growing demand for office spaces as well as a successful listing of Awfis Space Solutions Ltd., the first-ever public, pure-play co-working company.

According to key executives at these companies, appointments of merchant bankers and charting out initial-public-offering plans are underway and draft documents can be expected to be filed with SEBI by next year. This group of companies has done well to grow and rebound, despite the double whammy of the Covid pandemic and the downfall of the global star of the sector—Adam Neumann's WeWork.

In the case of Bengaluru-based Indiqube, the process is already on the fast track. "We're well on track to file our draft red herring prospectus by November," Chief Executive Officer Rishi Das told NDTV Profit.

"We're looking at a June 2025 listing, depending on market conditions. But we're keen to list," the co-founder said.

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Founded in 2015, Indiqube now manages about 7 million square feet of office space and is largely concentrated in the southern part of the country. It has clients like Air India, Mahindra Logistics and TVS, to name a few.

Delhi-based Smartworks, a co-working spaces operator, is already in line for a SEBI nod, having filed its DRHP in August this year. It is looking at a fresh issue worth up to Rs 550 crore and an offer for sale of up to 67 lakh equity shares.

Bhive Workspace, another Bengaluru-based flexible workspace provider, is also preparing to go public soon. CEO Shesh Rao Paplikar said the company is looking to file its preliminary papers by the end of 2025.

"Our last private funding round is going on. We're in talks with a couple of big funds to raise about Rs 200 crore," Paplikar told NDTV Profit. "We've only raised Rs 30 crore equity money so far in our lifetime, so we haven't been able to expand more. We've already touched Rs 300 crore in revenue and are profitable. If we can raise decent capital, we can be present in more cities."

Like hotels, Paplikar said, the co-working sector is also a bet on the real estate industry. "But it needs constant access to capital. To have more and more centres, someone has to finance it. The continuous need for capital for growth is why companies are heading for IPOs. Indian capital markets are also expected to do well. So not just FII; it's a good time for the public to also put money in," he said.

Another player, Simpliwork, which operates on the managed office side, is also working towards a listing. "We have onboarded bankers for the process, and in the next 12–15 months, we're looking to file a draft red herring prospectus. We'll take a call on listing post that," said Kunal Walia, founder and CEO of Simpliwork Offices.

Simpliwork, being on the managed offices side of the spectrum, takes on large to very large contracts, roughly about 500–600 seats in one go.

"There's only a few winners in most industries, and the top two would take about 80% profits in the industry and not leave much of a market share for others. That is contrasted in co-working, which is a sub-sector of real estate. The regional dominance of real estate players reflects in the co-working space," Walia said.

Simpliwork is on course to end the current financial year with a revenue of Rs 850–900 crore, a significant bump from the Rs 580 crore figure last fiscal. It will end the fiscal with an Ebitda margin of about 21%, Walia said.

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It's rare that a sector that has witnessed venture capital funding –although limited – is today left with multiple players, all heading towards a listing, without too many acquisitions and consolidation taking place.

Das of Indiqube says that's because this sector wasn't spoiled by overvaluations.

"This category grew with a lot of pain and prudence. Promoter shareholding in these companies is also near majority, not like other startups where original founders hold less than 10%," he said.

The pain Das is referring to is the impact of two major events over the past five years that hit the sector greatly.

It all starts with the beginning of the unravelling of WeWork in 2019. The co-working unicorn startup, whose IPO had everyone watching keenly, carried a peak valuation of \$50 billion. However, multiple issues, such as poor corporate governance, founder Adam Neumann's mismanagement, mounting losses and finally, bankruptcy, took the company down, and with it, the sentiment here in India.

While WeWork's downfall was ongoing, another whammy in the form of a pandemic hit. Offices shut down, lockdowns were imposed and employees were directed to simply work from home. That meant that companies didn't have a lot of free cash and had to deal with washouts and renegotiating lease rentals.

"Businesses got built the old-school way—how Infosys and TCS were built. The WeWork fiasco and Covid pandemic ensured that too much money didn't flow into our sector," Das quipped.

Walia of Simpliwork echoed Das' statement that venture capital dollars have not spoiled the co-working market. "We are looking at a substantial number—about eight to 10 players getting listed in the next three–four years," Walia said.

But today, with Awfis' successful listing, Paplikar of Bhive added that other players are brimming with confidence to head to the boards. "Co-working companies leading the IPO wave is remarkable. None of us knew if it would succeed; a doubt existed whether markets would accept co-working as a theme. WeWork had also sunk after listing."

Awfis listed in May this year at Rs 421.75 apiece. As of Sept. 30, its stock has risen to Rs 698.3 apiece.

"What Zomato did for food delivery and Delhivery did for third-party logistics, Awfis has done for the co-working/managed office solutions sector. The Awfis IPO has set up clear market benchmarks and demonstrated that there is good investor appetite for well-run businesses in this sector," Ashish Sharma, managing partner at InnoVen Capital India, said.

"Investors in this sector have higher conviction that there's a viable path towards public markets," he said.

Other leading players—Table Space and WeWork India—chose to stay mum on their listing plans.

In response to NDTV Profit's queries, Amit Banerji, CEO of Table Space, said the company is "well capitalised at the moment and will continue to evaluate the opportunity and will decide at an appropriate time."

WeWork India opted not to comment.

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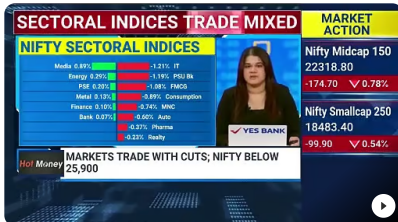
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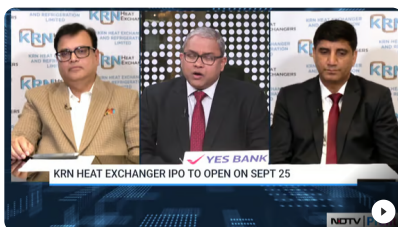
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