

January 15, 2024

**ICICI Securities Limited**  
ICICI Venture House,  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai- 400025

**Kind Attention: Mr. Shekher Asnani / Mr. Sumit Singh**

Sir,

**Sub: Clarification sought for proposed IPO of Awfis Space Solutions Limited (ASL/ the Company/issuer)**

With reference to the Draft Red Herring Prospectus of captioned IPO filed with SEBI, you are advised to clarify on the following points:

- A. LM is advised to disclose whether any action has been taken / is pending against the promoter / promoter group/ director of the issuer / Group Companies etc. by any regulatory authority in India or overseas.
- B. It has been observed that in various instances disclosures have been made in the offer document stating 'we believe and /or we are' LM is advised to provide the basis for making such disclosures in the offer document while also explaining compliance with Regulation 24 (1) and Regulation 25 (2) (b) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations").
- C. LM is advised to refrain from using superlative adjectives. If needed, the same shall be quantified and qualified with proper references.
- D. LM is advised to ensure that all the cross references given in the offer document are correct, leading to the exact page. LM may provide the exact risk factor number along with giving cross referencing of the page number.
- E. **FORWARD LOOKING STATEMENTS**
  1. It may be noted that point (e) under Instructions of Part A of Schedule VI of ICDR Regulations, 2018, states that the offer document should not make any forward looking statements that cannot be substantiated. In view of the same, you are advised to confirm and explain compliance with aforesaid provision with respect to all such forward looking statements made in the DRHP.
- F. **SUMMARY OF THE ISSUE DOCUMENTS**
  1. *Primary business:* LM is advised to qualify the phrase *largest flexible workspace*.
  2. LM is advised that disclosures on pre-IPO proceeds at all applicable places shall state that the proceeds of pre-IPO shall lead to commensurate reduction in GCP.

**G. RISK FACTORS**

1. LM is advised that Financial Risk and Operational Risk shall be suitably corroborated with appropriate ratios.
2. LM is advised to provide number of instances in the disclosed financial period for each of the RFs pertaining to event based Risks. LM is advised to disclose as a negative qualifying statements for such RFs wherein the issuer has not faced the risk during the financial period under disclosure.
3. LM is advised to ensure that RFs are suitably substantiated with relevant representation (Like Geographic, Demographic, Business segment, Concentration etc).
4. LM is advised to ensure that data sets are represented under suitable forms, such as tabular, graphical etc.
5. Risk Factor 2:
  - LM is advised to disclose the annual occupancy rate for the operational seats, for the disclosed financial period.
  - LM is advised to provide a break-up of the clients on the basis of time period of *contract with customers*.
  - LM shall further disclose the increase in leased area over the disclosed financial period.
6. Risk Factor 3: LM is advised to disclose under table, the break-up of the industry to which the clients belong on similar lines as disclosed for Information Technology Industry.
7. Risk Factor 4:
  - LM is advised to disclose the number of *Client-agreement termination* for the disclosed financial period.
8. Risk Factor 5: LM is advised to disclose the number of termination of *space owner agreements* for the disclosed financial period.
9. Risk Factor 8: LM is advised to disclose the name of the top 5 clients if not limited by the confidentiality clauses. If limited by confidentiality clauses, statement to the same effect shall be disclosed.
10. Risk Factor 9- LM is advised to disclose the geographical spread of the 52 centers having *SL*.
11. Risk Factor 14 – LM is advised to disclose the nature of such contracts i.e. as *SL* or *MA*.

#### H. OBJECTS OF THE ISSUE

1. The utilisation of pre-IPO proceeds being discretionary in nature, if raised, shall be completely attributed/adjusted towards GCP portion; unless auditor certified disclosures are made with regards to its utilisation towards the disclosed specific objects of the issue. LM is advised to make necessary disclosures in this regard at all appropriate places.
2. Issuers having ‘funding of working capital’ as one of the objects, shall not include any utilisation of GCP portion towards items of revenue expenditure such as employee salary, organic growth etc. The utilisation or GCP shall only be towards cap-ex items including inorganic growth. LM is advised to make necessary disclosures in this regard at all the appropriate places.
3. LM is advised to disclose whether board approval has been obtained towards the intended *Capital Expenditure towards establishment of new centers*. If no, a negating statement shall be disclosed in this regard.

4. LM is advised to disclose the nature of leases for the proposed 15 new centers i.e. *SL or MA*.
5. Para Head – *Fit out Costs* – LM is advised to disclose the average size for the existing centers. LM is advised to further disclose for the disclosed financial period, average area added and average fit out costs.
6. Para Head – *Funding Working capital Requirements*: LM is advised to disclose:
  - The current/proposed utilisation of available long term funds and why the available funds are not being utilized towards working capital.
  - The needs for working capital when *trade-receivable days* are lesser than the *trade-payable days*.
  - LM is advised to disclose the *asset-liability* mismatch for deposits given and deposits taken.
  - LM is advised to provide rationale for future WC requirements for FY 23 and June 203, the WCG requirements stands negative.
  - Whether the proposed requirement has been approved by the Board. If no, a negating statement shall be disclosed.

#### I. BASIS OF OFFER PRICE

1. Para head – *Qualitative factors* – In view of the disclosed losses, LM is advised not to disclose *delivering strong financial and operating metrics* as one of qualitative factors.
2. LM is advised to disclose as an additional RF on the negative EPS, RONW of the company.
3. Para Head – *Industry Peer Group* – LM is advised to disclose comparisons with unlisted peer groups for the available public information. Such comparative disclosure shall be made at all applicable places, including *comparison of financial KPIs of our company with listed/unlisted peers, comparison of accounting ratios with listed/unlisted industry peers*. The disclosure shall be made with regards to the top 5 benchmarked players.

#### J. INDUSTRY OVERVIEW

1. LM is advised to avoid using the following paragraph (including content of similar nature) in the Offer document - “Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy, adequacy, completeness or underlying assumptions are not guaranteed and their reliability cannot be assured”. It may be mentioned that, in terms of Regulation 70(3) of SEBI (ICDR) Regulations, 2018, it is obligatory on the Lead Manager to perform necessary due diligence on the entire draft offer document, including the information provided under Industry Reports; and to ensure that the information provided in the DRHP is current, reliable and complete in all aspects, before submitting the offer document to SEBI.
2. LM is advised to ensure that CBRE report relied upon while making disclosures in the draft offer document is included among the material contracts and documents for inspection. Furthermore, wherever (each instance) data from various reports have been used in support of disclosures made in the offer document, LM is advised to clearly qualify the source of such disclosures.

**K. OUR BUSINESS**

1. LM is advised to disclose data of past 3 years at all the relevant places.

**L. HISTORY AND CERTAIN CORPORATE MATTERS**

1. LM is advised that it is categorically disclosed in the DRHP under section “History and Certain Corporate Matters” of the offer document that none of the special rights available to the Promoters / Shareholders would survive post listing of the Equity Shares of the Company and same shall cease to exist or shall expire / waived off prior to the filing of UDRHP, without requiring any further action.
2. LM is advised that inter-se agreements/ arrangements between the shareholders are disclosed under section “History and Certain Corporate Matters”.
3. LM is advised that a categorical statement from the Issuer Company/ Promoters / Shareholders, may be provided that there are no other inter-se agreements/ arrangements and clauses / covenants which are material and which needs to be disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the minority / public shareholders. Also that there are no other agreements, deed of assignments, acquisition agreements, SHA, inter-se agreements, agreements of like nature other than disclosed in the DRHP.
4. Further, the LM shall also confirm to SEBI that they have gone through the inter-se agreements/ arrangements, if any, as disclosed in the DRHP and they also do not see any clauses / covenants which are material and need to be disclosed, which have not been disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the minority / public shareholders.

**M. RELATED PARTY TRANSACTIONS**

1. LM is advised to confirm: (i) all RPT are done at arm’s length price and (ii) all RPT should be in compliance with the Companies Act, 2013, SEBI (LODR) Regulations, relevant Accounting Standards and other statutory compliances.

**N. LEGAL AND OTHER INFORMATION**

1. LM shall update the details of status of litigation with the latest/updated position of litigations against promoter/promoter group entities/company and the companies promoted by the issuer.
2. LM is advised to confirm that the existing litigations are not so major that the issuer’s survival is dependent on the outcome of the pending litigation.
3. LM is advised to ensure the disclosures of all actions taken by statutory and regulatory authorities.

**O. GOVERNMENT AND OTHER APPROVALS**

1. LM is advised to disclose impact of any pending approval from Government and other authorities on financials and operations of the company. Quantify the impact of non-approval wherever possible.

P. LM is advised to ensure that at all places, where the Industry Report has been mentioned, such report to be provided in bibliography / or as weblink. The Report to be included as a material document.

Q. You are requested to provide the replies to the above clarification within 5 working days from the date of receipt of this letter.

**भवदीया Yours faithfully,**

**Abhishek Ranjan**