



## IPO Note

# Nukleus Office Solutions Limited

Recommendation: **NEUTRAL!**

### Company Background -

- **Incorporation:** Nukleus Office Solutions Limited was originally incorporated on Sep 27, 2019. The registered office is located at New Delhi, India.
- **Business Activity:** The company is engaged in the business of providing co-working and managed office space in Delhi NCR region.
- **Revenue Stream:** The company generates majority of the revenue from co-working space on rent.
- **Human Resource:** The company has 30 permanent employees as on Dec 31, 2024.

### Objects of the Issue -

- Capital expenditure and security deposit towards establishment of new centres
- Building up technology platform, integration of all centres, online client interaction and mobile application
- Advertisement expenses towards enhancing the visibility of brand
- General Corporate Expenses

### Promoters Name -

Nipun Gupta and Puja Gupta

### Rationale for recommendation -

- ✓ The PE ratio of 46.91 times post annualized basis makes it aggressively priced.
- ✓ The company's top line and bottom line saw a sudden increase in FY23 which should not be a major concern (Refer Recommendation - Pg 9).
- ✓ The PAT margin has also increased over the years.
- ✓ The company had positive CFO since last two years.
- ✓ The company is looking for geographic expansion.
- ✓ The management if the company is decent.
- ✓ The industry is high fragmented.

### IPO Details

Opening Date	Feb 24, 2025
Closing Date	Feb 27, 2025
Allotment Date	Feb 28, 2025
Listing Date	Mar 04, 2025
Stock Exchange	BSE SME
Lot Size	600 Shares
Issue Price Per Share	₹234
Issue Size	31.70 Cr.
Fresh Issue	31.70 Cr.
Offer for Sale	-
Application Amt	₹ 1,40,400 (600 shares)

### INDUSTRY - Office Space

Avg. P/E ratio as per RHP - 39.25

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Dec-24
Revenue	340.78	1,088.07	1,712.76	2,134.13
EBITDA	58.44	329.63	459.45	576.86
Net Profit	10.64	67.29	119.72	151.13
RoCE	4.77%	20.94%	13.01%	6.55%*
ROE	32.48%	67.26%	28.54%	4.92%*
P/E	114.15	18.08	11.87	46.91*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
94.01%	62.42%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	19.71	4.99
BVPS	16.66	101.46
P/E	11.87	46.91
P/BV	14.04	2.31
Mkt Cap (In Cr)	62.65	94.35

\*Annualized

### Lead Managers -

**Sundae Capital Advisors Private Limited**

### Registrar -

**Bigshare Services Private Limited**

**Business Overview -**

Nukleus Office Solutions Limited is a co-working and managed office space provider which provides range of fully furnished, flexible workspaces, dedicated desks, private cabins, meeting rooms, innovative spaces, startup zones, virtual office etc. in Delhi NCR region. They offer fully serviced and managed workspace solution for enterprises ranging from 50-500 seats.

As of Dec 31, 2024, the company has 7 centres with flexible workspaces and also manage 4 Managed Offices in Delhi NCR region with an aggregate of 2,796 total seats operating with occupancy of 88.48%.

**Details of the centres:**

Centre	Chargeable Area (in sq. ft.)	Total Seats	Occupancy (%)
<b>Flexible Workspaces</b>			
Nukleus Tower, Sector 142, Noida, (Ground floor to 2nd floor, and 5th to 7th floor)	52,825 sq ft (10,565 sq. ft. on each floor)	924	93.61%
Tradebull Towers, 9B Pusa Road, Delhi (9th Floor)	3,544 sq. ft.	141	99.29%
Regal Building, Connaught Place, Delhi (2nd Floor)	3,094 sq. ft.	95	96.84%
Rasvilas, Saket, Delhi (unit No. 501 & 501A, 5th floor)	10,665 sq. ft.	171	98.25%
Logix Cyber Park, Sector 62, Noida (Tower C, 9th Floor)	28,717 sq. ft.	664	79.76%
Pegasus 1, Golf Course Road, Sector 53, Gurugram (2nd Floor)	10,973 sq. ft.	170	71.76%
Barakhamba Tower, Barakhamba Road, Connaught Place, Delhi (Skipper)			
Flat No. 1104	350.00 sq. ft.	15	53.33%
Flat No. 1105	412.00 sq. ft.	8	-
Flat No. 906	5,726.65 sq. ft.	100	68.00%
Flat No. 1103	500.00 sq. ft.	13	-
Flat No. 1102	701.86 sq. ft.	13	-
<b>Managed Offices</b>			
Thapar House, Connaught Place, Delhi (2nd Floor)	5,522 sq. ft.	111	100.00%
Nukleus Tower, Sector 142, Noida (4th floor)	10,565 sq. ft.	100	100.00%
Nukleus Tower, Sector 142, Noida (8th floor)	10,565 sq. ft.	175	100.00%
Barakhamba Tower, Barakhamba Road, Connaught Place, Delhi (Skipper, 1106, 11th floor)	4,822 sq. ft.	96	100.00%

**Revenue Bifurcation product-wise:**

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Dec-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Co-working space on rent and allied services	264.71	77.31%	582.41	53.44%	1,142.98	66.59%	1,665.22	77.97%
Managed offices	76.07	22.22%	505.66	46.40%	569.78	33.20%	468.90	21.96%
Others	1.63	0.48%	1.70	0.16%	3.65	0.21%	1.54	0.07%
<b>Total</b>	<b>342.41</b>	<b>100.00%</b>	<b>1,089.77</b>	<b>100.00%</b>	<b>1,716.41</b>	<b>100.00%</b>	<b>2,135.66</b>	<b>100.00%</b>

**Competition -**

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of reduced rates, improved conveniences, better services, or expanded facilities, including engagement and networking events.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.

**Business Strategies -**

- The company intends to expand with new centres in major business hubs like Bangalore and Ahmedabad including 125-175 seating capacity.
- The company intends to focus on brand building through standardisation of services provided and uniform aesthetic designs for the centres.
- The company maintains capital efficiency through hybrid model that allows them to customize spaces according to clients' needs.
- The company aims to partner up with reliable clients to obtain long-term leases (including leases for more than 9 years) in key business and financial locations throughout Delhi NCR.

**Risk Factors -**

The company is generating revenue from Delhi NCR only.

The company had negative cash flow from operations in FY22.

**PEER ANALYSIS -**

Particulars	Nukleus Office Solutions Limited			Awfis Space Solutions Limited			Kontor Space Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.12%	6.18%	6.99%	-20.50%	-8.24%	-2.01%	7.67%	17.36%	14.24%
EBITDA Margin	17.15%	30.29%	26.83%	32.29%	31.12%	31.02%	5.69%	37.21%	30.68%
RoCE	4.77%	20.94%	13.01%	-2.43%	4.01%	8.01%	23.44%	32.17%	12.68%
ROE	32.48%	67.26%	28.54%	-60.34%	-27.53%	-6.99%	41.33%	40.43%	8.86%
EPS (INR)	2.05	12.94	19.71	-18.97	-15.47	-7.10	1.38	5.57	3.65
P/E	114.15	18.08	11.87	-	-	-	-	-	17.07

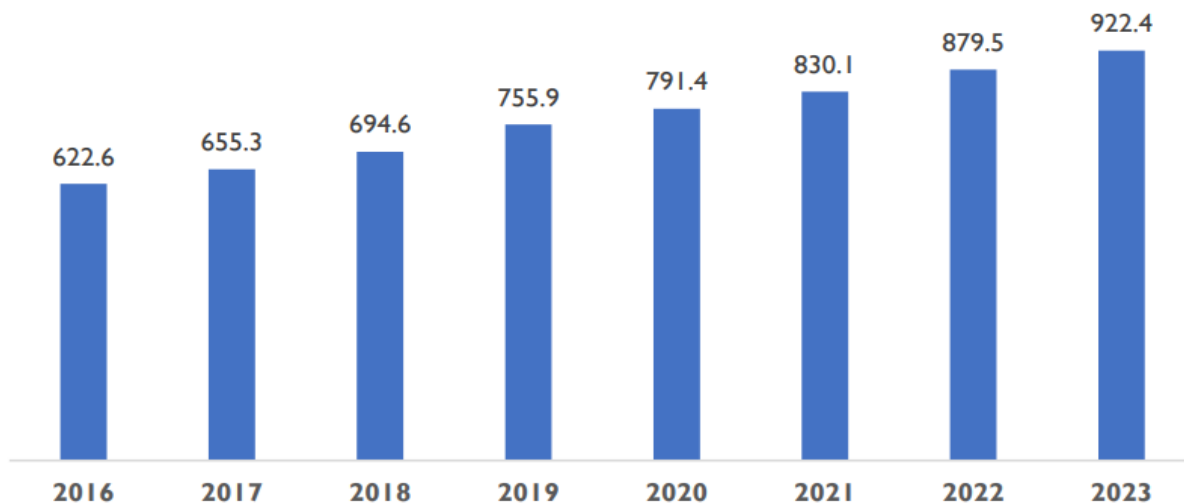
- The company is not comparable to Awfis Space Solutions on an apple-to-apple basis.
- The market cap of the company is more compared to Kontor Space.
- The company has more number of centres and seats compared to Kontor Space.
- The PE ratio of the company is better than Kontor Space.

**INDUSTRY OVERVIEW -**

**Indian Commercial Office Space Industry –**

The total office space stock in India grew by 48.15% between 2016 and 2023, reflecting a steady increase in office space availability over the past eight years. The highest growth rate was recorded in 2019 at 8.83%, potentially due to factors like a booming economy and strong demand for office space. The year 2020 witnessed the lowest growth rate at 4.70%, which can likely be attributed to the COVID-19 pandemic that disrupted economic activity and led to a shift towards remote work arrangements.

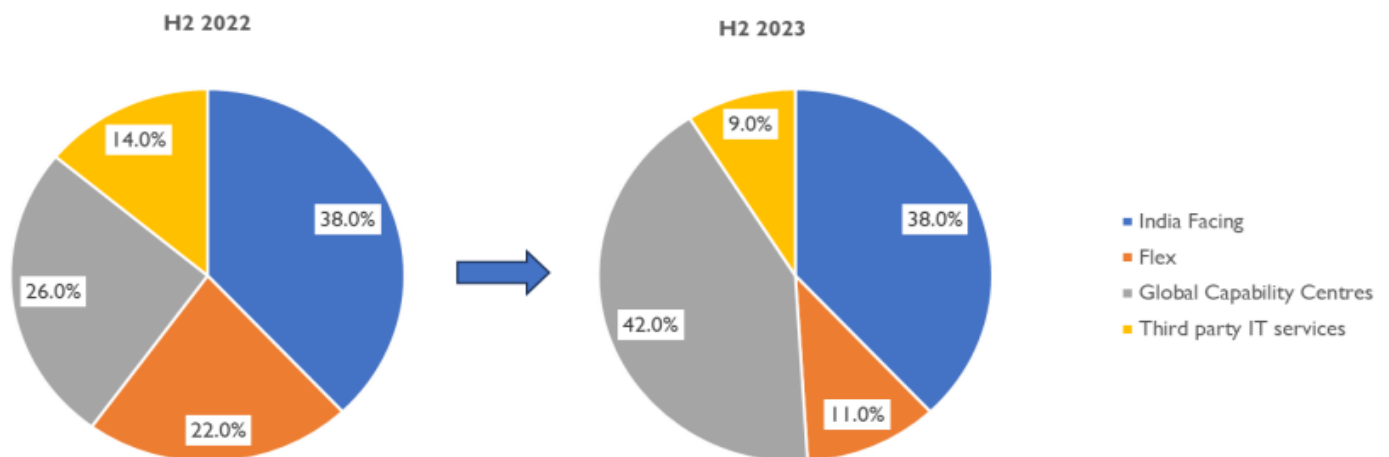
**Total office space in India (Mn Sq.ft)**



(Source:RHP)

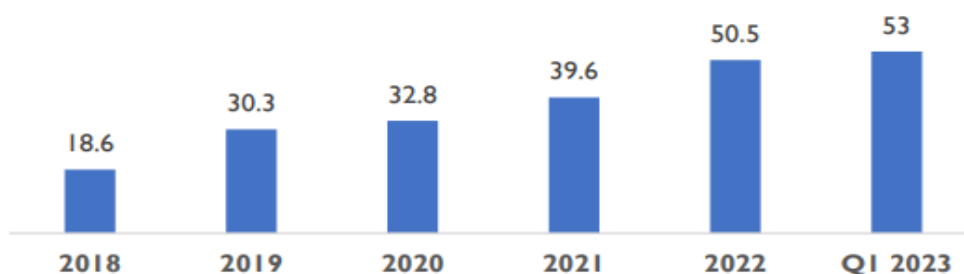
Companies catering to the domestic Indian market continue to be the primary driver of office space absorption with consistent Demand of 38% in both H2 2022 and H2 2023. A remarkable trend is the surge in demand from Global Capability Centers (GCCs). Their share of office space absorption jumped from 26% in H2 2022 to a dominant 42% in H2 2023, signifying India's growing appeal as a strategic hub for multinational corporations to establish centers for IT, finance, or R&D activities.

**End-use split of commercial office Space in India (%)**



The total operational area dedicated to flexible workspaces in the top seven Indian cities has reached a staggering 53 million square feet in Q1 2023. This translates to a penetration level of around 4.7% of the overall office space stock, making India one of the fastest-growing flexible workspace markets globally.

**Total Flexible office space in India (Mn Sq.ft)**



(Source:RHP)

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Nipun Gupta</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 26+ years of experience
<b>Qualification</b>	Bachelor of Commerce (Honours Course),
<b>Responsibility</b>	Managing and expanding operations, implementing strategic marketing and business initiatives, and focusing on financial performance of the Company
<b>Other Directorships</b>	Atlantic Projects Limited, Akshar Corporate Consultants Private Limited, PSL Infracon LLP etc.

<b>Key Management Persons Name -</b>	<b>Puja Gupta</b>
<b>Age</b>	46
<b>Designation and No. of years of experience</b>	Promoter and Director, 20+ years of experience
<b>Qualification</b>	Bachelor of Commerce (Honours Course)
<b>Responsibility</b>	Manages backend operations in the Company
<b>Other Directorships</b>	PSL Infratech Private Limited, Arete Securities Limited, Advance Knee Care LLP etc.

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- Ajai Kumar, Manohar Lal Singla and Paresh Nath Sharma are Non-Executive Independent Directors of the Company. They have an average experience of 45+ years and have education qualification in their respective fields.
- Ajay Singhal (CEO), holds Bachelor of Technology in Mechanical Engineering and Post-Graduate Diploma in Management. He has an overall experience of 25 years and is the head of the financial planning, proposing strategic directions, finance & accounts, audit and supply chain department.
- Gaurav Gulyani (CFO), is a qualified CA and has completed B. Com and has 12+ years of experience.
- Pooja Jaiswal (CS) is the head of the secretarial department and is also designated as Compliance Officer.

## FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
Revenue from Operations	340.78	1,088.07	1,712.76	2,134.13
Other Income	1.63	1.70	3.65	1.54
<b>Total Income</b>	<b>342.41</b>	<b>1,089.77</b>	<b>1,716.41</b>	<b>2,135.67</b>
<b>Expenses</b>				
Direct Expenses	253.68	607.23	949.45	1,060.02
Employee Benefit Expenses	24.00	101.39	155.47	232.01
Finance Cost	0.09	0.30	19.16	63.64
Depreciation and Amortization Expense	45.73	240.90	283.95	313.65
Other expenses	4.66	49.82	148.39	265.24
<b>Total Expenses</b>	<b>328.16</b>	<b>999.64</b>	<b>1,556.42</b>	<b>1,934.56</b>
<b>EBITDA</b>	<b>58.44</b>	<b>329.63</b>	<b>459.45</b>	<b>576.86</b>
<b>EBITDA Margin</b>	<b>17.15%</b>	<b>30.29%</b>	<b>26.83%</b>	<b>27.03%</b>
<b>Profit/(Loss) before tax</b>	<b>14.25</b>	<b>90.13</b>	<b>159.99</b>	<b>201.11</b>
<b>Tax Expense</b>				
Current tax	4.14	28.51	61.64	93.47
Deferred Tax	-0.53	-5.67	-21.37	-43.49
<b>Total Tax</b>	<b>3.61</b>	<b>22.84</b>	<b>40.27</b>	<b>49.98</b>
<b>Profit/(Loss) for the year</b>	<b>10.64</b>	<b>67.29</b>	<b>119.72</b>	<b>151.13</b>
<b>Net Profit Margin</b>	<b>3.12%</b>	<b>6.18%</b>	<b>6.99%</b>	<b>7.08%</b>

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	16.00	16.00	251.76	267.72
Reserves and surplus	16.76	84.04	167.76	602.97
<b>Total Equity</b>	<b>32.76</b>	<b>100.04</b>	<b>419.52</b>	<b>870.69</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	-	-	558.33	1,309.98
Other Long Term Liabilities	233.54	323.67	371.01	423.33
<b>Total Non-current liabilities</b>	<b>233.54</b>	<b>323.67</b>	<b>929.34</b>	<b>1,733.31</b>
<b>CURRENT LIABILITIES</b>				
Short-term Borrowings	-	183.47	263.99	48.11
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	9.00
(ii) Total outstanding dues of creditors other than MSME	25.07	72.87	180.80	99.99
Other Current Liabilities	28.64	26.04	58.99	73.57
Short-term provisions	6.89	29.60	83.22	101.92
<b>Total Current liabilities</b>	<b>60.60</b>	<b>311.98</b>	<b>587.00</b>	<b>332.59</b>
<b>Total Liabilities</b>	<b>294.14</b>	<b>635.65</b>	<b>1,516.34</b>	<b>2,065.90</b>
<b>Total Equity and Liabilities</b>	<b>326.90</b>	<b>735.69</b>	<b>1,935.86</b>	<b>2,936.59</b>

**ASSETS****NON-CURRENT ASSETS**

Property, Plant and Equipment	15.86	226.64	543.13	839.07
Capital Work in Progress	-	-	204.50	107.38
Deferred tax assets (net)	0.97	6.64	28.02	71.50
Other Non-current Assets	55.22	174.76	258.93	1,086.26
<b>Total Non-Current assets</b>	<b>72.05</b>	<b>408.04</b>	<b>1,034.58</b>	<b>2,104.21</b>



Particulars	FY 22	FY 23	FY 24	Dec-24
<b>CURRENT ASSETS</b>				
Trade Receivables	51.97	117.17	99.93	197.32
Cash & Cash equivalents	4.65	4.58	582.18	91.44
Short term loans and advances	140.39	8.63	-	-
Other Current Assets	57.83	197.25	219.16	543.63
<b>Total Current assets</b>	<b>254.84</b>	<b>327.63</b>	<b>901.27</b>	<b>832.39</b>
<b>Total Assets</b>	<b>326.89</b>	<b>735.67</b>	<b>1,935.85</b>	<b>2,936.60</b>

### Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Dec-24
Net Cash Flow from Operating Activities	-111.74	288.55	1,099.56	500.09
Net Cash Flow from Investing Activities	-68.08	-378.45	-749.91	-1,289.85
Net Cash Flow from Financing Activities	165.82	89.83	227.95	299.01

### Key Ratios

<u>Per Share Data</u>					<u>Valuation Ratios (x)</u>				
	FY 22	FY 23	FY 24	FY 25*		FY 22	FY 23	FY 24	FY 25*
Diluted EPS	2.05	12.94	19.71	4.99	EV/EBITDA	0.48	0.85	1.44	1.07
BV per share	20.48	62.53	16.66	101.46	Market Cap / Sales	1.10	0.34	3.44	3.32
<u>Operating Ratios</u>					P/E	114.15	18.08	11.87	46.91
EBITDA Margins	17.15%	30.29%	26.83%	27.03%	Price to Book Value	11.43	3.74	14.04	2.31
PAT Margins	3.12%	6.18%	6.99%	7.08%	<u>Solvency Ratios</u>				
Inventory days	-	-	-	-	Debt / Equity	-	1.83	1.96	0.32
Debtor days	55.82	39.41	21.35	35.50	Current Ratio	4.21	1.05	1.54	1.54
Creditor days	-	-	-	-	Quick Ratio	4.21	1.05	1.54	1.54
<u>Return Ratios</u>					Asset Turnover	1.04	1.48	0.88	1.47
RoCE	4.77%	20.94%	13.01%	6.55%	Interest Coverage Ratio	141.22	295.77	9.16	4.14
RoE	32.48%	67.26%	28.54%	4.92%					

\*Annualized

### INTERPRETATION –

- The top line has increased over the years. It increased by 219.29% in FY23. The increase was due to increase in total centres from 4 to 7 and number of seats from 1,351 to 1,697. The occupancy rate of these centres were also very high which lead to the sudden increase. Then it increased by 57.41% in FY24 which was due to increase in total centres from 7 to 11 and number of seats from 1,697 to 2,750.
- The net profit also increased over the years. It increased by 532.42% in FY23 and increased by 77.92% in FY24. The sudden increase in FY23 was because the % of direct expenses relative to revenue decreased significantly.
- The PAT margin has increased over the years and EBITDA margin had seen a slight decrease in FY24.
- There is negative cash flow from operations for FY22.
- The RoCE and RoE saw a dip in FY24.

**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is **Sundae Capital Advisors Private Limited**. This is their third mandate. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Sundae Capital Advisors Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Quadrant Future Tek Limited	290.00	444.00	Jan 14, 2025	498.45
2.	Proventus Agrocom Limited	69.54	771.00	Jun 05, 2023	1,511.00

The company has handled 2 mandates in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 20<sup>th</sup> Feb 2025.

As per the offer document, the above-mentioned mandates have opened at a premium on the listing day.



## Recommendation -

Nukleus Office Solutions Limited has been in the industry since 2019 and has decent experience in the industry.

The P/E on a post-IPO annualized basis is around 46.91 times which makes it aggressively priced.

The company's management is decent and the promoters have decent experience in the industry.

The company's top line and bottom line has increased over the years. There was a sudden increase in top line in FY23 which should not be a major concern as it was due to increase in total number of centres and seats. Also, the occupancy rate of these centres were very high. The bottom line also saw a sudden jump in FY23 as the revenue increased significantly and the direct expenses marginally reduced relative to revenue. The company had positive cash flow from operations for the last two years. Overall, the financials of the company looks sustainable.

The company is expanding their geographic presence by expanding their centres in other cities (Bengaluru and Ahmedabad) for which they are raising IPO. They are also focusing on brand building and are planning to start their mobile application for a better experience for customers.

Although the issue is aggressively priced and the industry is high fragmented, the company has shown a rapid growth since its inception and with the given business strategies and expansion if the company continues to grow in the upcoming years then the high PE ratio post issue should not have a major impact.

Thus, looking at a valuation factor we have a **NEUTRAL** opinion on this IPO. Investors can check their risk appetite and further company updates for making a decision.

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