

## Smartworks Coworking Spaces Limited

November 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	320.00 (Enhanced from 202.30)	CARE A; Stable	Reaffirmed
Short-term bank facilities	40.00 (Enhanced from 30.00)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Smartworks Coworking Spaces Limited (SCSL) derive strength from continued improvement in scale of operations over the years through improving space under management and healthy occupancy levels. CARE Ratings Limited (CareEdge Ratings) also notes SCSL's listing on BSE and NSE from July 17, 2025, post a successful initial public offer (IPO), which subsequently improved SCSL's financial risk profile leading to improved capital structure and debt coverage indicators. CareEdge Ratings also notes that a major portion of IPO funds are to be utilised for future expansion.

Ratings also consider the company's strong presence in the flexible, fully serviced workspace sector across India, and backing of reputable investors. Ratings further benefit from a diverse and reputed tenant profile, which reduces tenant concentration risk. The presence of escrow mechanism and debt service reserve account (DSRA) and stable operating cash flows through timely collection of rent contribute to rating comfort.

However, ratings are constrained by continuous accounting losses (primarily due to IND-AS accounting) in the past, resulting in leveraged capital structure till FY25, significant expansion plans in the near future that pose market risks, the potential risk of lease non-renewal after the lock-in period, exposure to macroeconomic conditions and cyclical nature of the competitive real estate industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in total operating income (TOI) level by 20% and adjusted profit before interest, lease rentals, depreciation and taxation (PBILDT) level of 15% on a sustained basis.
- Sustenance of healthy cash flow marked by cash coverage ratio (CCR) over 2x on a sustained basis.

#### Negative factors

- Non-renewal of lease contracts, leading to decline in the occupancy levels below 75% on a sustained basis, resulting in moderation in the liquidity profile and weakening CCR on a sustained basis.
- Un-envised debt-laden capex leading to increase in debt beyond ₹400 crore on a sustained basis.
- Adverse impact considering unforeseen contingent liabilities, arising from pending litigations.

#### Analytical approach: Consolidated

For assessing SCSL's credit risk profile, CareEdge Ratings has taken a consolidated approach considering expected increase in operations of its subsidiaries with high operational and financial linkages. Details of entities consolidated have been mentioned in Annexure-6.

#### Outlook: Stable

CareEdge Ratings has assigned 'Stable' outlook of expected continuation of improvement in the company's financial performance in the near-to-medium term, propelled by healthy growth of space under management with comfortable occupancy levels.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Strong presence in flexi fully serviced workspace platform marked by pan-India existence

SCSL is the largest managed office platform in India, in terms of footprint, with over 10.1 million operational SBA in 15 cities across 56 centres with over 730 customers as on June 30, 2025. SCSL offers flexibility with minimal capex and is known for its rapid office delivery, typically providing fully configured, custom-designed office spaces to clients within 45 to 60 days from the date of contract signing versus typical 6–9 month process for conventional office space.

SCSL leverages its economies of scale through standardisation, modular design, and reusable components ensuring lower capital intensity and faster payback across centres. The cost per seat is one of the lowest in the industry (Opex of ~₹ 34-36 per sq. ft. per month and Capex of ~₹ 1,350 per sq. ft), which helps it to maintain healthy earnings before interest, taxation, depreciation, and amortisation (EBITDA) margins with low price per seat.

SCSL has the benefit of pan-India presence, which helps it diversify geographical concentration risk and also adds to benefits extended to multi city clients, who accounted for ~32% of rental revenue in Q1FY26. It has sharply scaled up its operations in the last five financial years while establishing a diversified clientele base. Reputed and growing customer base, and unique product offering, services and facilities are expected to support healthy growth in operating revenues and margins in the medium term.

#### Diverse and reputed tenant profile

The SCSL's revenue is driven by long-term, annuity-driven contracts with enterprise clients contributing ~89% rental revenue. The company's operations of company are spread across 54 leased centres with over 730 clients, which provides healthy revenue diversity as top 20 tenants contribute only ~28% in FY25 (PY: 27%) to the total rental income and minimising business risk. SCSL has ~4 years of weighted average total tenure with customers, leading to revenue visibility and business stability. Several existing clients have increased their engagement levels with SCSL by renting out more seats in the same premises or across locations, resulting in increase in the revenue from multi-city clients. Rental revenue contribution from multi-city clients stood at ~32% for FY25. High retention rate and growing multi-city enterprise penetration ensure high client stickiness and cash flow predictability. SCSL is focusing on reducing client concentration risk with sectoral diversification (~58% rental revenue coming from non-IT/ITeS clients in FY25) and progressively reduced dependency from top clients over years with moderate revenue contribution from its top clients. However, it is limited by geographical concentration, arising from the geographic spread of the company, as four major Tier 1 cities of the 15 cities (Tier 1 and Tier 2) contributed 75% of the total revenues in FY25 (80% in FY24), which is owing to high concentration of enterprise clients in cities. As on March 31, 2025, clients come with a weighted average lock-in tenure of around three years, which ensures cash flow stability. With the company expanding its presence in Singapore, geographical diversity is expected to improve further.

#### Improvement in scale of operations through improving seat availability and high occupancy

In the last three financial years, the company's scale of operation improved sharply marked by increase in TOI to ₹1375 crore in FY25 over TOI of ₹712 crore in FY23, driven by addition of new spaces/seats under management and improvement in occupancy levels. Profitability also improved and the company reported PBILDT of ₹861 crore in FY25 against ₹667 crore in FY24. PBILDT after adjusting lease outflow stood at ₹176 crore in FY25 compared to ₹114 crore in FY24. Adjusted EBITDA stood at ₹61 crore in Q1FY26. Total available seats/operational capacity grew to 1.84 lakhs as on March 31, 2025, from 1.63 lakhs as on March 31, 2024. Occupancy levels improved 83% as on March 31, 2025, against 80% as on March 31, 2024, despite increase in seat availability.

In Q1FY26, the company has reported TOI of ₹388 crore, with the number of operational seats and occupancy standing at 1.90 lakhs and 83% respectively with committed occupancy being ~89% at an overall level. In H1FY26, the company reported revenue of ~₹804.00 crore.

Despite increase in seats available for lease, occupancy levels have stayed healthy consistently over the years considering the company's efforts to identify units that can have good demand and can be leased out quickly to reputed clients. Seat availability is expected to improve in the near-to-medium term with healthy occupancy.

#### Successful Completion of IPO

The company has successfully completed its IPO and got listed on July 17, 2025, with a premium of ~7% over IPO price. The issue was subscribed over 13.9x.

The total size of IPO was ₹582.56 crore, which include fresh issue of 1.09 crore shares of ₹445 crore and offer for sale of 0.34 crore shares aggregating ₹137.48 crore. Net proceeds of ₹396.47 crore (net of offer related expenses of ₹48.52 crore) will be utilised towards capex for fit-outs and for security deposits of new centres (₹225.84 crore); towards repayment/prepayment/redemption of borrowings (₹114.00 crore) and remaining towards general corporate purposes (₹56.63 crore).

### **Presence of escrow mechanism and DSRA**

The company is maintaining escrow accounts for routing lease rents of specified tenants before transferring the surplus, after paying equated monthly instalment (EMI), to current account for general usages. The company is maintaining DSRA equal to 3-months EMI in the form of fixed deposits/mutual funds with lenders, which cushions the company's liquidity position.

### **Stable operating cash flows**

SCSL has gross quarterly revenue of ₹380, of which it has escrowed rental of ~30%, which is ~4x cover of EMI, against stipulated cover of ~2x. Excess rental revenues (pledged and unpledged) provide sufficient cover for meeting day-to-day expenses. Timely rental collection also adds comfort to stable cash flow. The company generally has pending rentals for an average of seven days.

### **Key weaknesses**

#### **Leveraged capital structure**

The company's capital structure stands leveraged as on March 31, 2025, with gearing levels of 39.89x (PY: 151.21x), majorly owing to losses on profit after taxation (PAT) level eroding net worth. The company continues to incur losses on PAT levels (largely due to accounting policy of non-cancellable and renewable leases tenure per IND-AS), although the company has been making cash profits in the last four years. This apart, a substantial portion of the total debt includes liability considering finance leases. The company's adjusted overall gearing without considering lease liabilities stood at 4.25x compared as on March 31, 2025, compared to 19.56x in previous year.

In FY25, the company has raised equity to the tune of ₹116 crore from a pool of existing and reputed investors, which led to improvement in its capital structure.

With successful completion of IPO in Q2FY26, the company raised net proceeds of ₹396.47 crore, leading to improvement in net worth. Of the IPO proceeds, ₹ 114.00 crore have already been utilised towards repayment and prepayment of outstanding debt per issue objectives. As on September 30, 2025, adjusted overall gearing without considering lease liabilities improved to below unity level and stood at 0.5x.

#### **Risk of non-renewal of lease after lock-in period**

Lease agreements with tenants generally have tenure of 4-5 years with an average minimum lock-in period of three years. Hence, there is a risk pertaining to the tenants exiting from the agreement after end of the minimum lock-in period. However, such risk is mitigated to a certain extent as the lessees occupying the spaces are renowned entities and high retention levels of tenants experienced in the past. Agreements with landlords are largely one-sided in the company's favour post lock-in period as landlords cannot terminate the agreement prematurely before complete term of agreement (which is generally 10-15 years), as long as the company pays agreed rentals timely.

#### **Sizeable expansion plans in pipeline leading to market risk**

The company is exposed to market risk due to large expansion plans in the next three years. Capex is likely to be funded through a mix of debt and equity. However, proposed capex is modular in nature, which can be altered/shifted with a change in the business environment at minimal cost. Thus, it reduces the business risk to some extent. With anticipated internal cash accruals and proceeds from the planned IPO, majority capex is likely to be met without significant dependence on external borrowings. Impact of capex on profitability and capital structure will be key rating monitorable.

#### **Exposed to macroeconomic scenario and cyclicalities associated with competitive real estate industry**

Lease rentals are influenced by macroeconomic factors such as economic slowdowns, high inflation, and high interest rates, and external events such as the COVID-19 pandemic, which can impact tenants' business risk profiles and potentially affect occupancy

and rental rates for SCSL. New competing capacities nearby could reduce tenants or rental rates, and the company is also subject to the cyclical nature of the commercial real estate sector.

### **Liquidity: Adequate**

The company's liquidity position is expected to be adequate in the near-to-medium term as projected cash inflows are expected to be sufficient to meet debt repayment obligations ₹119 crore in FY26. Prepayment of ₹114.00 crore of term loan/Bonds from IPO proceeds including accrued interests, has provided sufficient cushion to the company's cash flow.

The liquidity position also draws comfort from escrow mechanism and DSRA, covering three months of repayment obligations; supported by free cash and cash equivalents of ~₹50 crore as on March 31, 2025.

### **Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Debt backed by lease rentals](#)

[Consolidation](#)

[Short Term Instruments](#)

### **About the company and industry**

#### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Real estate related services

SCSL was started in 2016 by NCR-based Neetish Sarda (promoter) and Harsh Binani (promoter). The company is engaged in flexible fully serviced workspace leasing business, with pan-India presence having total leasable areas of ~10.1 Msf as on June 30, 2025. The company's day-to-day operations are managed by Harsh Binani and Neetish Sarda, supported by a team of experienced professionals.

Brief Consolidated Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	1041.91	1375.27	803.99
PBILDT	667.49	861.07	536.22
PAT	-49.96	-63.18	-7.34
Overall gearing (times)	151.21	39.89	7.40
Interest coverage (times)	2.03	2.56	3.08

A: Audited UA: Unaudited; Note: these are latest available financial results analytically adjusted under CareEdge Ratings' methodology.

**Status of non-cooperation with previous CRA:** Not applicable.

**Any other information:** Not applicable.

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### **Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook

Fund-based - LT-Term Loan		-	-	February 2030	320.00	CARE A; Stable
Fund-based - ST-Bank Overdraft		-	-	-	40.00	CARE A1

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	320.00	CARE A; Stable	1)CARE A; Stable (06-Nov-25)	1)CARE BBB+; Positive (03-Jan-25) 2)CARE BBB+; Positive (11-Dec-24)	1)CARE BBB+; Stable (10-Nov-23) 2)CARE BBB+; Stable (20-Oct-23)	-
2	Fund-based - ST-Bank Overdraft	ST	40.00	CARE A1	1)CARE A1 (06-Nov-25)	1)CARE A2 (03-Jan-25)	-	-

LT: Long term; ST: Short term.

#### Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple

#### Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

#### Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Smartworks Tech Solutions Private Limited	Full	Wholly owned subsidiary
2	Smartworks Office Services Private Limited	Full	Wholly owned subsidiary
3	Smartworks Stellar Services Private Limited	Full	Wholly owned subsidiary
4	Smartworks Space Pte. Ltd	Full	Wholly owned subsidiary

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

Media Contact	Analytical Contacts
<b>Media Contact</b> Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b> Arindam Saha Director <b>CARE Ratings Limited</b> Phone: +91-33-4018 1631 E-mail: <a href="mailto:arindam.saha@careedge.in">arindam.saha@careedge.in</a>
<b>Relationship Contact</b> Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3404 E-mail: <a href="mailto:saiyat.roy@careedge.in">saiyat.roy@careedge.in</a>	Punit Singhania Associate Director <b>CARE Ratings Limited</b> Phone: +91-33-4018 1620 E-mail: <a href="mailto:punit.singhania@careedge.in">punit.singhania@careedge.in</a>  Soumadip Kumar Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Soumadip.Kumar@careedge.in">Soumadip.Kumar@careedge.in</a>

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