“Smartworks Coworking Spaces Limited
Q4 FY26 Earnings Conference Call”
April 30, 2026

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Moderator: Ladies and gentlemen, good day and welcome to the Smartworks Coworking Spaces Limited Q4 FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from EY IR. Thank you, and over to you, sir.

Diwakar Pingle: Thank you, Dorwin. Good afternoon to all of you. Welcome to the Q4 and full year FY26 Earnings Call of Smartworks Coworking Spaces Limited. To take us through the results today and answer your questions, we have the top management with us represented by Neetish Sarda, Managing Director; Harsh Binani, Executive Director; Sahil Jain, Chief Financial Officer; Pratik Agarwal, Chief Business Officer; and Anirudh Tapuriah, Chief of Strategy and Investor Relations.

We will start with the opening remarks from the management, post which we will open the floor for Q&A session. Before we proceed, I would like to remind you that certain statements made during this call may be forward-looking in nature. These statements are subject to risks and uncertainties, which are outlined in the presentation and that you can find on the website.

I now like to hand over the call to Neetish Sarda for his opening remarks. Over to you, Neetish.

Neetish Sarda: Good evening, everyone, and thank you for joining us for the Q4 FY26 earnings call of Smartworks Coworking Spaces Limited. FY26 was our first full year as a listed company. Before I take you through the numbers, I want to frame what FY26 actually was for Smartworks, because it produced three first-evers in 12 months, and together they tell the story.

When we listed, we made clear commitments to grow revenues at scale, expand margins consistently, and improve returns and sustain strong operating cash flows. We are pleased to say that in FY26, we've delivered on each of these and outpaced in several.

Before going into the numbers, I want to frame the year simply. First, in Q4, we crossed 10 million square foot of operational area, making Smartworks the first listed flexible workspace platform in India to reach this milestone. We were the pioneers of managed campus platforms in India, and we have built the platform in under seven years, which includes two years of COVID.

Second, FY26 was our first full year of Ind AS PAT profitability, on top of continuous cash profitability on normalized basis for more than 3 years. That is a meaningful inflection point, and it happened in the same year we grew operationally by ~24%, which has a meaningful impact on Ind AS reported accounting profitability.

Third, we crossed INR 5,200 crores of contracted rental revenue. These are not pipeline, they are signed annuity-like contracts with Fortune 500s, Forbes 2000, global MNCs, and large Indian conglomerates, with average tenures of over 44 months. Together, this locks in 82.5% of our FY27 revenue.

Three milestones, 12 months, on a clean balance sheet and on a base with very low quarter-to-quarter volatility. 90% plus enterprise revenue, multi-year tenures, and no asset-liability mismatch through FY29. The compounding phase is visible in every metric, and going forward, we will continue seeing improvement in these on a quarterly basis.

Together, these milestones matter because they show that Smartworks has moved from scaling square feet to compounding returns. There is clear inflection visible in all our metrics.

Our model is no longer only about growth, it is about growth with profitability, growth with cash generation, and growth with capital efficiency. The financial progress reflects this shift clearly.

Our revenues grew 31% year-on-year to almost INR 1,800 crores. Our normalized EBITDA grew more than 75% to INR 314 crores. EBITDA margins expanded by 440 bps to 17.5%, and we ended the year net debt negative with INR 56 crores. 21.5%(1) Q4 annualized ROCE, ROCE more than doubled on annual basis from 7.3% to 16%.

We believe a better measure to evaluate the capital efficiency is through a new measure we have introduced, operating ROIC (Return on Invested Capital). It expanded by 980 basis points year-on-year to 16.4% in FY26. Viewed alongside ROCE, it underscores the durability and repeatability of returns as Smartworks continues its compounding phase.

Let me now step back from Smartworks for a moment and explain the market context. The structural shift in India's office market is accelerating. India's office market delivered three consecutive record years of gross leasing. 83 million square foot absorbed in '25. Quarter 1 of calendar year '26 already clocked 22 million square foot of space, the highest ever first quarter on record.

The overall commercial real estate market continues to grow, but flex is growing much faster. In calendar year '25, India's office stock grew by around 8%, while the flex stock grew by 22%. In this, Smartworks grew faster than any of these at 24%. In other words, flex is outgrowing traditional commercial real estate, and Smartworks is outgrowing flex.

Today, Smartworks commands over 1% of India's total commercial real estate stock and 10% of the flexible workspace market, establishing itself as the undisputed market leader, significantly ahead of peers. With our ability to scale the fastest and add 2.5 to 3 million square foot every year, we believe incremental market share gain led with acceleration in the coming years, and our intent is to double our market share.

Industry data now shows flex demand mirroring broader commercial real estate demand patterns. The strongest validation that flex has gone mainstream. We are no longer a niche category riding on a trend. We are growing in step with the entire commercial real estate market and faster within it. Sturdy, stable, and structural.

(1) 21.6% was mentioned in error. Figure corrected above.

The strength of our demand and occupancy reflects four converging drivers. First, traditional enterprises are accelerating their move from conventional leases to flex. The most recent example being Hindalco, who shifted into Smartworks' facility in Pune. Second, GCCs continue to be a powerful tailwind. India is increasingly a strategic innovation hub, not just a delivery centre, and this is translating into larger, longer, higher-value mandates.

GCC revenues exceed 15% of our rental revenue today. We expect it to double over the next few years. Third, deal sizes are getting meaningfully larger. The 1,000 plus seat cohort now contributes 37% of revenue, up from 29% a year ago. This quarter alone, a leading global financial institution signed a 3,000-seater campus with us, and a Big Four consulting firm to over 2,000 seats.

Fourth, expansion from existing clients has scaled. Within the same city or across cities, multi-city revenue is now 31% of our total revenue. Clear validation of the platform's stickiness. Our scale makes us anti-fragile. Top 10 client concentration has halved from 39% to 20% over 7 years. Shocks in any single city, sector, or client get absorbed by the rest of the portfolio.

On AI, which is the question we are getting most often, we do not see it as a headwind, we see it as a tailwind. Offices are not a discretionary expense, they are essential infrastructure where companies build cultures, mentor talent, run R&D, and protect IP. As long as companies exist to build something, they will need a place to build it from. Smartworks has always evolved with how enterprises work. AI is the next evolution, and our enterprise-first managed Grade A platform is built for exactly this shift.

That brings me to supply, which we believe is the single biggest moat in our industry. Grade A office demand has now outrun new supply for four consecutive years. The shortfall is projected to persist through 2030. In a market where supply is structurally constrained, securing uninterrupted access to Grade A space is the moat.

We have secured 100% of our FY27 supply, and we have visibility to over 80% of the FY28 number. This year, we deepened partnerships with leading institutional developers like Hiranandani, Panchshil, TATA Realty, and others. They are repeat partnerships, not just transactions. The size of our campus puts us in a unique position. Competition for full buildings, 1,000 plus seater take-ups is very limited, which earns us preferred terms with landlords for tenures of up to 15 years, and our ability to win multiple 1,000 plus seater deals lets us ramp up large new centres on the same timeline as smaller ones.

In our entire operating history, we have surrendered just less than half a million square foot, under 3% of our portfolio. That track record is rare in this industry, and it is often one of the reasons landlords increasingly come to us first. I will now hand it over to Harsh to take you through the financials and operational performance in detail. Harsh, over to you.

Harsh Binani: Thank you, Neetish, and good afternoon, everyone. I will walk you through three areas. First, Q4 and FY26 financial performance. Second, the operating metric behind the numbers. And third, our outlook for FY27.

Let me begin with Q4. Q4 was the strongest quarter in Smartworks' history. Our revenue from operations stood at approximately INR 520 crores, up 45% year-on-year and 10% quarter-on-quarter.

Our normalized EBITDA was approximately INR 99 crores, up 71% year-on-year with margin at 19% with regards to exit in Q4. Our normalized PBT stood at approximately INR 47 crores with a margin of 9%. Normalized operating cash flow for Q4 was approximately INR 108 crores with OCF to EBITDA at 1.1x.

It was a strategic call to accelerate supply acquisition for '28 and '29, and OCF has continued to trend upwards in spite of this. Our annualized ROCE for Q4 reached approximately 21.5%(2) and annualized cash ROCE reached 49%. Most importantly, this was our second consecutive quarter of reported PAT profitability in spite of the massive footprint expansion, and FY26 was our first full year of reported PAT profitability.

Why does Q4 performance matter? It shows operating leverage becoming visible at scale. As more centres mature, incremental revenue converts disproportionately into EBITDA, cash flow, and returns. On the operational side, we are today at 16.1 million square feet of footprint across 66 centres in 15 cities, including Singapore, with 10.1 million square foot operational already.

Our mature campuses occupancy is steady at 89% and committed occupancy is at 93%. Both of these have held for several years now, showing the robustness of the model. This is what a stable annuity-like base looks like. Our overall occupancy is 82%. It majorly reflects the addition of ~1 million square foot of new operational area in Q4, which is ramping up very rapidly. The seat retention for FY26 is at 88%.

Now, this is the core quality of Smartworks revenue base. Enterprise-led, long-tenured, multi-city, and increasingly diversified. Our concentration risk has also reduced meaningfully, with the top 10 client concentration reducing by half from 39% in '19 to 20% in '26. Our presentation has highlighted the revenue mix being more diversified across IT and technology, consulting and professional services, engineering and manufacturing, BFSI, and others.

Our 1,000 plus seat cohort contributes 37% of rental revenue (3), and this was 29% last year. Our average tenure continues to be on the higher end with more than 49 months and a lock-in of more than 36 months. And last year, we had ~38,000 seats net leased during the year, with the limited supply that was available to sell, and this is the trend and the trajectory we take forward with us in '27. Our terms of trade remain the best in class with debtor days at 7 and negative working capital.

Three points worth flagging on the financial trajectory. First, margin expansion is structural; this is not pricing-led. Normalised EBITDA margin rose from 13% in '25 to 17.5% in '26, exiting Q4 at 19%, driven by centre maturity and operating leverage beyond payback. The same dynamics have more than doubled ROCE, underscoring sustainably improving capital productivity.

(2) 21.6% was mentioned in error. Figure corrected above.

(3) Edited for the purpose of readability

Second, our ROCE expansion is also portfolio maturity-led. Our cash ROCE for Q4 was the highest ever at 49%, and we believe this measure is one of the most rigorous lens for evaluating a recurring rental business at scale, in addition to ROIC, which is a new measure which we've introduced. Third, our OCF to EBITDA has moved to 1.1x, and this was largely due to the strategic call that we took to secure supply for the subsequent years. We expect this number to continue stabilizing at 1.1 to 1.2 in the coming quarters.

Given the visibility we now have, we are giving specific FY27 guidance. Revenue growth of 28% to 30%, anchored on the 82.5% already locked in for FY27. Normalised EBITDA margin of 19% to 20%, which is 200 to 300 basis points higher than our consolidated FY26 numbers. And an operational square foot of 12.5 to 13 million square foot by March '27.

Let us now close with final three lines. Smartworks is not a real estate company. We are an asset-light platform which is an operating infrastructure that sits on real estate and serves some of the largest companies in India and the globe. We have transitioned from a scaling phase to a cash compounding phase. Our supply is secured, 82.5% revenue is locked, and the portfolio is maturing in a way that will keep expanding both margins and returns. The compounding has begun. We expect it to accelerate in '27. We do not manage for the quarter; we are building for the decade. Thank you for your continued trust. We are happy to take your questions.

Moderator: Thank you very much. Our first question comes from the line of Girish Choudhary from Avendus Spark.

Girish Choudhary: Yes, thanks for the opportunity. Firstly, congratulations on a very strong performance. So, my question on, firstly on the footprint, between let's say the gap between the operational and the total, which is around 6 million square feet. How should we think of phasing this in fiscal '27 and fiscal '28? And also the LOIs of 2.4 million square feet, when will this be in the fit-out kind of a stage?

Neetish Sarda: So Girish, currently we have about 10.1 million square feet already operational. What you're seeing under fit-out, which will come in the next few quarters, is going to be the next 1.1 million square foot, which within the first and the next quarter of this year will become operational completely. The remaining 2.5 million which is yet to be handed over, a portion of that covers for this year. So, this year we're targeting to end the year between 12.5 to 13 million square feet of operational footprint. The remaining space that you're seeing is buildings which Smartworks is committing for, which is beyond FY27.

So FY27, if you look at our numbers, it's already secured with 10.1 million active, 1.1 million under construction, and 2.6[4] million which is yet to be handed over, which is already secured. The 2.4 million that you see is term sheets and HOTs that we've done for properties which are coming beyond FY27. And because they require certain timelines to be added right now, we should be able to conclude on those deals also within the next few quarters. But the 16.1 million shows you that we have enough visibility on supply for the next 2 years.

[4] 2.5 was mentioned in error. Figure corrected above.

Girish Choudhary: And in terms of how should we look at the seat additions in fiscal '26? You added around 38,000 seats. Basis your committed occupancy and also the new centres coming up, what would be a fair number in fiscal '27?

Neetish Sarda: So if you look at our projected numbers, we're looking at adding another 45,000 to 50,000 seats, you know, across the year. I think that should be a fair number to add this year.

Girish Choudhary: Next, I also observed that your operating revenue grew significantly this quarter from INR 17 crores to INR 68 odd crores. So if you can just give us some light on what's the split between, I mean within this INR 68 crores and also the margin profile of this and a sustainable number for fiscal '27?

Anirudh Tapuriah: Hi Girish, Anirudh this side. Thank you for your question. Of the INR 68 crores, INR 34 crores comes from design and fit-out services. ancillary including revenue generated from our subsidiary which is STS, contributed the balance revenue figure of approximately INR 34 odd crores.

Girish Choudhary: This is for the quarter?

Anirudh Tapuriah: This is for the quarter, and from a full year basis, that total other revenue is INR 202 odd crores in revenue from operation, of which design and fit-out contributed INR 84 crores and ancillary plus revenue from STS contributed INR 118 odd crores.

Harsh Binani: But like, Girish, we mentioned before, majority of the revenue continues to be annuity-led, which is enterprise, which is a more sustainable measure of how the business will continue to grow, while the other operating revenue will accelerate, but of course it's starting from a very small base.

Girish Choudhary: And then, my last question in terms of, I mean post the West Asia conflict, we have seen significant inflation in various commodity costs, specifically the material costs. So, in terms of fit-out capex per seat, how are you seeing the inflation for whatever fit-outs you're doing right now? Is it anything incremental which we need to note off?

Neetish Sarda: We haven't seen any incremental cost in the first quarter. With the volumes of business that we're doing, any incremental cost which is even taking in, we're able to compensate that with the volume discounts that Smartworks anyways gets with its preferred rates. Having said that, I think a 5% increase in the price of our fit-out cost is something that we've already baked in and we should be in and around that number this year as well.

Harsh Binani: And Girish, largely a lot of our fit-out items are not exposed to the West Asia commodity routes per se. And what we've also done in our additional disclosure this time is to articulate what has been our maintenance capex, which is only pegged at 12% to 15% of the initial capex. And we've now completed two maintenance cycles across 6 million square foot without any cost pressure

And given the fact that majority of our operating cost items are reasonably predictable, right, in terms of rentals and the scale-led procurement advantages we get, we do not expect significant volatility going forward on this.

Girish Choudhary: Thank you and all the very best.

Moderator: Thank you. Our next question comes from the line of Mohit Agrawal from IIFL.

Mohit Agrawal: Yes, thanks and congratulations on a great set of numbers. My first question is on your margin guidance for the full year at 19% to 20%. So, considering that you'll continue to grow at 2.5 to 3 million square feet for the next few years, is this the kind of number that we should be looking at, let's say for the next two to 3 years, 19% to 20%? Because you've seen a very steep increase in the last 2 years, but is this where the numbers would be stabilized? So some thoughts on that?

Harsh Binani: Thanks Mohit. Like we mentioned before, our margin expansion is structural, it's not pricing-led, and it's also largely because a lot of our portfolio has now matured. So going forward, we expect that this is going to sustain in spite of the rapid growth, largely driven by three drivers for '27. One is that the mature centre mix will keep increasing. So incremental revenue from mature campuses beyond the break-even, a large part of that will disproportionately flow to our EBITDA.

Second is, as you've seen, our corporate and our platform cost has remained flat and it's now spread over a larger base. So operating leverage is going to compound fairly meaningfully as a result of the footprint expansion. And finally, the 82.5% of '27 revenue which we mentioned is already locked via signed contracts.

The visibility gives us a lot of headroom for further consolidation this year. So while we acknowledge that some of the new campuses do drag margin in their first six to nine months of ramp, but given that 100% of our supply is already secured and in our model you've seen we have a lot of pre-fill, we believe ramp-up is going to be faster, especially with the bigger deal sizes. So therefore the margin should hold through the growth.

Mohit Agrawal: My second question is on the ROCE and the ROIC metric that you have given. So 16% is a big jump for the full year and 22% you're reporting annualized for fourth quarter. How do you look at these metrics on a stabilized basis?

So when you let's say take in an occupancy of over 90% for a stabilized centre, stabilized margins, what would be the ROCE for a stabilized portfolio? Theoretically, where would that be? I'm just trying to understand what is the room for the ROCE to improve from here on?

Harsh Binani: So Mohit, the ROCE being at 16% and the ROIC also converging to that shows a very close alignment in terms of how our returns are very operationally driven and not accounting driven. In our model, as the portfolio matures, the ROCE curve significantly increases and doubles from the levels that you see at a consolidated basis.

The numbers at a consolidated basis of course reflect the fast growth and the ramp-up that the company continues to do. So going forward, we meaningfully expect that there is headroom for the ROCE to continue growing as the portfolio matures. And from that vantage point, we are reasonably confident on the numbers that we have forecasted. Anirudh, if you would also like to.

Anirudh Tapuriah: Thanks a lot, Mohit, for the question. And what you're actually looking at is operating ROIC and ROCE is actually converging as far as our case is concerned, and a similar metric you will also see going forward as well. Just to put it into context, in Q4 FY26, our operating ROIC was 22.1%. Annualized ROCE for the quarter was at 21.5%. So, you should see a similar trend as we go forward.

Mohit Agrawal: Okay. But on a stabilized basis, this could actually double from the current levels. Is that understanding correct?

Anirudh Tapuriah: From a stabilized basis, yes, when the centre matures, the mature portfolio continues to fire at a very, very quick pace. But at a blended level, you will actually see a mix of both mature and new coming into play.

Neetish Sarda: But with more mature centres coming in play, so once the maturity reaches 13 or 14 million square foot, then yes, these numbers will significantly improve because the new centres are the ones where the ROCE pull is there. The older ones are contributing towards the higher ROCE.

Anirudh Tapuriah: And just to add to Neetish's point as well, our mature footprint is at 8.9 million square foot for March '26. And for March '27, we are looking at 10.8 million square foot under mature footprint.

Mohit Agarwal: And sorry, can you share the ROIC or ROCE for a mature portfolio? Like, do you share that number?

Harsh Binani: And we do not share that, Mohit, beyond these metrics. We are not providing any additional point estimates. We just want to anchor on what we are going to continue delivering.

Mohit Agarwal: Sure. Thanks. And one last question. The REITs and commercial landlords are in their operational numbers reporting a very steep increase in the rentals, you know, some of the markets like Hyderabad and all, even Chennai markets are seeing very steep increases in rentals. Just trying to understand how you're dealing with that?

You know, is there a lag between let's say when a landlord is escalating the rentals versus let's say when you are able to pass on that to the or reprice the contracts with your customers? So just your thoughts around because we are really seeing an unprecedented kind of increase in the rentals for the last 12 months or so?

Neetish Sarda: No, absolutely. And Mohit, for us, Smartworks' strategy of acquisition is a little different. We've gone ahead and acquired properties for this year as well as, you know, taking up properties for the year after. We at any given point of time are negotiating across more than 200 buildings.

So, for us, we only get into assets where commercially it makes sense for us. In terms of pricing, if you look at our EBITDA growth also, it's not a pricing-led growth. Our contracts with our landlords are also long-term as well as the contracts that we've signed with our customers are also long-term.

So, there's no immediate price change as such. But yes, once the building has gone through four to 5 years, then there is a possibility for price revision that can come, that does come in from our side to our customers. But the landlords cannot revise their price obviously on the contract which is more longer in duration to the tune of 15 to 20 years.

So typically, we are not seeing this price rise affect us immediately. There are certain micro markets where the price has gone significantly higher. We are going ahead and, you know, negotiating at the price point at which we want to enter. And Smartworks as a company is okay not to be present in all micro markets.

We are only going ahead and looking at this as the best capital allocation wherever we feel we're getting the best returns for the money invested, that is where we're growing. So that's why you'll see our growth strategy also sort of translate with the centres where these centres are coming up.

Mohit Agarwal: Great. That was all from my side. Thanks a lot, and all the best.

Moderator: Our next question comes from the line of Yashas Gilganchi from BOB Capital Markets Limited.

Yashas Gilganchi: Good afternoon, team, and thank you for taking my call. I understand that the dip in overall occupancy was mostly because of the approximately 1 million square foot that was made operational over the quarter.

And based on you having secured supply for the next 2 years or so, is it right to assume that Smartworks is making speculative space additions? Say, if you plan to lease approximately 1 million square foot from the landlords, how much of this space is pre-filled, like you were saying a while earlier, before you go and sign the lease?

Neetish Sarda: So, we have a visibility of about 20% to 25% of the space is what we have high visibility towards before we go ahead and commit to any of the assets that we take up. We're now getting into a stage where we're compounding with the number of customers who are coming with us also committing to not only large seats but also expanding with us in different locations.

So, 30% plus of our revenue comes from our existing customers. They are the ones who are informing us where else to go. So anytime Smartworks goes ahead and commits to a new building, about 20% to 25% visibility is there even before we go ahead and commit to that asset.

And then on the lead-up to the asset getting handed over to us, you'll see these occupancy ramp up significantly. To your point on the occupancy ramp-up, yes, we added a significant portion in February of this year, because of which you'll see that there is a slight occupancy dip.

But if you look at the committed occupancy that we've reported, it's still at a very healthy level of about 88%, which means that while there is a temporary dip this quarter because the centres are under fit-out, they've only been handed over to us on the 1st of Feb, but a significant portion of those centres are also pre-committed even before, you know, we're starting our fit-outs. So that's why our committed occupancy is still at a healthy level of about 88%. Hopefully that answers.

Anirudh Tapuriah: And we just need to add to one more point which Neetish also mentioned. When you look at our mature capacity, our mature centre as of March '25, has ~89% occupancy[(5)]. and as on March '26, despite mature footprint meaningfully increasing, it continues to stay at ~89%.

Yashas Gilganchi: Okay, yes, that answers my question. Now, looking at the leased SBA of approximately 13.8 million square foot and leased centres of 61, is it fair to conclude that there is an uptick in the size of your average centre? Is this a conscious shift towards bigger centres or driven more by one-off transactions?

Neetish Sarda: That is a conscious shift that Smartworks as a company has been making for the last few years. We've constantly gone ahead and taken larger and larger centres to help us with our economies of scale and make sure that the price point at which we're able to deliver is fairly attractive.

You know, if you if we have to just call out a price point, today we're selling at about INR 8,000 a seat on average across the country, which translates to less than INR 300 per day for the customers. And this includes everything, including tea, coffee, water, you know, the space build-out, electricity, all of it is included in the pricing that we're sharing.

So, our ability to take up such large centres, which is getting bigger and bigger as you're mentioning and will keep getting bigger, helps us get economies of scale, reduce our cost, and make sure that we're passing on some benefit to our customer, which makes us the best, you know, product there which we're able to get out at INR 8,000 a seat.

Harsh Binani: And you can refer to Page 20 also of our presentation, which breaks down our supply by cohort size. So, to Neetish's point, the average campus size going up is clearly reflected in that cohort mix.

Yashas Gilganchi: All right. Thank you again.

Moderator: Our next question comes from the line of Sourabh Gilda with JM Financial.

Sourabh Gilda: So, congrats on the very strong set of numbers. So just to take the conversation from previous participant forward. So, we have added almost 3 to 4 million square feet over FY '22 to '24, which got operationalized, and these centres may see, you know, first cycle of renewals maybe when they complete three, four-year period over the next 2 years?

So, do you think this can be an additional growth lever for from next 2 years? May not happen immediately for next one or two quarters, but can this be an additional growth lever for from 2 years' perspective?

Neetish Sarda: Absolutely. I think after 2 years when markets which have seen price uptick already, there is an optionality for Smartworks to go ahead and reprice on those markets specifically where the, you know, where prices have gone up by almost 15%, 20%.

[(5)] Edited for the purpose of readability

There is an opportunity for us to price up there as well. But Smartworks as a strategy doesn't just look at pricing as the only metric. We also look at longevity of the client, you know, how many seats are they expanding in different locations and how is it as a true partnership, how are they growing with Smartworks in different cities as well.

So, keeping both of them in mind, you will obviously see, you know, high retention coming in place. You will see, if there is zero incremental capex if a client ends up staying back with you.

Keeping both of that in mind, yes, there will be a mark-to-market pricing that potentially can happen after maybe a few quarters and which can start happening after a few quarters. But I think with the existing numbers that we have, we are fairly confident of delivering the 19% number that we have, you know, forecasted towards.

Sourabh Gilda: And secondly, on the SmartVantage point. So, it's been six months since we launched and it was, you know, positioned to as a ready template for GCCs to come in and, you know, start operating within six to eight weeks. So, any color, initial color that you can give, maybe, you know, the initial feedback or the take rate that we have been able to establish in this?

Harsh Binani: No, certainly. Thanks for the question. As you will see, the SmartVantage program is already starting to gain meaningful traction. Some of the largest GCC deals that Smartworks has done this year has happened on the back of a lot of the traction that this program has generated.

And our GCC revenue, which was at 15%, is inching towards 19%, which is on the rental side. Alongside, we've also won two big mandates with regards to support services with our existing GCC clients.

We expect that in the next financial year, this is going to meaningfully start translating into bottom-line gains as well. For now, the bigger yardstick is for this to enable us to continue getting a lot of core annuity business, while the other ancillary will also continue to accelerate in start.

Neetish Sarda: And this can be reflected in our numbers also. If you look at our GCC contribution, it's almost doubled in the last year from 7% to 15%. And with more and more, you know, GCCs coming in, it's not about just SmartVantage is not just helping us give them other services, but it's also helping them onboard and increase the footprint on the space service through Smartworks.

So I think the total additional services might take a few more quarters for it to see significant realization, but the space take-up has already doubled in, you know, a year's time within the first six, seven months itself.

Sourabh Gilda: Got it. Sure. Thanks. So just last question from my end on the competitive intensity side. So, you know, all the your peers are, you know, aggressively expanding to, you know, to get a share in this GCC-led demand and also in markets where you overlap like Pune, Hyderabad, Bangalore?

So, are you seeing any, you know, pricing pressure on new deals or maybe, you know, if you can throw some color on the competitive dynamics, how it is different from maybe GCC-led demand versus, you know, standard enterprise?

Neetish Sarda: So if you look at our pricing, we're anyways one of the most competitive price product out there. We're at least 10% to 15%, you know, more economical than most of our peers in the industry. And that is a moat that Smartworks has been able to create with its large-format campus platforms, which no one else has been able to replicate to the size and tune of which we operate.

So, I think for us to price up, which we're not planning on doing and that's why we're saying that margins at 19% is going to stabilize over at least for the next year, we're not seeing any pricing pressure as such because the price point difference between our product and most of the other products are anyways 10% to 15% gap. Having said that, with the supply that we have locked in already and with the new supply that we are locking in, we are fairly confident that this gap will continuously increase in our favor.

Sourabh Gilda: Sure. Got it. Thanks, and all the best for the year ahead.

Neetish Sarda: Thank you.

Moderator: Thank you. Our next question comes from the line of Vikrant Kashyap from Asian Markets Securities.

Vikrant Kashyap: Hi, good afternoon and congrats on a very strong set of numbers. My first question goes to your sourcing mix within the cities. Even in the last one year, you have doubled your portfolio in Bangalore, significantly grew your portfolio in Gurgaon and Noida. And on the high base, you have still grown in Pune?

But in the perspective of say 2 to 5 years, how the mix will shift up? Because Hyderabad is going very strongly with more of the demand coming from GCC. Your addition has been very low. And to other cities. So how is the mix improving, say Hyderabad, Chennai, or in other emerging cities within the country where the demands are coming?

Neetish Sarda: So, for us, growth is driven through where our clients are asking us to or our clients are pushing and asking us for more space. As I said earlier, we follow our customers. Today we have a very small base of only ~780 customers, and ~30% of them by rental revenue[(6)], you know, choose to expand with Smartworks across different locations. They are the ones which are driving our growth in different cities. I think not growing in certain parts are more strategic in nature. We are essentially at this point of time, you know, sourcing for more than 200 buildings across the country. Wherever we feel we're getting the right price point, wherever the best capital deployment is in place, that is where we're expanding.

[(6)]Added for the purposes of readability.

It happened to be Bangalore and, you know, Gurgaon and Noida this quarter or this year. But if you would have looked at our numbers last year, Pune was outshining most of the other players last year. So, it is about deployment of capital.

I don't think there is a particular strategy. Yes, every city has a certain mark that we want to get to, which some cities might get faster, some cities might take a little longer. But strategically, wherever we get the best return on our capital employed, that is where we'll go ahead and keep growing and where our customers drive us.

Harsh Binani: And Vikrant, to Neetish's point, what is also clearly reflected in our numbers is a PAN-India strategy paying us rich dividends, because 30% of our revenue actually comes from multi-city clients. So when you have that entire flavor of being a pan-India infrastructure partner, the learning cost that we've had to invest to get to this mark, right, for the distribution across all of these cities.

Now we firmly believe that we are at a critical scale in each and every city. So whenever we add new capacity in any city, it is going to be fairly margin accretive rather than us going and setting up new campuses in a city.

Vikrant Kashyap: Then another question is on the IT-related issues that also you highlighted in the opening remarks. But my question pertains to the new sign-ups that are happening, maybe in the last quarter or maybe ongoing quarter. How are the deals within the IT companies, domestic IT companies or international IT companies, and the mix within the GCCs? How are they different from one year back or maybe in the current scenario?

Harsh Binani: No, certainly, Vikrant. If you look at Slide 23 in our presentation, we've clearly articulated where is the new demand coming from? What we can share with you as a flavor is wherever there is new hiring happening, clearly Smartworks is at that inflection point providing space for those new hirings. So that would particularly be GCCs, business consulting, engineering manufacturing, and BFSI.

What is hiding in this undercurrent is that in the last 2 years, we've also seen a lot of traditional occupiers rolling over their contracts and moving to our setup. So from that vantage point, given the wide diversity we have across sectors, we have a fairly good runway ahead of us. And today, 77% of our net seats sold last year were from non-IT ITES, and GCC of course sits outside of that, which is where we also start to see a lot of promising opportunity ahead of us.

Vikrant Kashyap: Okay. My last question was again on the supply side from the large institutional developers. So given the backdrop of price increases in certain micromarkets, and they are also growing their portfolio significantly, how are we placed in terms of sourcing for say '28, half second part of '28 which is going ahead? So are our share towards large developers, are they increasing compared to your sourcing from HNIs and family offices?

Neetish Sarda: See, pricing is a function of demand. Obviously, with the size of properties that Smartworks is looking at, what needs to be appreciated is that competition at that size is fairly limited. When we go ahead and negotiate for buildings ranging from 500,000 to 900,000 square foot, you don't have a lot of takers who are coming and committing to that volume of buildings at one go.

Most of the leasing in India happens at 30,000, 40,000, 50,000 square foot sizes. So floor-by-floor rentals from institution developers are seeing a steep increase. But if you look at large demands coming from larger campuses, build-to-suit campuses, that is not where you're seeing a significant increase in pricing. And that is where Smartworks is able to leverage its scale and make sure that we get competitive rentals compared to most of the others in the market.

That's a moat that we've not just developed right now. This is something that we've demonstrated with multiple buildings of 500,000 plus which are already there with Smartworks across different locations. 65% of our buildings are owned by non-institutional landlords, but 35% now is from institutional landlords where we're also able to leverage our scale and get better and preferential rental numbers.

Moderator: Our next question comes from the line of Shamit Ashar from Ambit Capital.

Shamit Ashar: Thanks for the opportunity and congratulations on a good set of numbers. I wanted to know on the VAS revenue. So they grew this year relatively on a lower base. So what steps did you take to strengthen the VAS segment in particularly and how do you expect the VAS revenues to evolve going forward?

Neetish Sarda: So VAS for us, both design-as-a-service as well as the value-added services or supplementary services that we give within our buildings, there are two parameters of growth on this. One parameter is because of the footprint growth, automatically certain value-added services like our gym facilities, outdoor gaming facilities, and some of the other common facilities in the building start generating revenue with expansion of space automatically that will happen.

Our focus on VAS shifted only this year where we started going ahead and monetizing most of these assets within our buildings. You will see these numbers with the footprint increase in the same proportion because those are minimum services which will be used by the users of the campus, whoever comes in and uses the campus. As far as design-as-a-service is concerned, that vertical is a more -- is a much smaller vertical for us.

It's a choice where we're only catering to customers who we're not able to cater within a Smartworks building just because of assets not being available in that same micromarket. So it's going to be more optional for Smartworks to take up. I don't see that number significantly increasing over the next few years. I think it'll stay pretty much the same number that you see this year.

But the value-added services, we think is going to scale up naturally 25% to 30% because of the increase in base, and then because of our focus, further scale up by another 10% to 15%. So a 40% to 45% growth on these numbers should be fairly easy.

Shamit Ashar: Got it. And secondly, have you worked out what pricing growth were you able to realize during FY26?

Anirudh Tapuriah: Thanks Shamit for that question. Yes, from a pricing growth perspective, for the mature centres, our pricing stood at approximately INR 174 on a per square feet basis, which was INR 163 around in fiscal year '25.

Neetish Sarda: So this translates to about a 5% growth, which is what we've essentially contracted in in our agreements also.

Harsh Binani: But the good aspect that needs to be called out from this entire thing is that our growth last year was volume-led and not as much pricing-led.

And therefore, without any pricing action if our realizations continue to grow up, this should disproportionately flow into EBITDA. And this year's margin expansion of ~ 440 bps, was again without as much pricing action. And therefore, we see a lot of headroom for this on a go-forward basis.

Shamit Ashar: Got it. And last question, any ballpark number of on FY27's capex?

Neetish Sarda: About 3 million square foot would require us to do about INR 450-ish crores of capex that will be required for the company's expansion plan.

Anirudh Tapuriah: That's the fresh capex.

Neetish Sarda: That's the fresh capex that will be required.

Harsh Binani: And two nuances here, there is going to be also a need for us to incur maintenance capex, which we clarified in our presentation as well is a significantly smaller part of the outlay that we had communicated in the market. And all of this capex funding, both in terms of growth as well as a very small part for maintenance, is going to be self-funded from the platform's accruals itself. We will not need any further funding for this.

Shamit Ashar: Got it. Thank you and all the best for the next quarters.

Moderator: The next question comes from the line of Utkarsh Somaiya from Eiko Quantum Solutions Private Limited.

Utkarsh Somaiya: Thank you for the opportunity. Can you please give me the total demand and supply for flex space in India in the quarter, first quarter of calendar year 2026?

Harsh Binani: Just to clarify, you're looking at this financial year or you're referring to the previous financial year?

Utkarsh Somaiya: Calendar year, first three months of 2026.

Harsh Binani: Okay, understood. So the total office leasing stood at about 22 million square foot which was absorbed in Q1. This is the highest first quarter on record. Flex specifically from what we understand was in the range of about 22% to 23% of this, and they emerged as the largest leasing segment for the first time, roughly about 5 million square foot or so in the quarter alone.

And following this is GCCs. And from a more macro perspective, flex space of course last year crossed 100 million square foot, and it is tripled since 2020. So that's broadly the stats that we have.

Utkarsh Somaiya: So 5 million was the absorption in the first quarter correct?

Harsh Binani: Correct.

Utkarsh Somaiya: Of flex space, right? And what was the supply against that?

Neetish Sarda: Supply available in the market would be it's difficult to count out the supply because flex supply is the entire leasing of the market, whatever new product is coming in. So there's no way I don't think we have that number. But broadly...

Utkarsh Somaiya: Yes, just one quick question. So I understand that today the total flex stock is around 100 and it's expected to go to 140 million by 2027. And we are seeing an uptick because the demand each quarter is obviously surpassing the supply?

So I'm just trying to understand those numbers to figure out where do we stand in the cycle? Because the moment the new supply starts increasing, surpassing the demand, we will see operating deleverage eventually. So I'm just trying to understand where we are in the cycle?

Neetish Sarda: I can maybe give you a idea about the industry, and there's a Knight Frank report which came in which beautifully explains where the demand and supply is. The demand-supply ratio in India typically used to be at 1 to 1.1 or 1.2 times. So if the demand was at for 100, supply used to be at 110 to 120. Typically with this report, you'll see that Knight Frank has projected that over the next few years, including this year, this demand to supply ratio has gone down to 0.6 to 0.5, which means that not in flex, generally across the market.

It is difficult, no one has really taken out a report only on flex on this because flex is only a sub-segment of the entire market. But the entire market is seeing a decrease in supply vis-a-vis the demand which is there. So if the demand is for 80 million, the new supply coming in is only to the tune of 50 to 55 million.

Harsh Binani: And to provide some more color on this, because this is a very important question that you've raised, in our report as well we've mentioned and there are multiple estimates available, supply is not catching up before 2030. So industry data is fairly clear that you're looking at a gap of between 5 to 25 mil, right, annually persisting through the decade.

But if we had to more directly look at the impact on flex, the two aspects that we want to call out clearly is that flex penetration is the story, it's not the gap. So what was effectively 14% penetration today in India, in more mature markets is significantly lower. So we see that there is going to be in fact doubling of the flex segment in the coming years.

And second is just also look at the flex demand. It is structurally enterprise-led now. It's not opportunistic, right? 70% to 80% of flex is with 5-year contracts. So companies who've moved to flex as core portfolio strategy, in fact there were a couple of reports that more than 55% to 65% of the occupiers will have some part of their portfolio as flex. So it's not cyclical.

We believe it's a habit change that has happened in the last few years. And as long as this acceleration continues, flex will continue to benefit significantly from this demand-supply mismatch. But more importantly, even if it catches up, the habit shift will ensure that the business of the penetration is still is very deep.

Utkarsh Somaiya: Understood. So in a nutshell, for the next till 2030, you don't see flex supply exceeding flex demand. You see the demand being higher than the supply, right?

Neetish Sarda: Absolutely.

Utkarsh Somaiya: And one related question. This new demand that is coming, is it coming from tenants which already occupy office space and are shifting to flexible office space or these are tenants which are setting up new offices altogether and are opting for flexible?

Neetish Sarda: I think it's a mix of both. About 60%-70% of our demand comes from people who have already are shifting from traditional offices into flex. Then you have 20% to 25% demand coming in from customers who are now looking at setting up their first offices in India, GCCs, companies who are looking at scaling up who want of a significant scale but have scaled up significantly.

I won't consider them as moving there but just scaling up their operations. So I think it's a mix. 70% is actually from people who are leaving traditional offices and moving into flex.

Utkarsh Somaiya: So then it will be fair to say, right, that before flex slows down, the office space will slow down first and flex will still have demand from the switch where people switch from offices to flex offices and thereafter the flex space will slow down. Is that a fair... right?

Neetish Sarda: Absolutely. The first the vacancies have to go up. Overall vacancies have to go up. Vacancy currently in the Indian market is one of the lowest that it's ever been. So vacancies have to go up significantly for flex to be impacted.

Utkarsh Somaiya: Okay. And I just have one more question if you allow me. You as a management, what do you track as a, you know, like a risk sign when if this something like this happens, we should be like we should be cautious and stop increasing -- stop growing or reduce our supply or stop increasing supply. What do you look at internally as a risk metric?

Neetish Sarda: So three things. Number one, we first track the asset-liability mismatch. Where is the new supply coming in from? When is the new supply coming in? If there is an oversupply in a certain micromarket or a certain location, we try to factor that in into our decision making and try to stay away. There is a methodology of ranking each and every micromarket in India.

We have 27 relevant micromarkets which are scaling significantly. And then there are a few which are now developing. We track all of those micromarkets, what is the supply which is coming in. The good part about commercial real estate is that product can't come overnight. Any building that is coming over the next 5 years, we already have that data for that building.

So the predictability on asset supply is very, very high. So we first track that. Then we also track micromarket what is the vacancy levels at, what are the rentals levels at, and there are other metrics before we go ahead and take and expand into any location. And that's the reason you'll not see us expand into every city in the same shape, manner, and form. We're only going wherever we're seeing demand outpace the supply.

Utkarsh Somaiya: Noted. Thank you so much and good luck.

.Moderator: The next question comes from the line of Priyanshu Poyam from Omega Portfolio Advisors.

Priyanshu Poyam: Yes, hi. Congrats on the strong performance. I just wanted some operational figures. Could you give me the lease as a percent of rentals revenue for just two cities, Pune and Mumbai?

Neetish Sarda: Sorry, could you repeat that question? Sorry, we lost you in the middle.

Priyanshu Poyam: So I wanted some operational figures. Lease as a percent of rentals revenue for just two cities, Pune and Mumbai.

Anirudh Tapuriah: So thanks a lot for that question. When you look at our revenue from lease rentals in fiscal year '26, we generated a revenue of close to INR 1,593 crores is what we have reported overall revenue from operations of INR 1,796 crores. That is at a company level. And you want for a city level specifics as well, right?

Priyanshu Poyam: Yes.

Anirudh Tapuriah: But city level specific revenue we do not report per se. As far as our supply is concerned, we've actually reported what is our overall supply, which is there in Slide number 21 of our Investor Presentation. That will give you a fair mix because we also continue to report our committed occupancy and actual end-of-period occupancies as well.

Harsh Binani: So one of the closest proxies you can use for the revenue estimation is essentially the square footage. Of course, that needs to be adjusted for the rentals also in that specific market. And directionally, Pune and Bombay together are close to about 40% of our current footprint. So that's the best market for you.

Priyanshu Poyam: Okay. All right. Understood. Thank you.

Moderator: Ladies and gentlemen, that was our last question. I would now like to hand the conference over to the management for closing comments. Over to you.

Harsh Binani: Thank you all for joining us today and for this engaging discussion. For a deeper view of our operating and financial performance, please do refer to our detailed shareholder letter. FY27 is set up to be a year of accelerated compounding, and we look forward to delivering against the guidance we've laid out. Wishing you all a very good evening and a good long weekend ahead. Thank you all.

Moderator: Thank you. On behalf of Smartworks Coworking Spaces Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.