SMARTWORKS

"Smartworks Coworking Spaces Limited
1Q FY27 Earnings Conference Call"

July 22, 2026

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CHORUS CALL

MANAGEMENT: **MR. NEETISH SARDA – MANAGING DIRECTOR**
MR. HARSH BINANI – EXECUTIVE DIRECTOR
MR. SAHIL JAIN – CHIEF FINANCIAL OFFICER
MR. PRATIK AGARWAL – CHIEF BUSINESS OFFICER
MR. ANIRUDH TAPURIAH – CHIEF OF STRATEGY AND INVESTOR RELATIONS

MODERATOR: **MR. KARAN KHANNA – AMBIT CAPITAL PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Smartworks Coworking Spaces Limited Q1 FY27 Earnings Call, hosted by Ambit Capital. As a reminder, all participant lines will be in 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 call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Khanna. Thank you and over to you, sir.

Karan Khanna: Thank you, Ananya. Good afternoon, everyone and on behalf of Ambit Capital, I would like to welcome you all to the 1Q FY27 Earnings Conference Call for Smartworks Coworking Spaces Limited.

From the management today, we have with us Mr. Neetish Sarda, Managing Director; Mr. Harsh Binani, Executive Director; Mr. Sahil Jain, Chief Financial Officer; Mr. Pratik Agarwal, Chief Business Officer; and Mr. Anirudh Tapuriah, Chief of Strategy and Investor Relations of the company.

We would like to now begin the call with opening remarks from the management, post which we will have the forum open for an interactive question-and-answer session. Thank you and over to Neetish and Harsh.

Neetish Sarda: Thank you, Karan. Good afternoon, everyone, and thank you for joining us. This month marks one year since Smartworks listed on the NSE and BSE. We are grateful to every stakeholder who has been part of this journey. In this one year, we have delivered what we promised earlier, the fastest growth in the industry, both in area, revenue, and EBITDA, and steadily rising market share quarter after quarter.

Let me go through our model in a minute. Smartworks leases entire buildings from India's leading developers and non-institutional landlords in prime micro-markets and transforms them into fully managed, amenity-rich campuses with cafeterias, gyms, crèches, convenience stores, recreation zones, and round-the-clock support for the client. For them, it is a single contract, one SLA, one invoice, and a genuine one-stop solution for everything their workplace requires.

Our platform has grown to almost 17 million square foot of total area and over 760 clients from Fortune 500 to Forbes 2000 companies, MNCs, leading Indian conglomerates, and unicorns. We have over 150,000 professionals working out of our campuses on a day-to-day basis.

Our clients typically sign long-tenure agreements of four to five years, which gives our revenue an annuity-like character. Committed contracted revenue today stands at approximately INR 5,400 crores, and 87% of our FY27 revenue is already contracted for.

Let me talk about Q1 '27 now. This is another strong quarter and another sequential step-up. Our revenues stood at INR 546 crores, up 44% year-on-year and 5% quarter-on-quarter. The normalized EBITDA of INR 107 crores, up 74% year-on-year and 8% quarter-on-quarter, with the margin expanding from 19% in the last quarter to 19.6% this quarter.

Our normalized PAT stood at INR 39 crores, which nearly tripled from INR 13 crores in the same quarter last year. Our operational area stands at 10.4 million square foot with committed occupancy of mature centres around[1] 92%. The multi-city clients now contribute 35% of our revenue, up from 31% in FY26.

The next metric, which is 1,000 plus seater cohort, now contributes more than 41% of Smartworks' revenue, up from 37% in FY26. We have increased our penetration into GCC clients as well. Today, GCC clients contribute 21% of our revenue, up from 15% in FY26, with significant headroom ahead. Every durable metric, whether it is revenue, EBITDA, margins, PAT, and ROCE, has continued to move up for 5 consecutive quarters post listing.

A fresh capex cycle has started this quarter. In our industry, there are two ways to reach 20% margin. You can oscillate towards them cycle after cycle, or you can compound to them quarter after quarter. Smartworks compounds. The low volatility, durability of cash flows, and scale make us anti-fragile and set us apart from any of our peers. I will let Harsh talk through the remaining highlights in detail shortly.

Let me put our growth in market context briefly. Two things are happening at once, and our client roster shows we are leading both, not following them.

One, the office market is at a record high. Flex is its biggest buyer, and Flex is consolidating fast towards us. India recorded its highest ever quarterly leasing of 24.6 million square foot, with 27% coming through Flex, a big jump from 19% a year ago. Within Flex, Cushman & Wakefield's data shows a widening gap. The top 10 operators' share of Flex leasing has climbed every year, from 67% in 2024 to 72% in 2025. It's already gone to 74% in H1 of this year, with the long tail continuing to remain less than 5% and shrinking further.

Scale, balance sheet strength, and developer relations are now the price of entry, and smaller players simply cannot add buildings the way large platforms can. The big are getting bigger and we are the biggest, growing the fastest. Our lead over the next largest operator in terms of area will only keep expanding.

The second trend is AI and GCCs are expanding office demand, and they are already our clients. The AI workforce inside India's GCC is set to grow fourfold by 2030, and that demand lands in premium collaboration-rich campuses, exactly what we build. GCCs today contribute 21% of our rental revenue, up from 15% in FY26, and several of our largest clients are building their AI and GCC talent hubs inside Smartworks campuses today, including Switzerland's largest financial institution, a global CX and digital services leader, and this quarter, the subsidiary of a leading Japanese NBFC at our Mumbai campus.

The result - Commercial real estate is growing at more than 6%, but Flex is growing at 23%. Within this, Smartworks is growing at 44%, roughly seven times the office market and twice the Flex market.

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[1]Edited for the purpose of readability

This is not riding a trend; this is where the trend lands. For the past 4 to 5 years, demand for office space in our micro-markets has outpaced the availability of new office buildings. In a market running short of quality office supply, getting the right building first is the biggest advantage, and we widened that lead this quarter.

Every building Smartworks needs for the next two years is already secured, and work on FY29 has begun. By strategically acquiring long-term rights to properties in prime locations, our office space is already signed up for future years with uninterrupted access to quality buildings for the next 10 to 15 years. This forward visibility on buildings matched with contracted visibility on revenue is what lets us keep taking more and more market share.

Over the last 12 months, we have added 2.1 million square foot of operational space, including 0.3 million square foot just this quarter. Already at healthy commitment levels, over the next 9 months, another 3 million square foot comes online, including two marquee properties, Eastbridge in Mumbai, an 8.15 lakh square foot asset in Vikhroli, which we are pleased to announce is the world's largest standalone managed campus, surpassing our own record, and Eastside in Pune. Both land in H2 of FY27 with strong pre-fills. Tomorrow's campuses are contracted today.

Talking a little bit about our international expansion. We are also expanding strategically in Singapore. With the acquisition of Workstudio we now operate over 1,500 seats in Singapore, double what we started with, existing centres running at high occupancy and with no risk taken on the Indian balance sheet. Our capital allocation philosophy is simple: international growth funds itself from international cash flows, while India cash flows are deployed into the domestic platform where the growth runway remains long.

We reaffirm our guidance of 28% to 30% revenue growth, normalized EBITDA margins between 19% to 20%, and an operational footprint of over 13 million square foot by March 2027, anchored by INR 5,400 crores of contracted revenue and a ready pipeline of signed buildings which are already under construction.

Our ROCE held at 21.5% through the heaviest investment quarter in our history, and as this capex cohort matures and completes payback, we expect ROCE to expand meaningfully through FY28. The path is steady and predictable by construction.

With that, I hand it over to Harsh for the financial and operational details.

Harsh Binani: Thank you, Neetish. Let me walk you through the quarter and, more importantly, what the numbers say about the underlying health of the business. On revenue, it increased to INR 546 crores, up 44% year-on-year and 5% quarter-on-quarter, driven by existing clients expanding, our centres maturing, and new seats added. The majority of revenue comes from our core rental business, which grows consistently every quarter.

Increasingly, growth comes from existing clients expanding across our network even as we win new logos, and expansion revenue is the lowest-risk revenue there is. Low acquisition cost, low ramp risk, and growth is powered by clients we already know.

On profitability, our normalized EBITDA rose to INR 107 crores, which is up 74% year-on-year and 8% quarter-on-quarter, with margin expanding to 19.6% from 16.2% in Q1 FY26. This improvement was largely driven by centre maturity, several cost excellence initiatives, particularly on energy, and operating leverage at both centre and corporate levels. Our normalized PAT was INR 39 crores, which is nearly triple the INR 13 crores a year ago and up 11% sequentially.

On cash generation, our operating cash flow to EBITDA was 0.9x this quarter on normalized operating cash flow of INR 95 crores, which is up 10% year-on-year. Structurally, this ratio runs above 1x. Ours is a negative working capital model with roughly six days debtors. The dip this quarter reflects is largely on account of INR 33 crores of security deposit paid to landlords to book buildings through FY28 and partially for FY29. We are paying today to own tomorrow's growth.

On the investment front, our free cash flow is negative INR 56 crores against negative INR 4.9 crores a year ago, as capex stepped up 66% year-on-year to ~INR 150 crores. Of this, INR 45crores went into upcoming centres and already signed clients - spend that is ROCE-accretive by design. The balance sheet remains virtually debt-free with net debt of just INR 5.6 crores and borrowing cost under 9%.

Our credit rating got upgraded earlier this year. Growth at Smartworks is self-funded by design. On returns, our annualized ROCE held at 21.5%, which is up 870 bps year-on-year, despite INR 151 crores of fresh capital deployed into capex. As the portfolio matures, the path to further ROCE accretion is steady and predictable.

Capital efficiency is a metric which is worth watching. The gap between EBITDA and PAT is narrowing every quarter as centres mature and complete payback. This captures how much of our operating profit converts to bottom line, and it improves mechanically as the portfolio ages.

On our client quality, our seat retention was 74%, but you should read this alongside committed occupancy of mature centres, which stands at a very healthy 92%, and alongside the fact that occupied seats actually rose during the quarter. This reflects deliberate portfolio rebalancing and mark-to-market repricing at renewal. The client count is down while occupied seats and revenue are up. Fewer, bigger, longer-duration clients - that is by design.

Our occupancy was 81% versus 82% in Q4 FY26. It's purely a function of newly opened buildings still filling up. Our mature centres are running at 89% occupancy on 9.1 million square foot, with committed occupancy of 92%. That is where the newer cohort is headed. The resilience on our balance sheet continues to get strengthened. Our asset-liability mismatch is eliminated up to FY29.

The committed client lock-ins cover our landlord rental commitments roughly two times over at the portfolio level. Our resilience through cycles is evident. The model that we have built is built to hold in downturns as well. Value pricing keeps us as a preferred partner, and no client typically takes more than 30% of a campus. Through every cycle since inception, we have not surrendered a single campus.

So why does our model compound? Firstly, scale gives us cost leadership. At 10.4 million square foot operational, we are the largest platform in the industry, and scale earns us preferred terms from landlords and lower unit costs across leasing and operation. Green initiatives, including solar adoption across campuses, are cutting our energy costs and improving economics for us and our clients.

Our larger centres continue to get filled by larger clients. The rising share of 1,000 plus seat cohort and multi-city clients shows the network effect strategy at work. Even as the new centres get bigger, ramp-up times have stayed constant, and once a centre crosses breakeven, incremental revenue flows disproportionately to EBITDA.

Importantly, our margins are continuing to expand irrespective of the capex cycle. This is the heart of the model. Each new investment cycle lands on a larger, mature near-fixed-cost base. So, every new cohort is smaller relative to that base, and its ramp-up drag keeps shrinking. At our current scale, adding new centres and the associated capex is simply not margin dilutive.

Our enterprise annuity demand is at 92% of our rental revenue with 1,000 plus seat cohort on 48 months tenure expanding with us across cities. Technology is our cornerstone. It lets us grow fast, scale consistently, and now with intelligence embedded deeply through AI, it's opening a clear monetization path ahead. For more details, refer to our earnings presentation, Page 40 onwards.

Finally, our growth will continue to be self-funded. Negative working capital and durable cash flows means growth is funded primarily from internally generated cash. The flywheel turns on its own fuel. Put together, we have visibility on both sides of business. A ready pipeline of signed buildings for FY27 and ’28, and INR 5,400 crores of contracted revenue covering 87% of FY27.

Quarter after quarter, we are building a business that is stronger, more resilient, and better equipped to deliver sustainable long-term growth. This is what we mean when we say Smartworks is built to compound. This is the same story you will find in our letter and in our presentation, because it is the same business. With that, we are happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shamit Ashar from Ambit Capital. Please go ahead.

Shamit Ashar: Yes, thanks for the opportunity and congrats on a good set of numbers. So, a couple of questions from my side. So, you've announced this acquisition of Work Studio spaces in Singapore. So, could you provide some more color on the rationale behind that acquisition and what kind of revenues, occupancy do you expect from your Singapore portfolio? And secondly, what is your targeted capex outlay for FY27? So are your fit-out costs of INR 1,350 seeing some inflationary pressures?

Neetish Sarda: Let me answer the Singapore question first. The acquisition of Work Studio is completely through the cash flows that Smartworks generated with its centres over the last one year. Despite taking up a new centre, we had some cash flows which the company had generated and we got the opportunity of acquiring Work Studio.

Work Studio stood at about 60% occupancy when we acquired it, and we acquired it at the cost of construction. So, building out a space of about 14,000 - 15,000 square foot or 17,000 square foot in Singapore costs that same amount. So that is the rationale behind acquiring it at that number. Occupancy of our current operational centres, before the new acquisition and expansion, stood at ~88%[(2)] percent in Singapore, so we didn't have a lot of seats to sell. With these two centres now getting added, I think there is capacity between 400 to 450[(3)] seats which is now available to sell in Singapore. Hopefully that answers your question.

Shamit Ashar: And are you looking to scale up your portfolio more in Singapore in the next two, three odd years?

Neetish Sarda: Not meaningfully. These were opportunistic. So, Singapore as a market overall, you know, we're already about 80,000 square foot there. Even if we scale up, it's not going to scale up as meaningfully. It's not going to go from 80,000 to 160,000 or 200,000. We might add one or two more centres depending on how these centres perform, but with the kind of traction that we've already seen with our two existing centres and the pre-filled demand that we have for our third new centre, you know, we might increase this but not in a meaningful manner.

Harsh Binani: And just to add to Neetish's comments, Singapore roughly is about 1,500 seats and it's about 2% of our revenue. Of course, Singapore market is meaningfully more profitable given the cost efficiency and the Indian structure we've been able to bring along. However, we recognize clearly where our strength in India lies and India is at about 17 million square foot of space. So, Singapore, as Neetish pointed out, will continue to be self-sustaining and as a philosophy, cash flows generated from Singapore will continue fuelling growth in Singapore while the India capital allocation will be firmly rooted in the India business.

Shamit Ashar: And my next question on capex?

Neetish Sarda: Yes. So, our capex estimated is between INR 550 crores to INR 600 crores for the year. This capex includes two sets: it includes refurbishment capex that we typically do in our centres after every three years and this is also the fresh capex that will go in. If you look at our presentation, we've also called out the new assets which are already coming in.

Smartworks has signed up more than 3.5 million square foot of space already which is either under construction or coming up for construction within the first two quarters of the year itself. So, you will see a significant amount of capex cycle coming in because if you look at the committed occupancies of our operational centres, we were already at about 88% to 90% where we had very limited seats to sell.

[(2)] 92% was mentioned in error. Figure corrected above.
[(3)] 200 to 250 was mentioned in error. Figure corrected above.

With the new acquisitions coming in, with the new properties that we've taken, there is going to be a capex cycle coming in - at least for the next two quarters you'll see this number to be meaningfully high - and we are projecting to spend anywhere between INR 550 crores to INR 600 crores on the capex for this year.

Shamit Ashar: Got it. Thank you. I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Yashas Gilganchi from Bank of Baroda Capital Markets. Please go ahead.

Yashas Gilganchi: Hello team, thank you for taking my questions. I'd like to know how much of your expansion would you say is speculative? Say for instance, if you were to lease 100 units of space from the landlord, how much of that space is already spoken for?

Neetish Sarda: So, thanks Yashas for that question. I think let's break this down into two parts. One is how we go ahead and acquire a building once we have enough demand coming in for that location. Smartworks has gotten into an effect where there is a flywheel effect on our demand and supply. We're going ahead and acquiring more and more properties in locations where we're seeing our existing clients asking us to give them more options.

So, if you look at our multi-city deals or companies which have moved with Smartworks in different cities, that has gone up from 31% to 35% this quarter, which means that almost 30% to 35% of any building that we are taking typically gets pre-committed by existing clients of Smartworks or one of the clients who's looking at entering into the building.

Our ramp-up occupancy - if you look at our history also, within 13 to 14 months is when we get to about an 80-85% occupancy, and that is a trend that we've continuously seen despite taking larger and larger buildings. So when we were taking the 300,000-400,000 square foot building, then also we were able to ramp up in 13 to 14 months, and with some of the acquisitions that we've done last year with 600,000-700,000 square foot building, which have already matured - and some of the other assets(4) - we've gone ahead and increased our occupancy to more than 80% within the first 13 months itself.

So that trend of having about 35% pre-commitment with occupancy ramp-up within the first 12 months or 13 months to 85% is what you're going to continuously see with the new centres as well.

Yashas Gilganchi: All right, understood. And over FY27, you expect to see any material change in your tenant roster? Where are you noticing a decrease in demand and which cohorts do you expect to pick up the slack?

(4) Eastbridge was mentioned in error. The same has been omitted as a correction.

Neetish Sarda: So, we are actually seeing demand coming from all sectors, but it's a conscious call to diversify our risk. If you look at our operational client mix, which we've shared in our presentation, you will see that our dependency on IT/ITES has significantly gone down. We've actually increased our penetration into manufacturing and engineering, professional services where most of our focus is now moving towards them as well.

Will this hold at these percentages? It's very difficult to say whether it'll hold at these numbers exactly. There might be some changes, but the target is to make sure that we diversify our client mix. We continue focusing on not just getting IT/ITES, but making sure that we have a very healthy mix of manufacturing and engineering or business consultancy and professional services customers also. You can refer to our presentation, Page Number 17, which clearly calls out the current positioning. I think similar numbers you can expect through the financial year. And if you look at these numbers, it's a conscious call of reducing our focus on IT/ITES also. If you look at IT/ITES, it stood at more than 40% of our total client mix which has already reduced to 35%[(5)].

So, keeping IT/ITES at about between 25% to 30/35% is what the target would be and diversifying our client portfolio by focusing a lot more on business consultancy, engineering and manufacturing clients.

Harsh Binani: And on your second question around cohorts, the 1,000 plus seat cohort is our primary engine. It was only at 12% in FY22, but due to the powerful network effect, it's already up to 41%. So what this indicates is that we are not only leasing large campuses, but also filling it up in record time with really large clients who sign up very long duration contracts with us and continue to expand and grow with us. We see GCCs as a primary growth driver. That number within a quarter has already moved from 15% to 21% and there is still significant headroom in GCC growth in the subsequent quarters. A lot of companies in Europe, US, and Japan are yet to even set up a GCC in India, so we see a very bright future there and are making very proactive efforts to attract more clients there. And you will also over the next few quarters - by design - see shrinkage of the sub 100 seat cohort, and we believe we want to continue serving the larger clients and have a laser sharp focus on the annuity revenue. Hope that addresses your question. Thank you.

Yashas Gilganchi: Yes, that is clear. Thank you very much. I have another question but I'll join back in the queue.

Moderator: Yes. Thank you. The next question is from the line of Sourabh Gilda from JM Financial. Please go ahead.

Sourabh Gilda: Yes. Hello, everyone. Thank you for taking my question. My first question is on occupancy. As our operational footprint is expected to approach the 13 million square feet mark by the end of the year, how do you see the occupancy tracking up, especially given that we have two large centres coming up in the second half? So that's my first question.

[(5)] 25% was mentioned in error. Figure corrected above.

Neetish Sarda: We have very good demand coming in for the new centres. We have not just two large centres coming up, but almost seven to eight different centres across different cities under construction. We have very healthy demand coming in. If you go to Slide 15, you will see that our mix of centres is not limited to a particular city.

You will see it is very well diversified across multiple cities with West, South, North, all holding a significant portion of the new supply which is coming up. We're actually seeing this demand coming in every location. And as far as occupancies are concerned, there might be a quarter or two where you might see a little bit of volatility on the occupancy, but that depends on the new centres which get added because the base effect or the new number seats take a little bit of time to ramp up. Having said that, they will not have a significant impact on the margins because our older, mature centres are inching more towards the 90% plus occupancies. So, with that, I think we can fairly say that anywhere between 80% to 85% is where we can effectively look at our occupancies throughout the next three quarters, despite the high growth.

Sourabh Gilda: Thank you. That's helpful. And my second question is on the retention. You have highlighted that the drop is as a result of your proactive churn. So, is this churn demand-backed and do you see similar opportunities spanning out over the next few quarters?

Neetish Sarda: Absolutely. You shouldn't look at retention on standalone - you should also look at it with the committed occupancy that we have. Our committed occupancy still stands at 92%, and retention will only come in mature centres. If you look at our mature centre committed occupancy, we are at 92%. There are certain customers who came in 4-5 years ago at a slightly lower base; now that the markets have corrected, we are going ahead and churning them out and already have found a different customer to take over their space. That's why the mature committed occupancy still stands at about 92%.

Having said that, this is a trend that you will see with our company - if you look at our history over the last two years as well, even last year, the first two quarters, there was a little bit of churn, because most of the decisions of taking up new offices happens in the first two quarters of every year. And then subsequently in quarter three, quarter four, that churn number gets to be much smaller and that trend can be seen in the last year's numbers also. 74% is what our quarter two retention[6] was, but effectively the year's retention[6] ended up being 80-88%. So, we don't look at like a 74%[7] retention[6] is what is not important. What is important is out of that 74%[7] retention[6], 92% of our properties are already pre-committed. So, our committed occupancies are very wealthy and healthy. So, we've already found a customer to take over their spaces, in most of the cases.

Sourabh Gilda: Thank you. That's all from my side.

Moderator: Thank you. The next question is from the line of Vikrant Kashyap from Asian Market Securities. Please go ahead.

[6] 'Churn' was mentioned in error. Wording corrected above.
[7] 77% was mentioned in error. Figure corrected above.

Vikrant Kashyap: Hi, congratulations on a very strong set of numbers. On your GCC client additions, your revenue there has improved significantly. Have you started benefiting from your SmartVantage platform? Is the increment coming from this program that you have started running? And how would it improve your average revenue per month given the cycle is continuous?

Harsh Binani: So, thank you, Vikrant, for the question. Certainly, GCC is a primary growth driver as we look at the next two, three years. And the nature of the GCCs continues to evolve across our client base. A couple of quarters back, we handed over to one of the largest Swiss banks. Subsequently, we've handed over to one large manufacturing GCC. So, you will continue to see diversity in sector of GCCs. And today, the GCCs are not limited to only US. We are also seeing a lot of incoming demand from Europe and Japan.

One of the compelling value propositions that we are able to offer to them is, of course, the SmartVantage platform, which handles not only the seats, but also offers all the other services that they acquire. It has only been a couple of quarters since we soft launched this program and we are happy to share that we are already seeing very positive traction. The SmartVantage platform has won two large contracts in terms of providing additional services beyond the seat revenue. And we expect this revenue to meaningfully double over the next two years. And the way we look at our GCC strategy, our core will continue to remain our annuity revenue, but the one-stop solution we are able to offer to our clients will enhance our stickiness and also ensure that the contract duration is longer.

Neetish Sarda: And just to add to that, our GCC revenue and the addition in the margin that Harsh has spoken about has not started hitting our books yet, because these GCCs that we've signed with additional services, we are providing them the space as we speak. It's only been two quarters. Most of the offices are under fit out or have just been handed over. And the value accretion of the other services over and above the space will happen, you will meaningfully see that number increase over the next two or three quarters.

Moderator: The next question is from the line of Muralikrishnan from Sundaram Mutual. Please go ahead.

Muralikrishnan: Hi, thanks. So, I just wanted to check - while we are covered in terms of supply for FY28 and looking for FY29, there are some reports saying that completions have seen some delays. Of course, we have started working with large developers. So, are we seeing any issues on the supply side in adding the seats? Yes, that's the only question from me. Thanks.

Harsh Binani: No, supply side visibility in our model is very, very high. Two things that Smartworks focuses on is taking large campuses. So, for Smartworks to grow at about 2.5 million square feet to 3 million square feet, we need to just add seven or eight buildings a year, that's it. That's the number that gets us to that 2.5 million square foot or 3 million square foot growth.

With the kind of visibility and the building signups that we've already done, even if there is a delay of a quarter or two quarters, we still have enough supply locked in now where it is not going to derail our business plan. In fact, that's the reason our guidance was to get to add about 2.5 million square feet to 3 million square feet of space. If you look at our presentation on Page 15, you will see that we've added more than 3.5 million, so there is a buffer of almost 700,000 to 800,000 square feet that we have added. Any of these projects that get delayed, there is another asset that can compensate for the delay of that project.

So, supply for us is not an issue, and because we are taking up and now looking at supply for FY29, optionality for Smartworks is very, very high. So, we essentially see what stage the building is at, how quickly can we do it - if the builder hands it over to us, we try and build in a buffer of at least one or two quarters just in case things get delayed.

Harsh Binani: To add to Neetish's point, traditionally our business had a very varied set of developers on the unorganized and non-institutional side, but over the last 12-18 months, our platform has attracted all the marquee institutional grade developers like DLF, Hiranandani, Tata, Panchshil, Salarpuria. These are the partners who deliver on schedule as well, and that is where the developer relationship is precisely the hedge that we have against any completion risk per se.

Anirudh Tapuriah: And Murali, Anirudh this side, also just wanted to add, our operational footprint as of June is 10.4 million square feet. Very happy to share that already 1.9 million square feet is currently under fit-out, and the details of the same are available on Slide 16 of our Investor Presentation. So, when we speak about 2.5 to 3 million square feet of annual operating capacity to be added, there is full visibility with respect to centres which will be handed over to us as well. Hope that answers your question.

Moderator: The next question is from the line of Varun Julasaria from 360 ONE Capital. Please go ahead.

Varun Julasaria: Yes, hi sir, thank you for the opportunity. I just wanted to check on the guidance front. So how much additional revenue are we expecting from the new leasing and what is the per-square-foot revenue that we have modelled for the additional revenue? I think 22% growth is already factored in based on last quarter's revenue and rest will come from the new operations. So, I just wanted to check what is the per-square-foot rate that we are considering and how much additional rent do we feel we will get from the new assets?

Anirudh Tapuriah: Yes, thanks a lot Varun, for your question. With respect to our visibility, we have guided for adding 2.5 to 3 million square feet in fiscal year '27, with our revenue guidance being constant at 28% to 30% revenue guidance and a normalized EBITDA guidance of 19% to 20% from a full-year perspective. Your question with respect to our realization: our realization for incremental seats which we leased out in Q1 FY27 under the mature footprint, it was at around INR 181 per square foot.

Neetish Sarda: And we feel that is the number that will continue - on an occupied basis, it turns out 2.1 to 2.2 times the cost, two times if you look at occupancy adjustment at 90%, but if you look at 100% occupancy[8], the rental revenue[9] is anywhere between 2.2 to 2.3 times of rental cost.

[8] *Occupied seats' cost* mentioned - edited for the purpose of readability.
[9] Revenue was mistakenly mentioned as cost, the sentence has been suitably updated for readability.

Varun Julasaria: Okay sir. I am just wondering because around 22% kind of growth is already factored in based on committed occupancy at the current level. Since we are adding around 20%, 25% kind of additional space, I was wondering if the growth would be slightly higher and if we are kind of guiding a little more conservative that way?

Neetish Sarda: No, so these are new centres which are just coming up right now. So, if you look at our committed occupancy, it stands at 92%, so there's not much to sell on our existing base. Whatever we sell on the new centres, which takes about 12 months to ramp up and there might be certain delays on the property handover also, that's why the range of about 28% to 30% is what we are fairly certain about achieving and with the steady margins that we've already said.

So those numbers we are very confident upon, because we do not have existing properties where we have seats to sell. So, whatever we are now building, which will take about four, five months to build and then eventually ramp up, you will see maybe Q3 or mostly Q4 see that jump, and that's why we are saying that 28% to 30% is what we are fairly confident of achieving.

Varun Julasaria: Okay sir. And this last question on the OCF to EBITDA. This time we saw slight decline, I think working capital change was in our favor? So just wanted to understand if there is any particular reason, like although it is still healthy, but just wanted to check?

Harsh Binani: No, certainly, we have elaborated this further in our shareholder letter as well. Our OCF to EBITDA included INR 33 crores of security deposit, which we have used for securing strategic leasing of properties for FY28 and FY29 in several prime locations, and therefore we will continue to add supply for future. And you might see these momentary dips, but structurally our business continues to be negative working capital. Our receivable days are six days as you would have seen. That is a big strength of the company. And we continue to have a fair amount of float income as well in terms of the security deposits that we receive from our tenants.

Varun Julasaria: Okay, sure. Thanks, thanks, that's it.

Moderator: Thank you. The next question is from the line of Hitaindra Pradhan from Maximal Capital. Please go ahead.

Hitaindra Pradhan: Yes, hi sir, thanks for the opportunity. Just to zoom in on the capex granularity that you provided. Between refurb and new fit-outs, how does refurb capex compare with new fit-out capex? I mean new fit-outs are probably in the range of INR 1,500 or so, so how much do you spend on the refurb?

Neetish Sarda: No, so new capex is at INR 1,350 which then increases by 5% every year because of cost of inflation. The refurbishment capex is closer to about 15% of the initial capex that we do. That is an estimate 15% of the total value, so that whatever that number would be INR 1,400, INR 1,450, about 15% of that every three years is the refurbishment capex that we have built in. Approximately 5%.

Anirudh Tapuriah: And just to give you some context with respect to how it is also seasoned for us, if you look at Slide 52 of our Investor Presentation, our last year capex outflow was INR 388 crores. When you look at our footprint, our fiscal year '25 operational footprint was 8.1 million square feet.

From there we matured to 10.1 million square feet by March '26. And then we are guiding for 2.5 to 3 million square feet of operational square foot addition this year. That is where the estimates which Neetish had shared earlier comes into play.

Hitaindra Pradhan: Okay, thank you.

Moderator: Thank you. The next follow-up question is from the line of Devang Patel from Sameeksha Capital. Please go ahead.

Devang Patel: The PPT mentions the share of IT and ITES in revenue is down to 35%. Within this, my question was what is the share of call centres and have you seen impact on renewals from this particular segment because of AI?

Neetish Sarda: So, I do not think call centres anyways contributed to significantly into our numbers. We do not classify it further below IT/ITES, so it is difficult for us to put that into context. But how I can maybe answer this question is that most of the customers who came to us had the opportunity of moving out, they ended up retaining with us, at least 74%(7) did. And even the ones which we did not retain, we were able to fill them up because our committed occupancy stands at 92%. So, we do not have a classification below IT/ITES and how much is call centres, we classify everyone under IT/ITES as well, but I don't believe that is going to be a significant number.

Anirudh Tapuriah: And Devang, just to give you some background with respect to how IT/ITES as a sector has behaved for us. Its contribution used to be around 44% in fiscal year '24. From 44% it came down to 42% in fiscal year '25. Further came down to 39% in fiscal year' 26, and in Q1 it stands at 35%. So, we actually see a trajectory where sectors other than IT/ITES are growing at a faster rate compared to IT/ITES.

Devang Patel: Got it. Just a quick second question, as the share of GCCs is rising in our revenue, is the yield margin accretive and ROCE accretive for us? Is that already pulling up our ROCEs or you see that impact in future?

Neetish Sarda: Any client coming into the ecosystem will pulling up our ROCE, not just limited to GCCs. I think the demand coming in from all sectors, whether it's engineering, manufacturing, it is value accretive. If you look at the price point at which Smartworks is selling, we are creating a significant amount of value for the customers also. That is why you will see that 1,000 plus seater cohort increasing meaningfully. So, it is not just limited to GCCs.

As I said earlier, the Smart Vantage program and GCC margin expansion through services will still take about two to three quarters to start affecting our numbers because right now we are building out the offices for the GCCs that we have signed up. When they move in, start at occupying some of our other services, that is when you will see the services margin come in, but that has not started happening yet. We are still in the building out phase for most of the GCCs that we have signed up or we have just handed over the space, and the service revenue increment you'll see maybe after two to three quarters.

Devang Patel: The demand would be more at the premium end versus our rentals at INR 185. So, their demand would be at more premium end which allows us to have higher margins?

Neetish Sarda: There is always opportunity for Smartworks to price up its product. If you look at our price point per seat, we are probably the industry leaders despite having a healthy margin of 19.6% this quarter. Our price at which we are able to sell to our customers is probably one of the most competitive in the markets. So yes, there is an opportunity to price it up further. I think the closest competitor is almost 10% to 15% higher than our numbers.

So, there is an opportunity for Smartworks to price up. But you also need to look at this with the volume of business that Smartworks is doing. 2.5 to 3 million square feet of addition is not something that anyone in the market is doing at this point, and we believe that both volume as well as value is going to help us achieve the projected number that we have done for the year.

Anirudh Tapuriah: And Devang, just to give you some context with respect to our pricing power as well, just adding to the point which Neetish mentioned, as I commented earlier it was INR 181 per square foot for mature capacity in Q1 FY27. If you just look at the same numbers in the previous fiscal, it used to be around INR 170 per square foot. So already there has been an increment of INR 11 per square foot in our mature capacity.

Devang Patel: Right, thank you so much.

Moderator: Thank you. The next follow-up question is from the line of Shamit Ashar from Ambit Capital. Please go ahead.

Shamit Ashar: So you are signing a lot of new properties with some institutional landlords in the last two or three quarters. So, are they coming in at better terms than what they were, let's say 12 to 18 months ago? Are you enjoying some benefits from the landlord side as well as you scale up?

Neetish Sarda: Absolutely. See our function of getting the preferred terms is because of the volume of deals that Smartworks is doing. If you look at some of the deals that we have announced, whether it was the Bombay acquisition in Vikhroli, these are some massive deals, one of the largest deals of office space in the country - Probably the top 10 largest deals. So, we are able to negotiate scale and get value.

I think with our size getting bigger and bigger and with the platform and its reach increasing significantly, we are seeing this value now being derived from institutional landlords also where they have seen our track record, they have seen how Smartworks has already grown to over 10 million square feet of operational footprint with some of the best clients backing and expanding with us, and that is where they also get the confidence that we are able to fill up those buildings fairly quickly.

Shamit Ashar: Got it. So, in the future, will there be more increased leasing from the institutional landlords versus the non-institution ones?

Neetish Sarda: I think it is very difficult to point out what the mix is going to be. If you ask us how we are projecting it to be, we think currently it stands at about 65% versus 35%. 65% towards non-institutional and 35% towards institutional. I think this is a healthy mix and we think that approximately the similar number is going to continue over the next few quarters or perhaps few years at least.

Shamit Ashar: Right, thank you.

Moderator: Thank you. The next follow-up question is from the line of Muralikrishnan from Sundaram Mutual. Please go ahead.

Muralikrishnan: Yes hi, thanks again. So, sir just wanted to check, our peers are also increasing the VAS offerings. So, is this done to increase the attractiveness of our offerings and to make clients sticky with us? That's one question. And to continue on that, currently the VAS as a portion of revenue is limited, but how do we see the impact of it on the EBITDA margins evolving?

Neetish Sarda: No, absolutely, VAS as a percentage has significantly increased already. If you look at our numbers for the same quarter last year, non-lease rental revenue stood at INR 22 crores, which this quarter has already increased to over INR 68 crores. Most of this is driven through value-added services.

With Smartworks there are a lot of VAS services which are not one-time in nature, but they are regular. For example, the food programs that most of our customers have bought for their employees or some of the services on the building level that they have bought for their employees, while it might come under the other operating revenues, it is something which is repetitive in nature. With our base increasing, this will automatically increase in terms of numbers. It's already tripled even though our revenue has grown by 30%, the revenue from value-added services have grown, almost triple from INR 22 crores to INR 68 crores.

Just because of the number of seats occupied now, the base has increased significantly. And with the base increasing, you will see this number increase further. As far as our focus on VAS, right now it is very limited. We have only started focusing on VAS about three quarters back. There are only limited services.

So, there is an opportunity to increase it further. But we have not factored in any of that in our current projections for this year particularly, because most of it would be under pilot stages where we are trying other avenues to increase our margins. So, it is very difficult to project it, but you might see these numbers increase further depending on the pilots and what works for us and what doesn't.

Muralikrishnan: Thanks, sir. And on the EBITDA margins, will they be dilutive or will be able to pass on our expenses on these services? Yes, that would be my question here. Thanks.

Neetish Sarda: No sir, in terms of EBITDA margins it actually hits our bottom line directly, because most of the VAS services that we do are essentially on a take-rate basis where we go ahead, there is no expense on the books and we take a certain take-rate from the service providers. We are not the ones who are providing these services, we integrate with third-party suppliers to provide these services and we take a certain take-rate.

So, it is definitely going to be margin accretive, but it is very difficult to predict how much will it be in this year because we are still in the phase of completely launching our different verticals and different offering in the VAS vertical.

Harsh Binani: And philosophically to add to Neetish, why we have become the largest is purely because our focus has been to scale our platform, get the best companies in India and the world to come, so annuity income and the quality of cash flows that it brings is already reflected in our P&L as well as balance sheet. There is very limited volatility and in spite of the heavy capex cycle, our margin as well as our ROCE continues to increase. So that is where the business will continue to grow and scale, and VAS will only be over and above and on top of that.

Moderator: All right. That was the last question for today. I now hand the conference over to the management for closing remarks. Over to you, sir.

Harsh Binani: Thank you all for joining us this evening and for a thoughtful discussion. For a deeper view of the quarter, the numbers behind the numbers, please do refer to our shareholder's letter and our Investor Presentation for more details. One year on from listing, the business is demonstrably better than it was earlier. Revenue, EBITDA margin, PAT and ROCE, all increased sequentially every quarter, even though a high capex cycle.

With a high forward visibility on revenue and our buildings for FY27 and FY28 already signed, the compounding is well underway and set to accelerate. We don't manage for the quarter; we are building for the decade. Thank you for your continued trust. Good evening again.

Moderator: On behalf of Ambit Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

(This document has been edited for the purpose of readability)