

SMARTWORKS

"Smartworks Coworking Spaces Limited Q2FY26 Earnings Conference Call"

November 07, 2025

SMARTWORKS

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 & INVESTOR RELATIONS

MODERATOR: **MR. MURTUZA – KOTAK SECURITIES**

Moderator: Ladies and Gentlemen, Good Day and welcome to the Smartworks Coworking Spaces Limited Q2 FY26 Earnings Conference Call hosted by Kotak Securities.

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 the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Murtuza: On behalf of Kotak Institutional Equities, I welcome you all to the Q2 FY26 Earnings Call of Smartworks Coworking Spaces Ltd.

On behalf of Smartworks, we are represented by the Senior Management, 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 Tapuria – Chief of Strategy and Investor Relations.

Without wasting much time, I will hand over the call to Mr. Neetish Sarda for his opening remarks. Thank you.

Neetish Sarda: Good morning, everyone, and thank you for joining us for Smartworks Q2 FY26 Earnings Call. The earnings presentation has already been shared with the Exchanges, and I hope you have had the opportunity of reviewing it.

I will begin with a Brief overview of our business and then move on to the key highlights for the quarter. Q2 FY26 marks our 2nd Quarter as a listed company, and the benefits of listing are already clearly visible. Operationally, we are experiencing stronger access to supply on preferred terms, which facilitates faster scale-up and accelerated enterprise inbound activity. Strategically, this market visibility is driving the closure of large deals and significantly deepening our institutional credibility.

As the largest Pan-India managed office platform, Smartworks continues to lead India's managed workspace evolution. At 12.7 million square foot of total super-built-up area across 14 cities serving 760-plus clients, we have delivered another solid quarter. Our managed campus model sets us apart.

As you know, we leave entire bare shell buildings and transform them into tech-enabled, enterprise-ready ecosystems that combine scalability, efficiency, and experience. Think of it as a workspace operating system, one that connects landlords, enterprises, and employees seamlessly. Our large amenity-rich campuses are micro-cities of productivity, drawing employees back to work, elevating daily experience, and fostering collaboration.

Our performance in this quarter reflects continuous strength across four key pillars of Smartworks – High Growth, Predictable Revenue, Self-Sustaining Cash Flows, and Longevity of the Business Model. Details of this are mentioned on slide #8.

In Quarter 2 of FY26, we delivered another strong performance. Our revenue stood at almost Rs.425 crores, growing 21% year-on-year and 12% sequentially from the last quarter. With this, our normalized EBITDA rose 46% year-on-year to almost Rs.70 crores with a 16.4% normalized EBITDA margin. Our committed rental revenue stands in excess of INR4,400 crores as we speak.

Annualized ROCE improves to almost 14.3%, the highest in the company's history, supported by capital discipline and operating leverage from mature centers. Smartworks remains net-debt-negative at INR59 crores, with a normalized operating cash flow of INR62 crores and an OCF-to-EBITDA close to 1x. Since our IPO, we have reduced gross debt by nearly 45%, reaffirming the strength of our self-funded asset-light model. I am pleased to inform you that CareEdge Rating recently upgraded our rating from BBB++ to A Stable, a two-notch upgrade that recognizes our balance sheet strength, strong cash generation and consistent growth.

Supply visibility has strengthened significantly, giving us a clear line of sight for the next two years and beyond. Today, we have a signed-up portfolio of up to 14 million sq.ft. and have visibility of 100% of FY26 and FY27 supply, with FY28 sourcing already underway. Despite having high visibility of FY26 and FY27, the company continues to have the appetite to take on more business because of the continued demand. For supply details, please refer to slides #12 and #13 in the deck shared.

We at Smartworks continue to beat our own track record of the largest managed campuses, not just in India, but at a global level. Today, over six of our campuses are more than 500,000 sq.ft. each, and we are happy to announce that now we have the world's largest standalone campus with the Hiranandani group in Mumbai. All these large campuses have more than 8,000-10,000 people coming to it on a day-to-day basis.

Our landlord base has also directly strengthened both in scale and resilience. 24% of our portfolio now comes from institutional developers like DLF, Hiranandani, Tata Realty and Panchsheel, while the rest is from non-institutional landlords. It demonstrates strong traction of flexible workspace and new habit formation, which is attracting larger developers also to partner with us. With no dependency on a single landlord, we operate with an unlimited runway and zero chokepoint, a model built for resilience and not reliance.

On the demand side, two trends stand out: First, deal sizes are rising sharply, led by GCCs and large enterprise clients. GCCs now contribute to more than 15% of our rental revenue, and this share is expected to continue to grow up meaningfully in the future. Our GCC offering, which we will talk about in a few minutes, is uniquely positioned to capture meaningful market share in the future.

This quarter, we began reporting our 1,000-plus-seats cohort, which means these are clients who have taken up more than 1,000 seats with Smartworks. This already makes up more than one-third of our rental revenue. These large enterprise deals strengthen client stickiness and tenure and are margin accretive.

Second, pre-fill from existing clients is driving faster ramp-up across new centers. Our deep relationship with clients is our biggest moat. Rentals from multi-city clients continue to be over 30%, which means that if Smartworks adds 3 million square foot of space every year, 1 million is being pre-filled from our existing client base.

With scale, our acquisition costs are declining, reflecting in brokerage which has reduced to 2.4% of our lease revenue in Q2 of FY26, with sales cycles continuously shortening. For instance, the first deal with one of our Fortune 500 clients took nine months, but every subsequent engagement we close with them was closed within two to three months. Today, we have become their pan-India infrastructure partner. We continue to maintain industry-leading cost structures, both for CAPEX and OPEX, allowing us to pass on volume, value back to our customers while scaling profitability.

I will now highlight some of the key aspects of the industry that we operate in:

India stands at the epicenter of the world's office evolution. According to Knight-Frank, the country will add 1 billion square foot of office stock in the next 10-15 years. At the same time, flexible and managed formats are becoming mainstream. Cushman & Wakefield in its report said that flex penetration in Grade A offices has already risen from 10% to 25%, marking a structural shift in occupier behavior. Enterprises are choosing flexibility, speed, and experience over conventional long-term leases.

Within flex, managed campus has become the gold standard and Smartworks has pioneered this category in India, bringing design, technology, and flexibility together at scale. A major catalyst in the surge is global capability centers.

According to industry estimates, GCCs will drive 50-55 billion square foot of new office demand over FY26-27, and account for nearly 40% of the total absorptions across India's top cities. Their preference for managed campuses is natural. These models allow them faster setup, stronger compliances, and scalability, which is essential for them to grow within different cities in India.

We are also seeing a broader consumer shift from conventional offices to flex. What started off as a cost and flexibility play has become a behavioral movement. Enterprises now seek experience-led collaboration campuses that enhance productivity and employee engagement. Smartworks is uniquely positioned to capture this dual shift, from conventional offices to managed models, and from smaller footprints to mega enterprise campuses.

Let me now hand it over to Harsh, our Co-Founder, to take you through some of the key operational and financial highlights for Q2'26. Thank you. Harsh, over to you.

Harsh Binani: Thanks, Neetish, and good morning, everyone. Q2 FY26 has been an action-packed quarter for us, both operationally and financially.

Moving to quick updates on the operational side:

Today, our total footprint stands at 12.7 million square feet, with 9.1 million square feet operational across 49⁽¹⁾ centers, the largest managed office portfolio in India. Today, we manage over 235,000 seats, with two-thirds of our leased area comprising full-building campuses, consistent with our strategy. Our mature portfolio today stands at 7.5 million square feet, operating at 88% occupancy, with committed occupancy above 93%, providing strong visibility. What is noteworthy is our sustained and continuously higher occupancy, which reflects the resilience of our business model, which was tested even during the height of downturn.

To capture the expanding GCC opportunity, we have launched SmartVantage, a dedicated GCC enablement platform integrating workspace design, compliance, technology, and partnerships. This positions Smartworks as India's GCC partner of choice, and we expect our GCC revenue to double in the next couple of years.

Large deals continue to drive our momentum. In fact, our 1,000-plus-seat cohort, which three years ago was at 12%, today, has tripled to 35% of our rental revenue. These deals are long-tenure, margin-accretive, and create stronger client stickiness. Their average tenure is 50-plus months, with a significantly higher lock-in.

90% of our rental revenue continues to be from enterprise clients, with more than 70% coming from clients occupying over 300 seats, ensuring visibility and predictable cash flow. Our retention rate during the quarter was 74%, compared to 94.5% in Q1, primarily due to a healthy churn from an overall portfolio perspective, as re-leasing has seen higher realizations. For more details, refer to our shareholders letter.

Coming to the financial highlights, our revenue continues its steady climb, with each quarter compounding on prior momentum. Our Q2 revenue from operations stood at Rs.425 crores, which is up by 12% from Q1, and 21% from Q2 of FY25. We aspire to continue growing at 30%-plus in the near-term.

⁽¹⁾ 54 was mentioned in error. Figure corrected above.

Our normalized EBITDA was approximately about Rs.70 crores, up from 13% from last quarter, and 46% year-on-year, with an overall normalized EBITDA margin of 16.4%. Our PBT was at around Rs.25 crores, up 40% quarter-on-quarter, with margin expansion to 5.8% from 4.6% in Q1. Our EBITDA will continue growing faster than revenue, driven by critical scale and operating leverage, while our ancillary business lines will eventually grow it further.

Our OCF-to-EBITDA continues to be very healthy. In this quarter, as a strategy towards our growth, we have added significant new capacity, for which the security deposit payout has been done. These will become operational in FY27 and have had a temporary impact on our OCF-to-EBITDA in lieu of higher future growth. For more details, refer to our shareholders letter.

Pre-IPO, we had scaled up our business in just Rs.500 crores. Our asset-light model continues to prove that efficiency and growth can co-exist. Our ROCE improved to 14.3%, nearly double of FY25 levels. We expect this to double in the next two years, and we continue to see more headroom for ROCE growth beyond that as well.

Our terms of trade continue to be best-in-class. Our receivables were under seven days, and we have eliminated any asset liability mismatch for at least the next two years. We are accounted by IND-AS 116, which requires us to create non-cash accounting provisions. In the medium term, the reported IND-AS PBT and normalized PBT will also converge as our accounting provisions will start to reverse, and business profits increase manifold.

To summarize – Similar to Q1, Q2 has demonstrated consistent revenue growth, strong operational efficiency and continued progress towards profitability, despite ongoing depreciation and finance costs, which is just optically higher on account of IND AS accounting. Our operating leverage will now be a key driver of our margin expansion, powered mainly by center-level occupancy gains, which will improve as campuses move from breakeven to 80% and beyond to 90%-plus.

Both our corporate and brokerage costs will continue to reduce with scale and this will also enhance our margins. In fact, our corporate costs as a revenue from operations has declined from 13.8% in 2022 to 7.9% in H1 of 2026.

As our new supply stabilizes and we surpass 12 million sq.ft of mature centers, the expanding base will further enhance our margin, with the mature portfolio increasingly driving profitability. At this scale, we expect to transition into self-sustaining CAPEX model, enabling 25%-30% annual growth without any additional funding. Strong cash generation will continue to support healthy liquidity and cash balances in the near term.

Now, moving on to guidance about our H2 '26, we are well-positioned to accelerate our revenue growth, with several new large deals continuing to go live. This will also translate into expanding margins further in the second half of 2026, with operating leverage playing out. Our growth is expected to also accelerate because a lot of our new capacity will mature. So, just to give a perspective, we will have 1 million sq.ft. of new operational supply and additionally 1.4 million sq.ft. of our current capacity will mature in H2 '26.

Our ancillary revenue growth is also set to double, with VAS growing very rapidly and VAS continuing to grow. Every square floor now sweats more revenue, and to clarify on VAS, we only account for take rates in top line for transparency.

Smartworks remains on track to deliver consistent growth, expand margins, and sustain shareholder value. Thank you so much for your patient hearing. We are now open to questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Girish Choudhary from Avendus Spark. Please go ahead.

Girish Choudhary: Hi. Thanks for the opportunity. Congratulations on the Eastbridge deal as well. Just on this, if you can talk a bit about this deal in terms of timelines, the rental cost, the CAPEX cost, and also when do you see this to start generating revenues for you?

Neetish Sarda: Hi. This is Neetish. Girish, the Eastbridge property is on a stretch on Vikhroli, which is now becoming the center of Bombay because it is closely connected to all parts of Bombay. We are seeing a significant amount of demand coming in from our existing customers who are also willing to expand. One of the things that we mentioned earlier was that more than 30% comes from our existing client base and most of our growth is now informed by our clients coming back to us and telling us which part of the country or city are they looking at growing in. So, we have a very healthy demand for this particular location. This property is currently under construction and will be handed over to us by the builder in the second or third quarter of next year. The property is over 815,000⁽²⁾ square foot, which will have over 10,000 people coming to it on a day-to-day basis. It will require a CAPEX of close to about Rs.110 crores when the entire building gets occupied, and obviously, the entire CAPEX is not going to be upfront, it is going to be in phases as and when the occupancy increases.

But, if you talk about the demand for the assets, we are seeing a significant demand already getting built up. Since the property is still about eight, nine months away, we are still observing the demand coming in. But you will definitely see that the ramp-up of occupancy; we typically take about 12-months to mature a center to get to that 65-70% occupancy.

⁽²⁾ 820,000 was mentioned in error. Figure corrected above.

In this center, you will see that ramp-up happen much quickly because of the kind of demand that we are getting from our existing customer base itself, and that is the reason that we went ahead and chose expanding in this location. Hopefully, that answers your question.

Girish Choudhary: Got it. If you can talk about the rental cost and the lock-in period, if you have any details?

Neetish Sarda: The rental cost is about Rs.120 per square foot. We have leveraged our scale and made sure that we have gotten a rental which is attractive in the market considering the 800,000 square foot take-up that we have taken. Considering the approximately Rs.120-121 rental, it is about 9.4 or 9.5 crore rupees rental on a monthly basis. The property is only going to get handed over to us in Q3 of next year. Hopefully, by then, we will have a pipeline developed already. Currently, we have a very healthy pipeline visibility of about 30%-35% which is from our existing customers, but we still have a runway of about eight, nine months before the property even gets handed over to us.

Girish Choudhary: Got it. Got it.

Harsh Binani: Girish, to add to Neetish's point, we also want to emphasize the quality of demand. Two interesting trends that have been observed is, one, we are getting mega 1,000 plus seater deals. So our conviction on Hiranandani is largely because we also expect a lot more mega deals to help us ramp up quickly. Secondly, Maharashtra is now emerging as a very key state for GCCs. We are continuing to see southern states get a lot of demand, but the base in Maharashtra is much lower. So, similar to our prior property as well in Navi Mumbai with Tata Realty, we do expect significant GCC inbound demand as well for both of these locations.

Girish Choudhary: Got it. Yes, that is helpful. And secondly, just a bit on the retention ratio, which we have seen falling from 90%-plus to 74%, if you can talk a little bit about the nature of this exit and you also mentioned that you have been able to re-lease at higher spreads, but maybe if you can share how much higher on all those details?

Harsh Binani: Sure, Girish. We have mentioned more details about this in the maiden shareholder letter, which we have also shared. To provide you a high-level perspective, while we do not comment on individual deals, two large renewals ended in Q2, which came from the COVID period. Both spaces have been leased at higher yields, which is largely driving this healthy churn and explains the retention. We expect the retention in foreseeable future to continue upwards of 80-85%, and at the same time, we will continue having some healthy voluntary churn as well in this. Thank you.

Girish Choudhary: Got it. Thanks.

Moderator: The next question comes from the line of Shamit Ashar from Ambit Capital. Please go ahead.

Shamit Ashar: Yes, hi. Congrats on a good set of numbers and thanks for the opportunity. So a couple of questions from my end. Your IT client mix has declined from around 42% to 40% at present. So, considering your recent acquisition in Vikhroli, which primarily houses IT offices, what are your occupancy projections for that center? As of FY25, around 18% of your landlords were institutional, and that figure has now increased to around 24%. So Smartworks traditionally had stronger negotiation power with the non-institutional landlords. So, how does this shift towards partnering with institutional landlords impact overall pricing strategy and economics?

Harsh Binani: Thanks a lot for the question. Over the last three years, the company has intelligently diversified its sectoral base, and today, non-IT ITES account for more than 60% of our demand, largely from consumer, healthcare and manufacturing sectors. While IT/ITES continues to be a very important part of our portfolio, what we have recently also seen is influx of a lot of GCC clients, which now accounts for more than 15% of our rental revenue. So, we expect that the Vikhroli campus will ramp up quickly on back of a strong pre-leasing demand and also our sectorally diversified base, which not only includes IT/ITES, but several other more sturdier sectors. Prior to this, Smartworks had not expanded very aggressively in Bombay as we were building our brand. And Bombay, as you will notice, has a lot of BFSI and headquarters, which typically take a little longer to convert. But we are at that juncture now, where we will continue to see a lot of headquarter conversion, and also, we will penetrate more deeply into the BFSI segment in Bombay with both the new campuses that we have recently leased.

Neetish Sarda: And just adding on to that, and to your second question of institutional developer and partnering with them - I think for the longest time, Smartworks, with its large campus platforms, used to take from just non-institutional landlords, because the brand visibility was not there. Now that brand visibility has increased significantly, we are seeing even large developers partnering with us and giving us the kind of deals required for Smartworks to take up the entire campus and giving us their inventory as well.

So you are seeing these numbers go up because the institutional developers have also started partnering up with Smartworks as a model instead of just giving us a floor or any other flexible workspace, they are giving us that entire building because of our ability to recreate the campus that we have been able to successfully develop on the non-institutional side. So I think that is a very positive outlook, because they are opening up to our model. And in terms of financials, obviously, we now have the ability of negotiating with scale. And we are seeing the same sort of numbers that we are able to achieve on the institutional side as well.

Shamit Ashar: Got it. Thank you.

Moderator: The next question comes from the line of Yashovardhan Agarwal from IIFL Capital Services Limited. Please go ahead.

Yashovardhan Agarwal: Yes, hi. Thanks for this opportunity, and I hope you all are doing well. Just a couple of questions from my side. So if you could explain the overall cycle of signing and operating a new center, let us say from selling LOI to occupying it, leasing it to our customers, how much time does it take for us to reach break-even occupancy and then for that center to reach maturity? And relating it with the cash flow as well, that at what stage, how much cash is required, if you could explain that, please?

Neetish Sarda: Sure. Absolutely. So we typically take a building about five, six months before the building is completely ready since Smartworks is taking up large individual buildings and converting them into campuses. We do not look at a floor in a building or a part of a building. So the decision to take a building first is driven by the demand from our existing client base. About 30-35% visibility of the building's occupancy comes from the pre-demand that we have for that particular location. So we go ahead and only sign that building once we have that demand in place.

Once we take up a building, usually five to six months before the builder is ready to hand over the space, we sign the LOI, we start preparing the entire document for the building, the entire design deck, tech enablement, and start marketing the asset outside our existing customer base as well. On the day that we take up a building, that journey starts and lasts a month. It takes us about four months to do all the construction of the common amenities; so we will build out the cafeteria, gym, your lounges, all your collaboration zones, sports zones, all of those amenities that you see in a Smartworks campus, will all be built out in the first four months with the pre-occupancy which is already committed on a building, which is typically that 25%-30% mark at least which starts in the first four months itself. From there, the journey is a 12-month journey to get towards maturity. Within the first 12-months, we get to about 65-70% occupancy. We break-even at about 60% occupancy. So within the first 12-months, we get to that 65%-70% occupancy, and on an average, over the last few years, we have ramped up to about 90%-plus occupancy in 14-months. That is the journey that we have seen on an average for most of the centers in the last two to three years.

If you look at that trend, because of the brand value that Smartworks has created and because of the larger customer base which is now expanding further and further, we are seeing that that pre-fill is happening much quicker and quicker, allowing Smartworks in its unique model to take up even larger buildings because we are able to fill it up with our existing customer base or with 1,000-plus-seater deals. Harsh had mentioned that 35% of our rental revenue comes from customers who are taking 1,000-plus-seater seats in an office. It means that once they come and commit to these 1,000-plus seats, our occupancy ramp-up happens much quicker. We are a pioneer in this. Despite having the largest operational footprint of over 9⁽³⁾ million square feet today, we only have 760 customers occupying those spaces. So it means we are taking these large campuses, but we are also filling it up with large, sticky enterprise clients who are committing to much longer tenures, making sure that this model is more sustainable and predictable.

⁽³⁾ 10 was mentioned in error. Figure corrected above.

Yashovardhan Agarwal: Got it, sir. Pretty much helpful. And, sir, you did mention the cash flows part. When and where do we do the CAPEX and the security deposit, so could you please address that as well?

Neetish Sarda: Sure. So we usually give a security deposit six months before. 2-3 months before the handover is supposed to happen, we give about 1-2 months of security deposit to the landlord, and then on the handover, the remaining amount of security deposit is given. The security deposit is given for the entire building on the day of the handover, which is typically 3-4 months for Smartworks on the total rental for the building.

So if we are taking a building, say, for Rs.1000, we give Rs.300 to 350 of security deposit on day zero when the builder hands over the space to us. We then spend on the common amenities, which is typically 10-12% of a building and the pre-committed space, which is about 25-30% of the space. So 50%⁽⁴⁾ of the entire CAPEX goes out within the first four months of the property being handed over to us. So if we are taking an 800,000 square foot building, we will deploy that initial 40-50 crores to do that entire CAPEX for that building in the first four months itself, which is for the common areas and the pre-committed clients for the building. After that, we only build out the spaces once a client comes and commits to the spaces within those buildings. So we do not pre-build and keep any inventory. We only build it out as and when the client keeps coming in. So the CAPEX outlay is actually distributed. When the client is coming and committing to Smartworks, they also pay us a security deposit. So on the security deposit arbitrage, Smartworks actually negates the security deposit that we pay to our landlords. In fact, we get some top-up on that from the clients that come to us. And since we are only building out the space after the client has signed with us, they pay us a full security deposit even before we start construction. So we are able to manage our cash flows by doing that.

Yashovardhan Agarwal: Got it, sir. Thank you. Sir, in the initial remark, you mentioned that asset light model is helping us scale faster. So could you please touch upon that as well, because I think we are doing 100% of the CAPEX and it is just a state-of-the-art model, so what is asset light in that?

Neetish Sarda: Asset light, we mean, sir, that because we are not going ahead and buying these buildings, the capital which is required to be invested on CAPEX is only Rs.1,350⁽⁵⁾ per sq. ft. CAPEX that we typically do to build out the interiors of the office spaces. That is only a fraction of the cost of the building. Because of our scale, we have been able to reduce our CAPEX outlay significantly, which is one of the lowest in the industry and without compromising on quality for the customers, looking at the kind of customers that are coming into the Smartworks ecosystem. Because of this ability, we have been

⁽⁴⁾ 42 was mentioned in error. Figure corrected above.

⁽⁵⁾ 1,300 was mentioned in error. Figure corrected above

very, very capital-efficient. If you look at our growth, pre-IPO, we have only spent Rs.500 crores in equity that we have raised in order to build out the entire business and expand the company to over Rs.1,370 crores in revenue last year. This year, we are already seeing significant growth in the first half, growing from Rs. 664⁽⁶⁾ crores in H1FY25 to nearly Rs.800 crores already in H1FY26. So that asset-light model is because our CAPEX spend is so low that we are able to deploy with less capital, increase our footprint significantly, and we are not buying any of the assets.

Yashovardhan Agarwal: Okay. Thank you. If I look at your cash flow, I think it is around Rs.186 crores of CAPEX that we have done in the first half. So for how many fields would that be?

Anirudh Tapuriah: Thanks a lot for that question. Anirudh this side. As far as the CAPEX deployment is concerned, we have actually given a detailed breakdown on page #35 of our investor presentation, that how are we calculating our normalized gross block. And when you look at our normalized gross block, our H1 FY26 footprint was approximately 9.1 million square feet. So for 9.1 million square feet, our normalized gross block stands at approximately Rs.1,400-odd crores. And this includes maintenance CAPEX as well for the centers which have actually completed around three years.

Yashovardhan Agarwal: Okay. Thank you for that. And if I may ask one more question on the margin side. So currently, we are expanding very fast. I think there would be an impact from the new centers which are coming up as well, which are not mature yet. So sir, if I am looking at Smart growth, at a center level, what are the EBITDA margins that we could be making and post all the corporate expenses as a business, what could be the margins that we could be making?

Anirudh Tapuriah: So from a center level EBITDA margin perspective, what we have actually disclosed is around a 16.4% kind of a corporate EBITDA margin. If you look at our corporate cost, our corporate cost is around 8%. So from a center level EBITDA margin perspective, you can actually add both of them and it will come to approximately 23% to 24%-odd. That is the range where we are actually operating on a center margin.

Harsh Binani: And to add to Anirudh's point, that is at an overall level where the mature center margins are higher than the overall blended margin because there is an initial period where the new centers pull down the margin as they ramp up and become mature. So on a steady state basis, while we continue at a high growth pace, adding 2.5-plus million square foot every year, we expect that once the company hits the critical scale of 12 million square feet, which is going to happen in a year and a half from now. At that point, the denominator of the new centers will not likely pull down the overall margin and you will continue to see margin expansion happen in the subsequent quarters. With our increasing scale, operating leverage is playing out well at the center level and we continue to see efficiencies

⁽⁶⁾ 680 was mentioned in error. Figure corrected above.

post-IPO both on our corporate cost as well as brokerage cost, both of which will reduce as a percentage of our revenue and also enable us to expand our margin. We have disclosed more of the details in our shareholder letter as well.

Yashovardhan Agarwal: Okay, sir. Thank you for taking my question.

Moderator: The next question comes from the line of Shivkumar Prajapati from Ambit Investment Advisors. Please go ahead.

Shivkumar Prajapati: Hi, sir. Thanks for giving me the opportunity. So, sir, my first question is on the GCC front. So, right now it forms around 20% to 25% of our overall flagship and obviously going forward as you highlighted at the initial remarks as well, it would form around 35% to 40% of the overall flagship. So, I just wanted to understand, are you calling out any specific plans to capture this demand going forward? Do these GCCs largely belong to BFSI, IT sector or some other sectors?

Harsh Binani: Certainly, thank you for the question. GCC is a core area of focus for us and today it accounts for more than 15% of our rental revenue. Interestingly, the GCCs are not limited to only IT/ITES clients. We have a very well diversified client base, which also includes BFSI, consumer, manufacturing and healthcare. And we are in fact seeing GCCs across the board in these sectors as well. We had mentioned that we expect the GCC revenue to double in the next couple of years. Keeping that vision in mind, we have launched a new product called "SmartVantage." What we are increasingly seeing from GCCs is that they prefer a one-stop solution where the offering is not limited to workspace, but also takes care of their other needs, including onboarding, legal, compliance and taxation. So, we have added significantly large partners who are able to deliver this core service as well. And together with them, we do a joint GTM where all the needs, including staffing and workspace, get taken care of for GCCs. And today, we also have a presence not only in Bangalore and Hyderabad, we are truly a Pan India player. Our top six cities contribute more than 80% of our footprint. So, in markets such as Gurgaon, Noida, Pune, Bombay, where we are runaway market leaders as well, we are continuing to see a lot of inbounds from GCCs. And therefore, this is going to be a Pan India multi-partnership model, which will help us double this revenue in the coming years.

Shivkumar Prajapati: My next question is, would you be able to share about the nuances zone-wise or city-wise? I just want to understand, is there any supply constraint or saturation in the market that you see going forward? And if you could explain us, like, which zone or city is more challenging to operate, something like that?

Neetish Sarda: So, if you look at our strategy of taking large individual buildings, what makes our model very unique and scalable is the fact that for Smartworks to grow at 2.5 to 3 million square foot every year, we need to add five to six buildings, considering the average size of buildings that we are taking now is 400,000 to 500,000 square foot. So in terms of supply, just because of the conscious choice of taking large format buildings, our entire portfolio today has over 12 million square foot with less than 60

centers, which means that these assets are large campuses, which allow us to create an entire ecosystem within these buildings, which is paralleled by none. We have this ability of creating a large gym, creches, cafeterias, all for our customers, which can be standardized for their requirements across the country. We realize that with this model, we have the ability of actually scaling in any part of the country. We are currently tracking multiple assets across different cities, and wherever we are seeing the most opportunity with respect to demand coming from our existing client base, that is where the maximum amount of capital deployment is going towards.

In terms of city growth, we have been seeing opportunities coming from almost all tier one cities of India. The top nine cities are actually seeing a significant amount of growth. If you look at our trajectory, with only 500,000 square foot of space in Mumbai up till four or five months back today, we have scaled up to almost 2 million square foot of space just in the region of Mumbai. So we are seeing a significant amount of demand coming in even from mature cities, where supply might be less, but because of our unique ability of taking up large individual buildings, we have been able to scale up that entire operations from 0.5 million to 2 million square foot with just two or three buildings. So supply is not a challenge for Smartworks. When it comes to demand and cities where it is coming from, we are seeing a significant amount of demand coming from cities like Pune, Hyderabad, Bangalore, Noida, Chennai, which are in the development stage. More mature cities like Bombay and Gurgaon, there is some sort of a supply challenge there, but in terms of demand, there is a significant amount of demand coming from these mature cities now, because the supply is fairly limited compared to some of the developing cities. But with our unique model, we are able to solve that supply challenge.

Moderator: The next question comes from the line of Vandit Jain from Sage One Investments. Please go ahead.

Vandit Jain: So, my first question is around the cash flow. So, since we have seen a high cash outflow due to security deposit for the Eastbridge Center, now, when we get the security deposit from the customers, does that happen when the demand commitments come in or does that happen when we get the center, let us say, in Q3 FY27, so, when the cash inflow is expected to happen?

Neetish Sarda: So, that also typically happens two, three months before we even hand over the asset to the customers. Usually, the deals with the customers would get signed closer to the handover of the building before we start deploying our capital. Currently, the capital outflow or the money which we spend is only towards the security deposit that we have given for the building. Once the existing customers are looking at the building, we sign up the building; closer to probably three, four months before we hand over the building, they give us their security deposit, so, you start seeing that inflow coming in much before we start spending on the fit-out for the client. So, there is a little bit of a mismatch just because we are now looking at blocking supply for FY27. For most of these years, pre-IPO, Smartworks was looking and growing at a pace in which we were blocking the supply only for this year. Now, with our scale and with our ability to take these large campuses, we are not only blocking supply for the

same year, but we are also going ahead and blocking supply for the next year. Since our IPO, we have gone ahead and signed more than 2.7 million square foot of space. And that is where some of the security deposit outflow has gone. But you will start seeing realization of security deposit three to four months before the property is handed over to us by the landlord, and much before we start spending towards the CAPEX for the customer.

Harsh Binani: And to clarify and add to Neetish's point as well, the security deposit is not specifically only for Hiranandani. In the quarter that has just gone behind us, we have added and paid security deposit for more than 2 million square foot. And as Neetish has clarified that the entire security deposit for properties which are going to get handed over follow a time-based milestone approach. It is not paid out on day one. It is paid over a period of time. While there is a mismatch, that mismatch is also offset with a lot of demand security deposit, which will also start to come. So, I just wanted to clarify the 2 million square-foot point which has driven the security deposit outgo in light of the immense growth opportunities that we are seeing ahead of us.

Vandit Jain: Got it. Understood. And my second question is around the blended occupancy level. While for mature centers, you mentioned it is around 88%, but at blended level, it is down to about 81%. So, any color in that and any indication going forward, how we should see that number?

Harsh Binani: Thank you for that question. We have mentioned more details about it in the shareholder letter, but the 81% is overall at a blended level where the denominator is also playing a factor because we have added significant capacity, which has brought it down. Our mature centers today are at 88% with a committed occupancy of 93%, and our overall committed occupancy is also close to about 87%-plus. So, that is the sort of visibility we already have today.

Regarding the occupancy, what is unique to Smartworks is the fact that we not only have a higher average occupancy, but the occupancy remains high for a sustained period of time, providing a high level of visibility in terms of our revenue and cash flow. Hope that answers the question. Thank you.

Vandit Jain: Got it. Thanks.

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

Vikrant Kashyap: Sir, good morning. My first question is on your churn. So, you did mention that your churning are higher and you would see a healthy churn going ahead and these are related to your COVID time occupancy. I just wanted to understand that does this churn has been opted by you to let the client go or the client decided not to renegotiate the rental at the current levels and how has that deal happened, and even if we are going to see healthy churn going ahead, and so when this occupancy will come up and this retention rate will come to a normalized level?

Neetish Sarda:

Sure. So, if you look at our retention, the retention stands at 74%, but if you look at our committed occupancy as Harsh has already mentioned for these centers, they are already at about 87%-88%. So, while these chucks have happened for clients who signed up with Smartworks back in 2020 and 2021 because we have a four-to-five-year tenure with most of these customers, it is a voluntary churn that Smartworks is doing for customers who are paying at a number which is below what others are paying at in the market today or other customers of Smartworks are paying in a particular building.

This churn is going to happen; this voluntary churn is good for the company because you will see this happening over the next few quarters, especially for a lot of clients which were signed during the first two phases of COVID and are all coming up for renewal at this point of time. So, clients who are willing to expand or willing to increase the pricing and get to today's level, we are going ahead and renewing with them. But then there will be certain clients who have scaled up significantly and economically it might not make sense for them to be in that particular location. We are also trying to see if we can take those clients and move them maybe to a different location in the city and reduce the cost for them.

You will see churn coming in over the next two to three quarters, because it is a timeframe which is four to five years after COVID. Either those clients will go ahead and pay more or they will be shifted to a different center or they will downsize. In all these three cases, you will see that churn number getting impacted. But with that, you should also look at the committed occupancy. The committed occupancy stands at 88%. So, it means that even if the client is churning out, we are immediately finding a different client to come and take up that space.

Vikrant Kashyap:

Yes. Thank you for the clarification. Two more things. One, your other operational revenue has doubled compared to last quarter. So, can you please give us some details of the components of the revenue, and are they sustainable? And my last question is you have just reduced your number of city presence to 14 from 15 in the scenario where every player in this space is increasing their presence to multiple cities. So, what is the rationale behind that and how should you look at your expansion into newer cities? Thank you.

Anirudh Tapuriah:

Thanks a lot, Vikrant. As far as the detail on other revenue is concerned, in Q2 FY25, our other revenue stood at approximately Rs.28-odd crores, it has increased to Rs.45-odd crores in Q2 FY26. Out of this Rs.45-odd crores, revenue from FAS services contributed to approximately Rs.20-odd crores and revenue from ancillary services contributed approximately Rs.25-odd crores vis-a-vis the same numbers in the previous year were Rs.16-odd crores for revenue from FAAS and ancillary was Rs.12-odd crores.

Vikrant Kashyap:

Okay. So, these numbers are sustainable?

Anirudh Tapuriah: These numbers are at a significant pace. If you look at these numbers, they have already grown by 25%-30% and we are seeing these numbers over the next few quarters is in fact going to expand even more.

Vikrant Kashyap: And a clarification on your contraction in the presence of cities, that will be helpful? Thank you.

Neetish Sarda: The presence of cities also depends on the kind of traction that we are getting. You are seeing us increase our footprint more and more in tier one cities. We were in a situation where in one of the tier 2 cities, the building that we work with could not allow us to scale further. So, we have gone ahead and started looking for buildings which is much bigger in size. It is one particular building in Jaipur where we would not have a scalability option and we have to move into a larger individual setup. And that is why you will see that reduction. But in fact, in the coming few quarters, you will see us increase our footprint by getting into a couple of other tier 2 cities as well.

Vikrant Kashyap: Okay. Thank you and best of luck.

Anirudh Tapuriah: I just wanted to add one more aspect as well. Jaipur, which Neetish mentioned, contributed just 49,000-odd square feet.

Vikrant Kashyap: Okay.

Neetish Sarda: And just to add to the guidance that we have, if you look at last complete year, we were at about Rs.20 to 25 crores of revenue from that business this year. In the first half itself, it scaled up to about Rs.40 crores. You will see this number scale up over the next few quarters and there is a FAAS guidance which we have also given in the presentation.

Vikrant Kashyap: Thank you, sir.

Moderator: The next question comes from the line of Aayush Saboo from Choice Institutional Equities. Please go ahead.

Aayush Saboo: Yes, congratulations on a robust set of numbers and the new deal signed. Could you just throw more light on the SmartVantage concept that we have introduced like how would this flow into our revenue and what is the likely growth that we could see from the same?

Harsh Binani: Thanks, Aayush, for the question. SmartVantage was a new offering exclusively built for GCCs who are looking for agility and speed. As you know, we are able to deliver offices very quickly. And GCCs will be driving about 40 to 45 million square foot of incremental new office demand in the next two years. And in light of this large incoming demand, we have also now tied up with several partners who provide complete end-to-end solutions which a GCC requires. So, SmartVantage will not only take care of their workspace needs, but through our partners, take care of needs of staffing,

legal, tax, compliance, and onboarding. Although the offering is currently still new and it is in its infancy stage, we expect that our current GCC rental revenue of 15% will likely continue to double in the next few years in light of the new offering that we have launched. And this will not only take care of new GCCs which are coming, but given the large suite of GCC clients that we already have in-house, we are also actively exploring expansion opportunities with them across our pan-India footprint.

Aayush Saboo: Okay. Thank you. So, I just wanted to clarify the revenue from this SmartVantage segment, would this come under our normal managed office portfolio business or would this come under an ancillary service or a new revenue stream?

Harsh Binani: It will be coming in the primary revenue, not separately.

Aayush Saboo: Okay, okay. Thank you, sir. And just one more point I wanted to clarify. So, the center-level EBITDA margins post-corporate overheads would come in the 23%-24% range like, what would be our center-level EBITDA margins if we factor in the corporate overheads too?

Neetish Sarda: If you look at blended center-level margins, our normalized EBITDA stands at about 16.4% with approximately 8% of corporate cost which is coming in. There is also a customer acquisition cost of brokerage that we paid. So, if you look at our blended center-level margins, they are closer to between 26-30% because there is a mix of mature and immature centers. With more immature centers coming up, they drag our profitability on the center level a little down for the first 8-12 months because that is all your costs have started, but your revenues take a little bit of time to ramp up. But despite the high growth that Smartworks is seeing, you will see that our margins are still being sustained and we have grown from 13.4% in the same quarter last year to more than 16% this year on a normalized EBITDA.

Aayush Saboo: Okay, okay. Thank you. All the best for your future.

Moderator: The next question comes from the line of Utkarsh Somaiya from Eco Quantum Solutions Pvt. Ltd. Please go ahead.

Utkarsh Somaiya: Thank you for the opportunity. I wanted one data point. For the first half of FY26, can you tell me Pan India the supply and the absorption numbers for flexible workspace? And if it is tier 1, tier 2, you can bifurcate that would be great? If not, you can give me a pan-India number?

Harsh Binani: Thank you for the question. Just to clarify, is this for the industry or Smartworks?

Utkarsh Somaiya: Industry, but you can also give me Smartworks' number.. I want to understand how strong the demand is versus the supply, hence, I want absorption numbers and incremental supply numbers.

Harsh Binani: So look, just to provide you a macro perspective, the industry estimates vary depending on where it comes from. But office leasing has had a record high over the last few years and we have seen upwards of 70 million square foot of absorption. Within this consistently flex space has been doing more than 20% to 25% of the absorption. So it continues to be a major driver of overall growth of office market, which has been going very steadily. So, you can expect very easily upwards of between 15 to 18 million square foot of new flex space absorption every year. So that is the broader macro number. And within this, obviously, you have several players as well as everyone's different strategy based on the supply absorption. So that is the context. And from Smartworks point of view, we have 1 million square foot of new supply going live in H2 and about 1.4 million square foot of supply maturing during this time period, which will drive incremental margin in H2 for us.

Utkarsh Somaiya: Okay. So you said you expect 15 to 18 million square feet of new flex space absorption each year like FY26, FY27, FY28, is that what you meant?

Harsh Binani: That is right.

Utkarsh Somaiya: And what is the same number for the H1 FY26? See, I have the numbers till March 2025 from the RHP. But from March '25 to September, can you give me the flex space absorption number for the industry?

Neetish Sarda: It is approximately the same number. There is nothing being published right now. So we will have to come back on that and we can try to pull that out. But the projection for the first quarter, if you look at the first half of this year, in terms of total real estate demand, the year was projected to be about 70 million square foot. We have already crossed about 48 million square foot in the first half itself. So H1 has seen a significant increase in demand. Typically, H2 does better than H1 in most scenarios. But this time, we have seen a significant jump in H1 coming in. Almost 25% to 30% of that has come from flex. And this might not be the exact number, but this is the predicted number of about 25%, which is there. We can try to pull up some of the industry documents to see if someone has projected the first half of this year and the total flex demand that has come up, but it should be around that 25% to 30% mark.

Utkarsh Somaiya: Would it be fair to assume that the absorption is either equal to or more than the incremental supply for the industry?

Neetish Sarda: I can comment for Smartworks. And for us, if you look at our total demand, our committed demand stands at over 88%. So while we are going ahead and growing at the pace at which we are adding more than 2 million square foot, which we have already done in the last few months itself, still our committed occupancy stands very, very high at about 88%. So while we are taking these assets, we are also seeing customers come and take these assets from us, making sure that our committed occupancy is steady. So yes, at least for us, we can say that the properties that we have taken out of

the 18, if we have gone ahead and taken 2 million plus square foot, that 2 million is standing at about 88% committed occupancy.

Utkarsh Somaiya: Okay. Thank you so much and best of luck.

Moderator: The next question comes from the line of Sourabh Gilda from JM Financial. Please go ahead.

Sourabh Gilda: Congrats on signing the largest center in Mumbai. Just wanted to get your comments on the demand for large spaces. You highlighted that the size of deal signings are increasing sharply and it is also reflected in contribution from 1,000 plus cohorts. So there has always been a thought that after enterprises grow to a certain point it may make sense to switch from a flex to a conventional office center, but that is clearly not the trend given your numbers and your comments on the size of the deal that are taking place. So, if you can just throw some light on what is the thought process from a tenant perspective in terms of signing a flex space?

Neetish Sarda: Absolutely. I think, tenants are not just looking at flex space as an option till they get to a critical scale. If you look at Smartworks campuses, while Hiranandani building in Vikhroli is now our largest campus, we have multiple campuses which are already operational and standing at 90%-plus occupancies across the country. We have buildings like AP 81 in Pune, Malpani Agile in Pune, 43 in Pune, Vaishnavi Tech Park in Bangalore. These are all massive assets of 650,000 square foot plus buildings, in which more than 10,000 people come on a day-to-day basis to work. So these assets are something that Smartworks has created via this model in which our ability to take up these buildings and transform them into campuses is shown off. So when a customer comes and they take space in this building, they are not just looking at flexibility, they are looking at for the value pricing in terms of costing, they are looking at getting a standardized experience for their employees across different cities; whether they take 200 seats in a location or 1,000 seats in a location, their employees will get access to the similar size of a gym, creche, cafeteria, all of the common amenities that are required. So while flexibility is typically there in co-working and in back-to-back deals, with Smartworks, most of the tenants who are coming are looking at us as Pan India partners, scaling their businesses across offices across India and moving them into Smartworks centers. How I can demonstrate this is if you look at our numbers, we have over 760 clients currently, which is a much smaller cohort of clients. While 760 is a large number, it is much smaller compared to a lot of co-working demand that comes where the number of clients might be in thousands. So our clients look at Smartworks as a Pan India partner. They are moving not only their offices in a particular city, but they are moving their Pan India portfolio into Smartworks centers just because of the pricing, just because of the flexibility, because of the amenities that their employees are getting, and the fact that we can give them that scalability option to grow from 100 to 1,000 to 2,000 within these campuses or within campuses of Smartworks, where they do not have to worry about managing and running their offices anymore. This metric is something which is very, very unique to Smartworks.

Sourabh Gilda: Got it. And just as a follow-up, when you say contribution of 1,000 plus may increase, it may not necessarily mean that this 1,000 plus is at one location, right, from the same client across your portfolio?

Anirudh Tapuriah: Yes, it is in multiple cities.

Neetish Sarda: It is in the same location, but there might be deals which are 1,000-plus, the same client might be sitting in two different cities with 1,000-plus teams. So, it is a mix of both.

Moderator: The next question comes from the line of Vandit Jain from Sage One Investments Manager, LLP. Please go ahead.

Vandit Jain: I had just one more question. Around the blended per-seat rental that we are getting, it stands at around Rs.7,500 for the occupied seats. So, with the churn that we have seen in this quarter, do you think that number could go up or any color on that?

Anirudh Tapuriah: From a per-square feet pricing perspective, Vandit, our blended revenue realization stands at approximately Rs.175 as far as Q2FY26 is concerned. When you look at the numbers for example, in the last year, say it was around that Rs.160, Rs.165 kind of a mark.

Harsh Binani: So, on a go-forward basis as a function of increased occupancy as well as the rentals reflecting the current market reality, you should expect to see the realization per-square foot continuing to go up.

Vandit Jain: Okay. Got it. Thank you.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for today's call. I would now like to hand the conference over to Mr. Harsh Binani for closing comments.

Harsh Binani: Thank you very much for attending our second earnings call after listing. We are very grateful for your time and we have this time also shared an additional shareholder letter which we thought will answer a lot of the pressing questions that you might have on the industry as well as on Smartworks. So, this is our humble attempt to address some of those perspectives and we look forward to continuous robust growth in the coming quarters and again engaging with you for our next earnings call. Thank you very much.

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