Date: 5th November 2026

To, **National Stock Exchange of India Limited ("NSE")** Listing Department Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051	To, **BSE Limited ("BSE")** Listing Department Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
NSE Scrip Symbol: SMARTWORKS	**BSE Scrip Code:** 544447
ISIN: INE0NAZ01010	**ISIN:** INE0NAZ01010

Subject: Disclosure under Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015- Transcript

Dear Sir/Ma'am,

As per Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Transcript of the discussion on the Un-Audited (Standalone and Consolidated) Financial Results of the Company for the Quarter and half year ended September 30, 2026 along with the Limited Review Report thereon, at the analyst meet held on Friday, October 30, 2026, is available on the website of the Company at https://www.smartworksoffice.com/investors/

The analyst meet, conducted through Audio means at 01:30 P.M. (IST) and concluded at 02:37 P.M. (IST) on October 30, 2026.

This is for your information and records.

For **Smartworks Coworking Spaces Limited**

PUNAM DARGAR

Punam Dargar
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SMARTWORKS

"Smartworks Coworking Spaces Limited

Q2 FY27 Earnings Conference Call"

October 30, 2026

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 AND INVESTOR RELATIONS

MODERATOR: **MR. DIWAKAR PINGLE – EY INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to Smartworks Coworking Spaces Limited Q2 FY '27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar from EY. Thank you, and over to you, sir.

Diwakar: Thank you, Huda. Good afternoon to all of you. Welcome to the Q2 and H1 FY '27 Earnings Call of Smartworks Coworking Spaces Limited. To take us through the results today and answer your questions, we have the top management with us represented by Neetish Sarda, Managing Director; Harsh Binani, Executive Director; Sahil Jain, Chief Financial Officer; Pratik Agarwal, Chief Business Officer; and Anirudh Tapuriah, Chief of Strategy and Investor Relations. We will start with opening remarks from management, post which we will open the floor for Q&A session.

Before we proceed, I would like to remind you that certain statements made during this call may be forward-looking in nature. These statements are subject to risks and uncertainties, which are outlined in the presentation and that you can find on the website. That said, I'd now like to hand over the call to Neetish Sarda for his opening remarks. Over to you, Neetish.

Neetish Sarda: Thank you. Good afternoon, everyone, and thank you for joining us. We are at the halfway mark of FY '27, and we are ahead of the plan that we shared with you in April. Let me start with the quarter in brief. Revenue from operations stood at INR 591 crores, up 39% YoY and 8% QoQ, our sixth consecutive quarter of sequential growth since listing.

The normalised EBITDA stood at INR 117 crores, up 68% at a margin of 19.8%, 340 basis points higher than a year ago. Our normalised PAT stood at INR 43 crores, up 136% YoY. So, revenue is growing every quarter. Profitability is growing with it. The building we need are secured with high revenue visibility as our contracted revenue stands at ~INR 5,800 crores, we are increasing our revenue guidance to 33% to 35% from our earlier given guidance of 28% to 30%.

Let me walk you through the market, our supply, our clients because together, they explain both the quarter and the investment that we are making. India leased a record 66.4 million square foot of office space in the first 9 months of 2026, up 8% YoY according to CBRE. Even though geopolitical tensions and uncertainties on AI, occupier decision and deal closures stayed broadly intact. Uncertainty is exactly why Flex is winning. When companies are unsure how fast they will grow, they do not want to lock in long leases and large upfront spending.

Flex gives them ready-to-use space that they can scale up and down. This is why flexible space operators took 24% of all office leasing in July to September quarter. GCCs and AI are adding to the demand, not reducing it. Global capability centres took a record 28 million square foot in 9 months of this year, 42% of all leasing activities.

Several clients who expanded with us this quarter are building their AI teams in our campuses. In short, AI changes what happens inside an office. It does not change the need for one. In a

market like this, the hardest part of our business is not finding clients. It is finding the right buildings early.

Our platform now stands at 17.5 million square foot across 71 centres, of which 10.9 million square foot across 58 centres is already operational. We added almost 1 million square foot of operational space in the first half. We have 4.3 million square foot of space under fit-out or awaiting handover within this year against the 1.6 million to 2.1 million we need to go live by March. Two of our major campuses, Eastside in Pune and East Bridge in Mumbai will go live in the second half of this year. Both campuses open with healthy pre-commitments and both will contribute meaningfully to the FY '28 revenue.

Everything we need for FY '27 is secured. Our supply for FY '28 is now largely in hand with work for FY '29 underway. In Singapore, we now run 4 centres with ~1,600 seats at around 86% committed[1] occupancy. Large supplies attract large clients. Large clients sign large deals and large deals come with long tenure.

This makes our revenue sticky and durable. Look at who works in our campuses today. Some of the world's largest GCCs, multinationals from the U.S., Europe, Japan, Fortune 500 and Forbes 2000 companies and India's leading conglomerates. Large enterprises now bring us 91% of our rental revenue. For instance, 35-plus clients now have more than 1,000 seats with us.

Our 1,000-plus seat cohorts contribute to more than 41% of our rental revenue, up from 35% a year ago. 70-plus clients are with us in more than one city, contributing to our multi-city revenue, which stands at 35% of our rental[2] revenue. GCCs are[3] 22% of our rental revenue and our Smart Vantage programme now gives them one partner for workspace, hiring, legal, tax, compliance and as they set up and scale in India, they'll need it all. Our base is also broader than ever. IT, ITES is down to about 36% of the rental revenue from about 40% a year ago.

Over 75% of the revenue that we added over the last year came from outside IT and ITES companies. Our top 10 clients are now about 24% of our rental revenue, up from about 20% a year ago. This is because our largest clients are taking more seats and following us to more cities. The risk space contains. All of this shows up in our visibility. Contracted rental revenues now stand at INR 5,800 crores, up from INR 5,400 crores in the last quarter. Client lock-ins cover our rent commitments to landlords about 2x, and there is no asset liability mismatch through FY '30.

So let me bring it together: revenue has grown sequentially for 6 straight quarters; supply that we need is secured and revenue to fill it is increasingly getting contracted. In the first half, revenue grew 41% YoY and normalised EBITDA stood at 19.7%. On the back of this, we are raising our FY '27 revenue growth guidance to 33% to 35% from 28% to 30%.

We are keeping our normalised EBITDA margin guidance at 19% to 20%, trending towards the upper end of that band already. And we continue to expect more than 12.5 million to 13 million

[1] Edited for the purpose of readability.
[2] Total was mentioned in error. Word corrected above.
[3] Edited for the purpose of readability.

square foot of operational space by March of 2027. We are building, where India will look to work this decade. With that, I hand it over to Harsh for financial and operational details.

Harsh Binani: Thank you, Neetish, and good afternoon. I will take you through three things: how we are tracking against what we promised, the quarter itself and the investment we are making for future growth. From this quarter, we published a say do scorecard with every set of results, so you can check us against our guidance in one place. To begin with revenue growth, we guided 28% to 30%. First half revenue grew by 41%, and we have therefore now raised our guidance to 33%[4] to 35%.

Margin, we guided 19% to 20%. The first half came in at 19.7%. We are on track and trending towards the upper band. This is in spite of the heavy capex cycle and the growth. Footprint, we guided 12.5 million to 13 million square foot by March.

We are already at close to 11 million square foot operational now with another 2.1 million under fit-out and another 2.3 million awaiting handover. Capex, we guided INR 550 crores to INR 600 crores. We have deployed about INR 307 crores in the first half. With the second half weighted towards Eastside and East Bridge, we are investing in growth. Now if we look at the quarter, our revenue from operations was at INR 591 crores, which is up 39% YoY and 8% QoQ.

It's our sixth consecutive quarter of sequential growth since listing. Normalised EBITDA was INR 117 crores, up 68% YoY at a margin of 19.8%, up 340 basis points. Our normalised PAT was INR 43 crores, up 136% and reported PAT was INR 26 crores. Of course, our profit is growing much faster than revenue because our centres are maturing and completing payback and our cost at both centre and corporate level are growing slower than revenue. Energy efficiency initiatives and several cost excellence initiatives across our campuses are adding further savings.

Each new batch of our campuses now land on a larger mature base. So at our scale, new campuses are not margin dilutive. Now let me talk about the investments we are making. This is one of our heaviest capex cycle, and it is a deliberate choice. We are investing today in supply that is scarce to serve demand that is not.

In the first six months, we invested INR 307 crores towards capex. Coming to cash conversion, our normalised operating cash flow was INR 107 crores in the quarter and INR 202 crores for first half. OCF to EBITDA was 0.9x. The reason is quite simple. Securing a building, we pay the landlord a security deposit upfront months before the building starts generating any revenue.

On the campuses that are already operational, our cash conversion is comfortably above 1x, strongly indicating our negative working capital model. As the new campuses go live and start billing, client deposits and rental come in and our reported cash conversion moves back towards this usual level.

Our working capital model has not changed. Our debtor days remain best-in-class at 7 days courtesy the large enterprises we serve. As stated earlier, our free cash flow for the half was

[4] 31% was mentioned in error. Figure corrected above.

negative at about INR 104 crores, largely because our capex is running ahead of the cash generation from new centres, while they ramp up.

Our net debt was about INR 83 crores and our cost of borrowing after the recent credit rating upgrade continues to remain below 9%[5]. Our free cash flow will turn positive as our mature base approaches 13 million square foot, which should happen down the line in the next few quarters. Moving to our occupancy, overall occupancy was about 81% at the lower end of our 80% to 85% band. As during the quarter, we added about 11,500 seats of capacity, which increased the base meaningfully. Our committed occupancy is at about 86% overall.

Our mature centres about 9.7 million square foot are 88% occupied and 91% committed. And our new campuses are already 48% committed. As the second half campuses open, you may expect the overall occupancy dip because the denominator will see a significant capacity addition. However, this will go back above the band very quickly. Our annualised normalised ROCE was 21.6%, which is a massive jump of 800 basis points year-on-year.

We have invested about INR 200 crores in capex and security deposits for centres that are not even open, about 1/5 of our capital employed. Largest growth, heaviest capex cycle, yet our ROCE continues not to dilute. That capital sits in the denominator, but has not yet started to earn for us. As these centres mature, we expect a meaningful expansion in ROCE. Before we go to questions, let me tell you how the next two quarters will look like, so there are no surprises.

In H2, we will open the largest block of capacity in our history, about 45,000 seats, most of it in Eastside and East Bridge. Blended occupancy may temporarily dip below the 80% mark only till the time these two mega campuses ramp back. They already have very good prefill commitments. Our reported cash conversion will continue to remain below 1 as we pay the deposits to block new supply. However, on operational centres, it will continue remaining above 1.

At the same time, our rental revenue growth will continue accelerating as the campuses build. Our other operating revenue normalises also from Q2, and it will continue to grow with more people and more companies coming on board. So, to finally close, our FY '27 revenue growth guidance goes up to 33% to 35%. Margin guidance stays at the upper end of 20%. We are expecting 13 million square foot operational by March end.

And to keep adding 2.5 million to 3 million square foot every year, we will continue to fund it from within the business. We are not building Smartworks for the next quarter. We are building it for the next decade. With that, we are very happy to take your questions.

Moderator: The first question is from the line of Karan Khanna from AMBIT Capital.

Karan Khanna: Congrats Neetish and Harsh, on a solid quarter. Firstly, on Eastside and East Bridge, and Harsh, you briefly spoke about it, but can you talk a bit about the pre-leasing situation here from which

[5] 8.5% was mentioned in error. Figure corrected above.

sector the demand most for these centres? And by when do you expect them to reach a stabilised occupancy in terms of percentage?

Harsh Binani: So, both Eastside and East Bridge are still under construction. I think Eastside as a property will come in quicker than East Bridge. East Bridge yet to receive the OC for the building and will only start construction once the OC is there. With respect to the prefill or the kind of demand that we are already seeing about 35% prefill is already visible. A significant portion of that is actually coming from our existing clients expanding with us in these locations.

A lot of it is through mainly BFSI manufacturing, logistics companies who are taking up spaces in these locations as we speak, which are our existing customers expanding, but we are also seeing some uptake from IT and ITES in both these properties. I would like to repeat myself and say that both these properties are coming up live in H2. But for East Bridge, the OC is also not coming yet. So once the OC comes in, we build it out in the next 3 to 4 months. By the time the revenue starts hitting in might be the end of or latter half of quarter 4 of the year.

Karan Khanna: And secondly, on the FY '27 revenue guidance of 33% to 35%, this implies H2 FY '27 revenue of about INR 1,250 crores to INR 1,280 crores. So that's about 26% to 30% growth Y-o-Y and roughly INR 630 crores, INR 640 crores quarterly run rate against INR 600-odd crores that you see in Q2. So how much of the H2 increase do you expect from lease rentals and how much of it is from other operating revenue?

And as a follow-up on the EBITDA margin guidance, given that you've already delivered 20% in H1 and have raised the revenue growth guidance to 33% to 35%, what levers do you have in place to potentially surpass this EBITDA margin number?

Neetish Sarda: So, for us, right now, the existing centres, if you look at our mature centres, they are already at about 91% committed occupancy. So whatever uptake in revenue that you see will only come in from these centres. If you look at centres under construction, there is always a lag before it gets and start hitting us in terms of revenue. We have more than 2[6] million square foot under construction as we speak or just getting into construction. You won't see a significant amount of that.

The reason that we have put the guidance at that 33-35%[7] is because a lot of that might only come in the latter half of the financial year and might hit our books by February and March because that is the buildout time that it will take for us to get to those centres.

So, you will see revenue from lease rentals to gradually increase as and when we build in our supply because our existing supply, which is mature is already committed[8] at 91%, and there's not a significant uptick that we can take from that. With the new supply kicking in, you'll see quarter 4 and the first quarter of next year getting most of the uptick from the new supply coming in. You will see other operating revenue.

[6] 3 million was mentioned in error. Figure corrected above.
[7] 25% was mentioned in error. Figure corrected above.
[8] Edited for the purpose of readability.

For us, other operating revenue is not just restricted to onetime revenue, it is also revenue coming in from other services that we do on a recurring basis in the building, whether it is our electricity charges, car parking, meeting room bookings, all of those systems start generating revenue before the rental revenue kicks in completely because people usually start coming into the centres, occupying the centres and then 10 to 15 days, 20 days after that is when the rental revenue start kicking in from the customers.

So typically, you will see these other operating revenues basis on the increase in VAS revenues, increase in our revenues from other new verticals, whether it is Vantage or FasS also contributing towards the revenue guidance that we've seen. But revenues coming from lease rentals, a significant jump of that you will see towards the end of next quarter. And most of it will come towards the start of the first quarter of next year because 3, 4 months is the build-out time for most of these properties.

Harsh Binani: And to add to Neetish's point, Karan, on the margin lever, we should appreciate that in the last 6 quarters, we've had a significant margin uptick, right, largely driven by operating leverage as our mature campuses portfolio crossed that 12-month hurdle. So, you've had margin grow by more than 360 bps, right, from 16.2[9]% to close to 19.8% now.

Now in the background, in the last 6 quarters, you've also seen rapid capacity addition, the highest in the industry, and we continue growing the fastest amongst the larger flexible workspace pool. Our margins haven't diluted in spite of the heavy capex as well as the growth that you have seen. We do expect that the margins will continue to remain at the upper end for the remainder of the year.

And as we start to see 13 million square foot maturing, you will now start to see a lot of free cash flow also get generated and the other levers of our margin, right, whether it's the other income as well as the pricing opportunities we keep getting, right, which is the 5%, 6% escalation, which happens every year. That also in entirety will also start to help us improve.

But at this stage, we are very happy with the fact that in spite of the rapid growth and the heavy capex, our margins have actually increased meaningfully in the last 6 quarters and have now stabilised at the upper end in spite of the new capacity addition you will see in the next several quarters.

Moderator: The next question is from the line of Sourabh from JM Financial.

Sourabh: Congrats on a good set of numbers. My first question is on occupancy. Some part of that you have already alluded to in your opening remarks, I just wanted to get a sense in from a slightly longer-term perspective, so we've been adding capacities at a rapid pace, added about 2.5 million square feet over the last 6 months and against during the same period, close to 2 million square feet is leased, right?

And given the fact that we also have 1.7 million square feet coming up over the next 2 quarters. So where do you see this occupancy trajectory of 80%, 81% far reaching slightly 84%, 85%.

[9] 340 bps / 16.4% was mentioned in error. Figure corrected above.

Can you share any timeline for that or do you believe this occupancy range of 81% ballpark will sustain?

Harsh Binani: No, certainly. So, on occupancy, you've seen we've added significantly new capacity. And our mature campuses is the key marker because there you will see our occupancy has always trended towards 90%. And it is taking us significantly same time in spite of our campuses going meaningfully bigger in size. So, in our earnings presentation also, we've mentioned, right, that our centre sizes have gone up by more than 2x to 3x, but the time to fill them and get them to about 90% continues to remain below 18 months.

That's largely happening because our number of 1,000-seater deals have meaningfully gone up from 12% like 4-5 years back to more than 41% now. So, to that extent, you can expect that our mature campuses will continue breaking even within a year and reaching that threshold of 88% to 90% within 18 months.

And as our maturity stabilises, which we expect in the next 4 quarters, you will continue to see the overall blended occupancy number trending more towards the 84%, 85% that you mentioned. But we wouldn't worry about the blended dip because that's largely more of a mathematical formula where whenever a big campus opens, right, for example, Eastside, East Bridge, you're adding more than 40,000 seats in your denominator, but you're ramping them up gradually and that too very quickly.

So, to that extent, our guidance continues to remain 88% to 90% on our mature campuses. On a blended-wise, we will, of course, continue to report the actual numbers, but do bear in mind the mathematical part also of the equation.

Neetish Sarda: And just to add to that with respect to how Smartworks' model is, we do not do back-to-back deals. That's why you'll see in our revenues, one client moving out of the ecosystem does not really impact our revenues also significantly because we don't have occupancy risk coming from one customer occupying our entire building because we don't do back-to-back deals and the time to ramp up centres usually is there.

But despite us taking these massive centres, the prefill that we have is helping us give that guidance that we will be able to sort of beat the numbers that we had projected. Also, as Harsh mentioned, the relevant number to look at here is the occupancy coming in from our mature centres. Mature centres continue to be very, very stable with 88% from the entire mature portfolio and committed of ~91%.

It means that that remaining 3% is already signed and might be under construction and will hit over the next 30 to 60 days itself. And then the last thing is if you look at our committed occupancy for our current base, it is already at 86%. It means that ~81% is our occupancy, but the remaining 5%[10] is also under construction.

[10] ~80% / 6% was mentioned in error. Figures corrected above.

So, the new capacity will drag down the overall occupancy, but the more relevant data to see is the occupancy of our mature centres as well as the occupancy or the committed occupancy of the overall centres, which gives you an idea of how much more revenue is going to hit.

Sourabh: My second question is on the capex per square feet basic number especially for the graded supply that is going to come up soon. Is the initial capex per square feet number INR 12,000 to INR 13,000 per square feet is holding up or are you envisaging any increase in that?

Neetish Sarda: There is INR 1,350 to INR 1,400 is what we used to be spending. Obviously, there is some sort of an increase due to inflation, which we had projected also about 4% to 4.5% YoY. I think with the numbers that we have reported, we are still trading around that. One of the reasons for us to do that is also because of the significant newer addition that we are doing. We added 2[11] million square foot last year.

This year, we are adding ~3 million. So, our ability to negotiate at the scale is even higher. So, we're continuing to be closer to that INR 1,400 plus the 4.5% to 5% inflation that we had anyway factored in.

Harsh Binani: And just to also give a flavour of the capex cycle. We've also mentioned in our earnings presentation that about 3 years back, we used to add 1 million square foot a year. Every year, we are continuing to add more capacity than what we've ever done in our history. So, for example, 3 million addition this year will entail a capex that will be twice the capex that we've incurred in the last full year. In spite of that, you will see that our balance sheet metrics continue to hold very well because the mature campuses have now attained a certain size and scale.

So, they are throwing a lot of cash and the return on capital there is very meaningful. Some of them have also finished 2 cycles now. The new campuses, which are coming in, we are investing ahead of time both in terms of security deposit as well as the capex buildout because we are continuing to see very strong demand momentum. So, to that extent, the capex for H1 was INR 307 crores and a meaningful part of that is sitting in the newer campuses.

Neetish Sarda: Which has not started.

Harsh Binani: Which has not started to generate revenue. In fact, to the extent that 20% of our capex is on campuses where no revenue has been started yet.

Moderator: The next question is from the line of Jaykant Beria from IIFL Capital.

Jaykant Beria: I just wanted to get some sense on the strong growth that we are seeing in other operating revenues. So that has gone up 125% this quarter. So, can you highlight what's driving this strong growth? And what is a more sustainable number to work with.

Neetish Sarda: As we mentioned earlier that our rental revenues coming in from our existing mature[12] centres is limited because we are already at a committed occupancy of about 91%. So, there is less space for us to sell. In our other operating revenues, there are revenues which we get from whether it

[11] 1-1.5 million was mentioned in error. Figure corrected above.
[12] Edited for the purpose of readability.

is value-added services that we provide in the building, other ancillary services that we provide in the building.

With the footprint overall increasing from 9 million to 10.9[13] million, there are more areas of offering, whether it's car parking that is offered, additional electricity bill that goes out, meeting room, conference room, food services that are there in the building.

All of it is contributing cumulatively towards the other operating revenue. Other operating revenue for us is not just onetime transactions. It is also recurring transactions, because of our unique model of running the entire campus, a lot of consumption that happens within the campus happens on a regular basis. All of them fall within the other operating revenue. Currently, we had 2 or 3 new verticals that we started.

The growth seems a little higher of about 125% because the base was very small. We launched our Smart Vantage programme, our VAS programme as well as our FaaS programme. All cumulatively is contributing towards the growth. All these verticals are growing from the smaller base that they were at and contributing. All of this, by the way, was lower[14] in H1 of last year.

So H1 of last year was pure and pure only additional ancillary revenues from the buildings. Now all these 3 verticals, whether it is Vantage, FaaS, fit-out-as-a service, as well as value-added services, all of it is getting added. And that's why you'll see that uptick. If you look at VAS number, we've gone from about INR 70 crores of pure revenue from ancillary services to INR 170 crores for H1 of this year. But that is also with the base of real estate increasing from 9.1 million square foot to 10.9 million square foot.

So, 20% of that INR 70 crores would have anyway come in from the ancillary services and the other verticals, whether it is VAS, FaaS or the Vantage programme is contributing to the remaining INR 50 crores, INR 60 crores that is getting generated in the first half.

Jaykant Beria: So as our footprint grows, will it be fair to assume that the other operating revenue will continue to lead the rental revenues?

Neetish Sarda: Absolutely. We should consider the same proportion of growth on the other ancillary revenue also with the footprint growth. If our footprint grows by 20%, other operating revenue minimum should grow by 20% because a lot of it is ancillary services, which are table stakes for any customers to occupy the building.

Moderator: The next question is from the line of Devang Patel from Sameeksha Capital.

Devang Patel: Your revenue per desk or revenue per square feet is also seeing a very good growth Y-o-Y. Could you give a comment on what's driving that other than your normal annual escalation?

Neetish Sarda: No, absolutely. So, I think a more important marker for us is not only the revenue per square foot, but it's also our cost per square foot. That is where you see Smartworks really standing out because both our capex incurred on the building as well as because you're managing the entire

[13] 10.5 was mentioned in error. Figure corrected above.
[14] Edited for the purpose of readability.

building, your building operations cost, energy excellence, several other initiatives are ensured that we are able to fully leverage our economies of scale and make sure that our cost per seat is the lowest.

Now that cost per seat being the lowest allows us to sell our rental at value. And you will also notice that on the large campuses that we have taken, the rental terms that we have compared to where the market is at significant preference.

So, a combination of the fact that our cost per seat is continuing to get lower and our ability as a brand now to continue delivering at value, the price that we are charging to our customer is driving the rental revenue growth. You also see some of our newer campuses happening in higher rental markets. So that also does contribute because of late, we've had a lot of expansion in the West, Gurgaon and South markets.

So, a combination of annual escalation, better cost savings at a ground level as well as better realisation is driving all of these levers together. But our vision continues to remain to deliver value to our customers and being the most value player who delivers meaningful cost savings to them because what you're trading there is very long-term tenure, which is very sticky rather than optimising for short-term EBITDA or margin gains even when you can charge slightly more.

Devang Patel: And your rental escalations would continue to remain in 5% to 6% all the remaining increase in average rental is coming from the mix change. Would that be the right way to see it?

Neetish Sarda: It's a mix. Some of it is yes, coming from the newer stages. So, the newer deals that we are doing is at a higher rental base with much larger centres with more amenities coming in, so we are able to demand better pricing. But you would have seen in the last couple of quarters that there were some voluntary churn that we did and that voluntary churn allowed us to reprice some of our buildings and get it, especially deals which were signed during the COVID period, those deals were renegotiated at today's rental market.

That also you will see continue happening as and when leases get expired because we have long-term leases, it cannot happen immediately in the next quarter or the next year itself, but it will happen over a year or 2, but that uptake you already started seeing on the realisation.

So new centres are obviously contributing more because we are able to charge more. But even the older centres, most of it, we are able to reprice whenever we are able to churn out some of the lower paying rents.

Devang Patel: You mentioned some of the new centres on the Western side earn you higher rental. Is the capex also accordingly higher on these centres.

Neetish Sarda: No, we are able to manage the capex to be around the same number post inflation because of the volume of business that we are taking. So, had this volume not come in and we would have still been continued to grow at 1 - 1.5 million square foot, we would have not been able to get that, probably the prices would have gone up.

But because of our sizes of centres going up, we're able to make sure that we are further negotiating at scale and getting our cost down on some of the items which would have ideally gone up because of these mega centres. So, we are not seeing that on basis of higher spend, but we are seeing that basis on higher amenities provided in these large campuses.

Devang Patel: On the INR 300-odd crores capex in the first half or INR 600 crores that you may do for the full year, could you give a ballpark of how much of that would be maintenance capex?

Neetish Sarda: So approximately 4.5 million square foot of Smartworks falls under more than 3 years of expiry. If you look at it, about 20% maintenance capex comes in for about 4.5 million square foot of space. So Anirudh, you want to take.

Anirudh Tapuriah: So, if you look at our Slide 14 of the deck as well, so what we generally have is around 12% to 15% of our initial[15] gross block every year goes towards maintenance capex. So that is a fair estimate from a ballpark perspective, which we can continue expecting.

Neetish Sarda: About INR 95 crores to INR 100 crores will go towards maintenance capex this year.

Devang Patel: Moving on, you mentioned 2 large spaces coming up in second half, which may keep a cap on margins. And these are large campuses. So how long before they reach breakeven occupancy? And will that impact on margins continue for first half or second half of next year as well?

Neetish Sarda: So, we have, in fact, in our earnings deck on Page 12, clarified the journey that we typically see in any campus of ours. What you will notice is 2 new things which have happened in the last 12 months or so. One is that we are taking campuses, which are much larger than what it used to be earlier, yet our time to fill them and get them to about 90% occupancy continues to remain same.

And secondly, our larger campuses are all operating at very healthy occupancy levels of above 90%. So, in spite of the rapid growth, bigger sizes of the centre, our margins haven't gone down because you're able to fill them up very quickly, while at the same time, your occupancy for the larger campuses, courtesy the long tenures we have with our customers, that continues to throw a lot of cash and is very profitable.

So, to that extent, in spite of the rapid growth, margin not diluting is a testimony of the strength of the franchisee that we have built and a lot of the cost excellence initiatives and the preferred rental terms which we continue to enjoy.

Harsh Binani: And I think just to add to that, the 10 million square foot, which is going to get completely mature or is almost completely mature this year is contributing 300 basis points, 400 basis points more than the EBITDA margin. So whatever the 3 million initial drag is going to be is going to get compensated by the older 10 million square foot now that the base effect has kicked in, as we had said in our earlier calls that the 300 basis points, 400 basis points additional that we get from that 10 million mature portfolio will make sure that the 3 million drag is not significantly

[15] Added for the purpose of readability.

reducing our margins. And despite us increasing our guidance, we are making sure that our margin stays at the numbers that we had committed.

Anirudh Tapuriah: And Devang just to add on Slide 15, you will actually see we have also given a journey as well that in cycle 1, what happened over fiscal year '23 to '25, what happened in the second cycle of '26 and how we are well positioned for the third cycle in fiscal year '27 as well.

Devang Patel: Okay. Just the last part to that, so 35% you mentioned is presales, how much time would it take you to reach breakeven occupancy considering these are larger campuses, do you think it might take a bit longer than you normally take.

Neetish Sarda: No. Typically, with the kind of prefill that we are seeing, we're saying that between 11 to 12 months, we should be getting to that breakeven, which has been the strategy with some of our other buildings also because we don't do back-to-back deals, which is what most of the industry does. There is a little bit of a ramp-up period, but we are fairly with the kind of demand that we have gotten and the prefill that we have gotten between 10 to 12 months to get to that breakeven portion is fairly visible. The visibility is there.

Moderator: The next question is from the line of Riddhansh Chandak from Unifi AMC.

Riddhansh Chandak: I wanted to get your sense on understanding at what size per client do you see your customers say move out of flex operator setup and into owning their own assets and running the show on their own in terms of number of seats.

Neetish Sarda: So, I don't think there is a certain size at which it makes a difference or it makes sense for the customer to make their own space. I think it is the tenure. If a customer is looking at a tenure of more than 6 to 7 years of committing to a particular space, then at any given point of size above 400, 500 seats, it will make sense for them to have their own space.

But anyone who doesn't have visibility towards seven years, and this can be both, not just scaling up, but scaling up and down and building cities. A flex option is always more economical because you are able to derive the large-scale efficiencies that we give.

Also, please look at the price point at which Smartworks is selling. We sell a seat on an average at about INR 8,200 per seat, which translates to almost INR 300 a day, which is less than a cup of coffee. So at the price point at which Smartworks is able to cater to its customer, unless and until the customer is looking at least a 7 to 8-year lock-in period and at least 400 to 500 seats. Smartworks proposition is going to be significantly more value accretive for them.

Harsh Binani: In fact we've done the math, Riddhansh, what we've generally seen is as long as our campuses are 2x or 3x bigger than your own need, Smartworks just because of its cost leadership and size of the campus, we will always end up being more economical and more cost effective. And in fact, that's the reason why a lot of our tenures are now continuing to trend more upwards and you are becoming a more substitute for your permanent office rather than it being more like an overflow.

Moderator: The next question is from the line of Vikrant Kashyap from Asian Markets Securities.

Vikrant Kashyap: Congratulations on a very good strong set of numbers. Two questions. First one, what is the current opportunity pipeline from GCC and what growth contribution can this segment rise over the next 2, 3 years?

Neetish Sarda: Currently, GCCs contribute almost about 22% of our revenue base, but this is starting from a base, which was in single digits probably last year. So, the base was much smaller. If you look at effective GCC growth, almost 35% to 40% of our growth is coming from large GCC clients who are entering into our ecosystem.

We continue to project 35% to 40% of our incremental growth coming in from GCCs itself. But we are also seeing a significant uptake coming in from BFSI manufacturing and some of the large Indian conglomerates who are also looking at Flex and Smartworks as a better alternative than having their own spaces.

So, while GCC is going to contribute about 35% to 40% of our new rental revenue, other avenues are also contributing meaningfully.

Harsh Binani: And in fact, in Slide 27 as well as our shareholder letter, we have elaborated the type of customer relationships, the type of tenures. And you'll be pleased to know that not only is 91% of our revenue coming from large enterprises, but we have more than 35 large client relationships, which are more than 1,000 plus seats.

So, while we'll be very keen to continue servicing GCC, but the way the platform has shaped up across India, we are reasonably agnostic, right, to either any sector or the country of origin. We are, in fact, seeing a lot of conversions now of conventional office space also exploring and looking at contracts such as ours.

Vikrant Kashyap: Based on that are you seeing these existing GCC are taking more existing data centre or GCC centre? Or are you getting more of new GCC clients indeed?

Neetish Sarda: It's a mix of both. It is very difficult to sort of say which is that of GGC take ups are of a significant scale. So essentially, it is actually a mix of new GCCs as well as some of the older GCCs. As Harsh mentioned, 35% revenue coming from our multi-city[16] customers, a lot of those are GCCs, who are expanding with us. So it's difficult to sort of point out how much is coming from new GCCs entering into India or GCCs expanding. But I think if I have to give a number, both of them would be contributing 50%, 50% to our year-on-year growth.

Moderator: The next question is from the line of Yashas from Dam Capital.

Yashas: I understand that the demand for space remains robust within your portfolio as of now. But since most IPCs would maybe point to demand over the next 12 to 18 months and since supply is constrained, please help me understand how you plan for space additions over a longer time frame, say, 3 years?

[16] Edited for the purpose of readability.

Neetish Sarda: So, if you look at our supply strategy, and we have called out in the presentation also, if you look at Slide number 26, we've essentially called out how and where is the space expansion happening and what is the percentage. Our supply strategy has been very simple. We've gone ahead and not only blocked supply for this year, but the supply for the next entire year is completely blocked out. And in fact, we are now taking supply for the year after.

We've realised with supply being one of the biggest constraints in a market where demand is higher than the available supply, and that's the reason why rentals are also increasing. We are able to secure the supply at threshold rates significantly lower because of the volume that we are committing. And we have secured the supply at least through the next 18 to 24 months. Whatever supply we are taking now is for our growth beyond that 24 months.

In terms of supply strategy, we don't see any restrictions coming in. There are certain challenges which might come in where certain properties can get delayed maybe by a quarter or 2 because a lot of these properties might be under construction or there might be an existing tenant who's occupying the space and might that space might get a little delayed.

But we have factored that in, and you might see a little bit change in the occupancies in a subsequent quarter, but it is not going to financially impact significantly because of the way that we have positioned the space take-up over the next 6 to 7 quarters. Hopefully, that answers your question, Yashas.

Yashas: That does. And also, given the uncertainty around demand space is helping drive the demand for office spaces towards flexible workspaces, would that imply that should the situation improve, demand for flex might lose stream?

Harsh Binani: Look, we've had several phases, where every uncertainty demand leads to more permanence to the space. And this is not the first time we have seen this play out. During COVID, the entire uncertainty was around work from home. You saw the demand boomed. Then you transitioned and move towards the global slowdown.

In spite of the slowdown, Ukraine crisis, oil prices going up, it went up even more. Then recently, in the last 6 to 12 months, there's been an entire scare around AI as well as the geopolitical uncertainty, particularly in West Asia. What have you seen office demand continuing to go through the roof and flexible workspace is doing even better.

So, I think the more relevant question in our mind is when will the share of flex space, which is at about 14% to 15% now, double from here, when apart from the doubling, you will also see the base of office space going up from the current 1 billion square foot to 2 billion. So, we wouldn't be too worried about any of this short-term trigger.

In fact, the more uncertainty, the more benefit that we get. And you will continue to see very strong growth trajectory. That's what we can say, right, from the demand outlook we are seeing from our customers.

Neetish Sarda: And I think just to add to that, it is not only because of the uncertainty that people are committing. People are coming and committing most of our larger enterprises are committing to long tenure.

They are committing to 40, 50 months of tenure with us. They are committing to multi-city deals with us. It means it's a habit shift.

It is basically a lot of these enterprises are talking to us and saying that I don't want the headache of managing my offices across different cities in India, dealing with different designers, dealing with different operators to come and operate my space. Give me a one-stack solution where you are able to take care of my requirement on a pan-India basis.

And that's why if you look at metrics like 1,000-plus seater clients, multi-city revenue, existing client expansion, long tenure, all of these metrics have significantly increased for Smartworks because this is not a short-term trend. It is basically a cultural shift, where Smartworks is offering at a price point, which is significantly lower than even if they were to do it at their own.

So even if the shift was to happen and things were to stabilise, the Smartworks price point is still so attractive that we will always be a more value-accretive option to any of these larger customers who are looking at expanding.

Moderator: The next question is from the line of Aditya Shah, an Individual Investor.

Aditya Shah: I would like to know that Keppel owns around 15% stake. And any chance that they would monetise any part of their holding in the near future? That's my first question.

Harsh Binani: Keppel has been a very long-term supporter of the company and they invested in 2019. To clarify again, they did pay down a small stake from 19% to 15% during IPO. But since then, they continue to be very, very long-term partners. And they are not a typical private equity, which is invested from its fund.

It's a balance sheet money. So, they have significantly longer appetite to continue holding. So to that extent, of course, they will be best positioned to answer around when they would like to monetise. But to the best of our understanding, they continue to be long term and there is no immediate monetisation plan. I hope that clarifies.

Neetish Sarda: And hopefully, the fact that we are delivering 35% growth year-on-year is satisfactory for them to continue with us.

Aditya Shah: A couple of more questions. Why has there been a dip in the mature as well as total occupancy once the entire 13 million to 17 million square feet becomes operational, should we assume that the occupancy will go down in the near future?

Neetish Sarda: With more centres coming up, if we add a base and we add another 1 million square foot in the next quarter itself, obviously, the occupancy for that particular quarter will go on because there is always a lag between when we make a centre operational and by the time the centre start generating revenue. It takes us 3 to 4 months to build out the common amenities and after that, the customer comes in.

And by the time he actually moves into the space, there's a 5 to 6-month lag. I think what is more relevant in this data is to see what our committed occupancy stands, both at a mature level as

well as the centre level. If you look at our committed occupancy, it stands at 86% for our overall portfolio and 91% for our mature centres.

So, your committed occupancies will continue to be around these marks. The overall occupancy might differ from quarter-to-quarter depending on the kind of supply that is coming in. Because a few buildings got delayed probably in the first quarter and may get delayed in the next quarter, you might see occupancies 2, 3 buildings coming in together and that's where some temporary shift in the occupancy numbers.

But what is the most relevant number to look at is the committed occupancy, which from our side is going to be stable throughout the next few quarters because of the prebuild that we have also got.

Harsh Binani: And Aditya, we've actually put a very interesting perspective on Slide 18 of our earnings deck, where we speak about the fact that today, of course, we are in our heaviest capex cycle. But today our 13 million square foot fully matures, which will happen in the next few quarters you can start to see the company being a free cash flow positive.

And conversely, if you were to stop our growth then and just assume that we are only at 13 million square foot at steady state, our margins are actually going to be amongst the highest because our cost base is so low and our operating leverage has kicked in so meaningfully that frankly, margin dilution is something which we don't worry about at all. It's, in fact, how quickly can we grow and ensure that these metrics do not taper down is where the focus is.

Aditya Shah: Okay. There are a couple of more questions, if you don't mind. Your ROCE has been constant for 3 quarters. Should we consider that level as peaked?

Neetish Sarda: No, no. What you should look at the ROCE is not only the ROCE number today, a significant portion of our capex is going towards expansion. Just to quantify, Harsh mentioned in his brief today that almost INR 200 crores of capex or spend which is capitalised already is towards centres, which have not even started generating revenue. So, our ROCE is expanding significantly. We have given a guidance that by '28, you will see these ROCEs getting up to about 28%.

ROCE is expanding at this pace despite of us growing at 35%, adding more than 45,000 seats in the next 2 quarters, we are fairly confident that the ROCEs will be stable. You might not see a significant uptake because we are significantly spending on growth. Once this growth kicks in, and the percentage of becomes smaller, you will automatically see the ROCE numbers get better. So, we are fairly confident that the FY '28 guidance of ROCE is reaching towards the 28% mark, we are well on track to get to that number.

Aditya Shah: Okay. That was helpful. And why is it locking FY '29 building now and take the cash out?

Harsh Binani: Look, the raw material which are great buildings in prime locations are very scarce, whereas demand is not. So, the fact that we are able to source in a very visible format, the supply for the next 3, 4 years speaks about the developer relationships and the model that we have created where developers now want to give their old buildings on preferred terms to us.

So, to that extent, it is also advantageous to us because not only are you getting preferred rates for something which is going to be available 2 years down the line, but you're getting that additional 2 years to market that demand. So, when we launch, we expect that the prefill will be even higher than what it is now.

And we had started to see this during COVID. The market has started to contract, but we continue to take a lot of great supply and a lot of those supply acquisitions have turned out to be very good bets because the rentals in those markets have meaningfully gone up, but the supply has not kept pace with the demand, which is there.

Neetish Sarda: And also our strategy of growth because we don't do back-to-back deals and it's not like we are first find a customer and then find the space. Blocking in the right supply allows us to make sure that the value offering that we are giving to the customer across different locations is standardised and we are able to cater to their requirements.

Aditya Shah: Okay. My last one. Cash conversion has been around 0.9x for 4 quarters. Can you split what the open centres generate from what is going into the new building?

Neetish Sarda: So, I think it has already presented in Slide 13 of our presentation. You would see that our new existing operational[17] centres, it is above 1:1 on the OCF to EBITDA metrics. It's the new centres, and you would appreciate that the new centre take-ups are not small take-up, right? We have already committed to more than 4.5 million square foot of space, which is not going to hit in this financial year and might hit by mid of next financial year in terms of us starting construction.

But there is money that is getting blocked through our operating cash flows and that also. But if you look at Slide number 13, it should hopefully explain that our existing centres are actually 1 or above 1, but the small drag is on the newer centres or the deposits and other expenses that we have to do for the newer centres, which are dragging it a little down.

Moderator: The last question is from the line of Rishith Shah from Axis Capital.

Rishith Shah: You highlighted the cost advantage that we have on the supply side. Just wanted your understanding. So, sir, what is the key reason?

Is it that we are tying up larger spaces? Or maybe is it because we are tying up them early during the construction phase? Or would it be because we are doing more of non-institutional supply?

Neetish Sarda: I think it is a mix of all 3. It is not just limited to us taking just large spaces or committing early. I think it's the fact that, a, we are committing to the non-institutional, which is a mix, by the way, today, but to non-institutional and institutional landlords, the fact that we are coming and committing to large scale, where competition is fairly limited and you're able to negotiate more and the fact that you are committing at a stage, where the landlord feels more comfortable to give a certain number.

[17] Added for the purpose of readability.

So, on the sourcing strategy, a mix of all 3 allows us to get preferred terms. And you would see in some of the recent deals that we have signed that these preferred terms are not only beneficial in the short term, but if you look at the overall long-term 10 to 15-year journey, these turn out to be almost 25% to 30%, 40% lower than what most markets are.

And also with the full commitment coming in with a lot of the non-institutional landlord, they are able to raise whether it is debt or any other equity that they need to raise on the assets for them to complete these assets. So, our strategy to go after a mix of all 3 has allowed us to continuously source at preferred rates and that sort of helps us mitigate and make sure that we are able to cater to the customers at a at a price point, which is probably 25% to 30% lower than our closest competitor.

Rishith Shah: And since we already have supply tied up for the next 1.5, 2 years, apart from the contractual escalations, do you see the rate per square feet, whatever you are paying increasing higher than that or the general 4% to 5% range is what we should look at?

Neetish Sarda: So, 4%, 5% is already contracted for. In fact, as part of our strategy, we track more than 300 buildings and get the top 6, 7 buildings every year that gives us the best returns. I think we are going to continue getting those preferred deals across markets. And that contractual escalations of between 4% to 4.5% or 5% year-on-year is what you should expect. And you'll see that in our lines on the increase in rentals also in our balance sheet, you'll see in our reported numbers that the rental increase is cumulatively to the total area increase also. So, it doesn't increase 35%.

Rishith Shah: So, no impact of any mix change that we can see. So, it's the general increase?

Harsh Binani: No. In fact, I think there's only one way to go up, which is that the cost will continue going down and the realisations will continue getting better because we've also mentioned in the prior calls, right, how as we go through cycles, right, like we've now finished 2, 3 cycles in a few of our older campuses, where the rentals in the market have meaningfully corrected. So, there are MTM opportunities also which will help us increase this going forward.

Moderator: That was the last question.

Neetish Sarda: Sure. I can start with the closing remarks. Thank you for the questions. Three things to leave you with. We delivered the first half and raised our revenue guidance. The buildings that make FY '28 are being fitted out today in a market short of quality space with the contracts to fill them already being signed and ratios that look soft this quarter have one cause, which is investment arriving before revenue and one cure, which is these campuses going live and billing starting. Thank you, and we look forward to speaking with you next quarter.

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

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