Outlook

Re: Queries in relation to your company's IPO

From Company Secretary <companysecretary@sworks.co.in>
Date Mon 14-Jul-25 5:51 PM
To Suraj Jhawar <jhawar.suraj@gmail.com>
Cc aris.ipo@jmfl.com <aris.ipo@jmfl.com>; grievance.ibd@jmfl.com <grievance.ibd@jmfl.com>; Prachee Dhuri <Prachee.Dhuri@jmfl.com>

Dear Mr. Jhannwar,

This is with respect to your e-mail dated July 13, 2025 and reminder e-mail dated July 14, 2025 raising certain queries regarding the disclosures made in the red herring prospectus dated July 4, 2025 ("**RHP**"), in particular thethe Restated Consolidated Financial Information.

At the outset, we wish to clarify that the disclosures made in the RHP filed with the Registrar of Companies, Delhi & Haryana at New Delhi and thereafter with Securities and Exchange Board of India ("**SEBI**"), and the Stock Exchanges has been prepared in compliance with the applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "**SEBI ICDR Regulations**") and other applicable laws.

The Restated Consolidated Financial Information has been prepared by the Company as required under the SEBI ICDR Regulations issued by the SEBI, in pursuance of the Securities and Exchange Board of India Act, 1992, for the purpose of inclusion in the RHP, in connection with the initial public offer. Please note that the aforesaid Restated Consolidated Financial Information, and the examination report dated June 18, 2025 on the Restated Consolidated Financial Information ("**Examination Report**") issued by the Statutory Auditors of the Company*, i.e.,* Deloitte Haskins & Sells LLP, Chartered Accountants, were included in the RHP. The Restated Consolidated Financial Information have been prepared in terms of the requirements of Section 26 of Part I of Chapter III of the Companies Act, the SEBI ICDR Regulations and the Guidance Note on "Reports in Company Prospectuses (Revised 2019)" issued by the ICAI. The Restated Consolidated Financial Information has been prepared to comply in all material respects with the Indian Accounting Standards as specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time), presentation requirements of Division II of Schedule III to the Companies Act, as applicable, to the consolidated financial statements and other relevant provisions of the Companies Act.

Capitalised terms used and not specifically defined herein have the same meaning as ascribed to such terms in the RHP and addendum to the RHP dated July 10, 2025.

In the background of above and without prejudice to the foregoing, please find hereunder our point-wise response in green to your queries.

The disclosures in the RHP are in accordance with the requirements of the SEBI ICDR Regulations and other applicable laws. In light of the above, no addendum or corrigendum to the RHP is warranted.

Thanks
Smartworks Coworking Spaces Limited

From: Suraj Jhawar <jhawar.suraj@gmail.com>
Sent: Sunday, July 13, 2025 12:38 PM
To: Company Secretary <companysecretary@sworks.co.in>
Cc: aris.ipo@jmfl.com <aris.ipo@jmfl.com>; grievance.ibd@jmfl.com <grievance.ibd@jmfl.com>; Prachee Dhuri <Prachee.Dhuri@jmfl.com>
Subject: Queries in relation to your company's IPO

The Board of Directors

Smartworks Coworking Spaces Limited

Dear Sir/ Madam,

1. In relation to Restated Financial Information forming part of RHP filed by the company, kindly explain the following issues:-

a. Fundamental question of "going concern" is not addressed in view of losses incurred by the Issuer on a sustained basis since F.Y. 2021-22, F.Y. 2022-23, F.Y. 2023-24 and F.Y. 2024-25. Statement made in Note 36.2.1.5 is not backed by any reasoning but only assumptions considering achievements but performance of turning into black is not achieved.

The going concern assessment, as disclosed in Note 36.2.1.5 of the Restated Consolidated Financial Information, is based on several key factors despite reported losses. The Group has long-term customer contracts, has positive operating cash flows, and retained its customer base. It has also initiated certain strategic measures and has maintained access to external funding. These factors support the management's view that the Group can continue its operations in the foreseeable future.

b. Deployment of borrowed funds bearing 7.20% to 12% into Mutual Funds yielding returns of 6% to 8% does not seem to be proper liquidity management in view of sustained business losses. Issuer Company has to regularly depend on Bank overdraft facilities bearing interest @ 7.40% to 8.75%.

Certain investments in mutual funds have been earmarked as security against loans obtained from various financial institutions. Additionally, the Company also undertakes short-term investments in mutual funds, typically ranging from 7 to 10 days, to efficiently deploy temporary surplus funds.

c. Security provided against Bank overdrafts- dropline overdraft bearing interest @8.75% not disclosed (detailed in Page 373).

Relevant disclosure for security provided against bank overdrafts wherever applicable has been made in Restated Consolidated Financial Information – Refer Page 373.

d. Guarantor details not disclosed against 3 Bank overdrafts- dropline overdraft facilities availed (detailed in Page 373).

Relevant disclosure for security provided against bank overdrafts wherever applicable has been made in Restated Consolidated Financial Information-– Refer Page 373.

e. Lease Liabilities should be placed after Borrowings on the face of the Statement of Assets and Liabilities.

In accordance with the presentation principles outlined in Ind AS 1 and the requirements of Schedule III to the Companies Act, 2013, companies are mandated to provide minimum disclosures in their financial statements. However, flexibility is permitted in the ordering and description of line items where it enhances the relevance and understandability of the information presented.

Given the nature of the company's business—'Lease Liabilities' have been presented before 'Borrowings' on the face of the Balance Sheet. This reflects the centrality of lease obligations to the company's operations and provides a clearer representation of its financial position.

f. Other Current Liabilities should be placed before provisions under Current Liabilities on the face of the Statement of Assets and Liabilities.

Based on the guidance provided in point (e) above, which allows management the flexibility to reorder items on the face of the financial statements to enhance the relevance and understandability of financial information, the item 'Provisions'has been presented before 'Other Current Liabilities.

g. Material accounting policy for valuing investments in unlisted equity shares is not disclosed in Note 2.17.2.

Refer Note 2.17 of the Restated Consolidated Financial Information, outlines the accounting policy for both initial and subsequent measurement of financial assets, including unlisted equity investments

h. In the Material Accounting Policy, it is nowhere disclosed that switching between investments valued at FVTOCI and FVTPL after the initial recognition choice is not possible.

Ind AS 1 – Presentation of Financial Statements (Paragraph 117) requires disclosure of the measurement basis used in preparing the financial statements, along with other accounting policies that are relevant to understanding them. The irreversibility of classification between FVTOCI and FVTPL is governed by Ind AS 109 and does not need to be disclosed separately unless it is material to the users' understanding of the financial statements.

i. Additions and sale/ deductions are wrongly netted as "Disposal/ adjustment" in Note 4 for gross carrying value and accumulated depreciation.

The term 'Disposals/Adjustments' presented in Note 4 under 'gross carrying value' and 'accumulated depreciation' refers to assets that were discarded during the physical verification process, sold in the normal course of business, or otherwise written off as part of routine operations. It does not relate to any additions made during the year.

Additions are reported at gross amounts and have not been netted off against disposals or adjustments.

j. Disclosure of changes due to business combinations has not been disclosed in Note 4, 5 in violation of Paragraph 6 A I (iii) of Division II: General Instructions for Preparation of Balance Sheet of Schedule III to the Companies Act.

The disclosure requirement under Paragraph 6A(I)(iii) of Division II of Schedule III to the Companies Act, 2013 is not applicable as there were no business combinations during the reporting period and hence the requirement to disclose changes arising from such transactions is not applicable in Notes 4 and 5.

k. Disclosure of changes due to business combinations has not been disclosed in Note 7 in violation of Paragraph and 6 A IV (ii) of Division II: General Instructions for Preparation of Balance Sheet of Schedule III to the Companies Act.

The disclosure requirement under Paragraph 6A(IV)(ii) of Division II of Schedule III to the Companies Act, 2013 is not applicable as there were no business combinations during the reporting period.

l. Expenses relating to short term leases for the F.Y. 2024-25 disclosed in Note 5.4 and Rent disclosed in Note 26 does not match.

For the financial year 2024–25, certain parking spaces held under short-term lease arrangements have been included in Note 5.4. As a result, the figures presented in Note 5.4 will not reconcile fully with the rent expenses disclosed in Note 26.

m. Expenses relating to leases of low value of low-value assets, excluding short-term leases of low-value assets for the F.Y. 2022-23, F.Y. 2023-24 and F.Y. 2024-25 disclosed in Note 5.4 are not disclosed in Note 26 and 30.

Expenses related to leases of low-value assets, excluding short-term leases of low-value assets, are included under Note 26 – Equipment and Asset Hire Charges. As per the applicable accounting standards and prescribed disclosure guidance, no separate presentation is required in Notes 26 or 30.

n. Aggregate amount of unquoted investments is not disclosed in Note 9.

Neither Ind AS 109 nor Ind AS 32 specifically mandates disclosure of the aggregate amount of unquoted investments.

o. Break up of names and quantity of investment made in Mutual funds not disclosed in Note 9.

There is no mandatory requirement to disclose scheme-wise breakup or quantities of mutual fund units in the financial statements, unless such details are considered material to users of the financial statements or required due to specific regulatory or audit requirements. Accordingly, the Company has complied with the applicable disclosure norms.

p. Reconciliation between the amount computed by applying the statutory income rates to the profit before tax and income tax expense in Note 11 for the F.Y. 2022-23 does not match with Total Tax Credit disclosed on the face of the Statement of Profit and Loss.

The financial statements are prepared in accordance with the principles of materiality as per Ind AS and Schedule III and provide true and fair view in all material aspects. The difference is not considered to material with respect to overall financial statement.

q. Year end Deferred Tax Asset against Provision for contingencies and allowance for capital advances and advances to suppliers in Note 11 for the F.Y. 2022-23, F.Y. 2023-24 and F.Y. 2024-25 should be 1.67 (on 6.43), 3.05 (on 11.72) and 8.13 (on 32.34) respectively.

In accordance with the applicable accounting standards, deferred tax assets have been computed by applying the relevant tax rates to the closing balance of temporary differences as at the reporting date, after considering the impact of differential tax rates applicable to group companies.

r. Year end Deferred Tax Asset against Provision for employee benefits in Note 11 for the F.Y. 2022-23, F.Y. 2023-24 and F.Y. 2024-25 should be 8.00 (on 30.74), 9.69 (on 37.28) and 11.90 (on 47.28) respectively.

In accordance with the applicable accounting standards, deferred tax assets have been computed by applying the relevant tax rates to the closing balance of temporary differences as at the reporting date, after considering the impact of differential tax rates applicable to group companies.

s. Tax related to remeasurement of defined benefit plan on Face of the Statement of Profit and Loss for the F.Y. 2023-24 should be (0.45).

In accordance with the applicable accounting standards, deferred tax assets have been computed by applying the relevant tax rates to the closing balance of temporary differences as at the reporting date, after considering the impact of differential tax rates applicable to group companies.

t. Shares allotted without payment being received in cash, bonus shares allotted and shares bought back during the last 5 years not disclosed.

*There are **no instances** of the following transactions during the last five years:*

1. *Shares allotted without payment being received in cash*
2. *Bonus shares allotted*
3. *Shares bought back*

*Accordingly, there were **no such transactions to report** in the financial statements.*

u. Rebates, deductions allowed against Contracted price is not disclosed in Note 24 in terms of IND AS 115.

Refer to Note 2.6 of the Restated Consolidated Financial Information for the accounting policy on revenue recognition. During the reporting periods, there have been no material rebates or deductions that would require separate disclosure under the standard. All revenue has been recognized net of any certain adjustments not material to overall financial statement, consistent with the Group's stated accounting policies and the materiality principles outlined in Ind AS 1.

v. Advances from customers being one of the Contract liabilities is not disclosed in Note 24.

The Advance from the customer relates to revenue recognized in accordance with Ind AS 116 and, accordingly, does not require separate disclosure under the standard.

w. Provision for contingencies and allowance for capital advances and advances to suppliers forming part of Note 13 does not form part of Allowance for doubtful debts and advances in Note 30.

Allowance for doubtful debts and advances in Note 30 represents charge for the reporting period where Note 13 represents the closing balance as on reporting date. Further provision for contingencies is included in Note 20 as it is a liability.

x. Corresponding liability has not been created against Provision for Customer Claims in Note 30.

The same is included within Trade Payables as it is a contractual obligation arising from ordinary course of business.

y. Corresponding Deferred Tax assets are not created / disclosed in Note 11 against Provision for Customer Claims in Note 30.

Deferred tax assets on provisions for customer claims have been adjusted against carry-forward tax losses, as the disallowance of such expenses results in an increase in the company's tax losses. Accordingly, no separate deferred tax asset has been recognized for these provisions

z. Interest on Asset retirement obligation in Note 28 and Note 20.1 differs for F.Y. 2024-25.

The financial statements are prepared in accordance with the principles of materiality as per Ind AS and Schedule III and provide true and fair view in all material aspects. The difference is not considered to be material with respect to overall financial statement.

aa. Expenses related to Deferred Contribution Plan (PF and ESI expenses) incurred on behalf of KMP are not disclosed in Note 35.d.

Expenses incurred towards Defined Contribution Plans, such as Provident Fund (PF) and Employees' State Insurance (ESI), form part of short-term employee benefits as defined under Ind AS 19 – Employee Benefits. Accordingly, these expenses have been included under the total short-term benefits disclosed Note 35.d. in the Restated Consolidated Financial Information.

bb. Outstanding balance of Borrowings given to Smartworks Tech Solutions Private Limited should be 182.92 on Page 386 considering Opening balance of borrowings 69.18 + Borrowings given 119.74 – Refund of Borrowings given 6.00.

Difference is on account of Accrued interest amounting to Rs. 1.42 mn.

cc. Trade Payable and Other Financial Liabilities for the F.Y. 2022-23 disclosed in Note 36.1 should be 942.48 and 3688.48 respectively.

The change in prior year number is due to reclassification of employee payables from trade payables to other financial liabilities which is mentioned in the basis of preparation of Note 2.1 of the financial information and its impact on the Total equity, comprehensive loss etc. has been disclosed in Note 3B.

dd. Carrying amount of Other Financial Liabilities for the F.Y. 2022-23, F.Y. 2023-24 and F.Y. 2024-25 in Note 36.2.1.5 should be 3688.48, 4558.52 and 5910.82 respectively.

The figure for FY 22-23 excludes the closing balance of employee payables as the same has been added in trade payables. This reclassification does not have any material impact on the financial statements, or any other metrics.

ee. Carrying amount of Trade Payable for the F.Y. 2022-23 in Note 36.2.1.5 should be 942.48.

The change in prior year number is due to reclassification of employee payables from trade payables to other financial liabilities which is mentioned in the basis of preparation of Note 2.1 of the financial information and its impact on the Total equity, comprehensive loss etc. has been disclosed in Note 3B.

ff. Movement of Other equity is not disclosed in Note 18 in violation of Paragraph 6 D II (d) of Division

Refer Page 346 of RHP wherein movement of other equity is already disclosed in Restated Consolidated Statement of Changes in the equity.

II: General Instructions for Preparation of Balance Sheet of Schedule III to the Companies Act.

The movement of other equity is disclosed in Statement of changes in equity forming part of the financial statements.

gg. Strangely CWIP/ PPE written off in Note 30 does not has a corresponding disclosure in Note 4 and 6.

CWIP/PPE Written off represents assets discarded under physical verification and other assets written off from CWIP which does not meet the criteria for recognition of PPE under IND AS 16. The assets discarded from PPE are included in disposals/ adjustments included in Note 4 of financial statements.

2. Statement of Cash Flow is not prepared in accordance with Ind AS-7 on the following counts:-

a. Word “Others” used just before “Operating cash flows before working capital changes” does not provide any indication of what the same seems to convey.

Others represent other non-cash items/ non-operating items which are not material to operating profit) and hence can be grouped under others/miscellaneous in accordance with guidance on schedule III and accounting standards.

b. Finance Costs for the F.Y. 2022-23 should be 2366.56 million for maintaining comparability.

The difference is on account of interest on ARO not considered in finance costs for FY 2022-23.

c. Interest income for the F.Y. 2024-25 should be 309.50 million for maintaining comparability.

Difference is on account of impact of exchange differences in current year for Smartworks and its subsidiaries.

d. Allowance for doubtful debts and advances, Provision for Customer Claims and Provision for Contingencies should be adjusted for arriving at Operating profit before working capital changes.

Allowance for doubtful debts and advances are included in "Others" under adjustments in cashflow statement. Provision for customer claims and provision for contingencies are not non-cash items/ non-operating items and hence are not required to be adjusted for arriving at Operating profit before working capital changes.

3. Additional Regulatory Information to the Balance Sheet (Statement of Assets and Liabilities) under Schedule III to the Companies Act, 2013 not disclosed:-

(i) Title deeds of Immovable Property not held in name of the Company

The Company does not own any immovable property and hence disclosure is not applicable. Please refer to page 283 of the RHP

(ii) The Company shall disclose as to whether the fair value of investment property (as measured for disclosure purposes in the financial statements) is based on the valuation by registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) ….

The Company does not own any investment property and hence disclosure is not applicable.

(iii) Where the Company has revalued its Property, Plant and Equipment, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) ………

The Company have not revalued its Property, plant and equipment and hence disclosure is not applicable

(iv) Where the company has revalued its intangible assets, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) ….

The Company have not revalued its Intangible assets and hence disclosure is not applicable

(x) Wilful Defaulter

The Company has not been declared as Wilful Defaulter and hence disclosure in not applicable.

(xii) Registration of charges or satisfaction with Registrar of Companies

The Company has not delayed the registration beyond the statutory period or permitted extended period, if applicable, hence disclosure is not applicable.

(xiii) Compliance with number of layers of companies

The Company is in compliance with number of layers of companies and hence disclosure is not applicable.

(xv) Compliance with approved Scheme(s) of Arrangements

There has been no such Scheme of Arrangements and hence disclosure is not applicable.

4. Notice, Directors Report, AOC-1, AOC-2 for the F.Y. 2022-23, F.Y. 2023-24 and F.Y. 2024-25 not disclosed on the website.

Please refer to the Material Documents tab on the website, wherein Annual Reports of FY 2022-23 and 2023-24 are uploaded by the Company. For FY 2024-25, once the Annual Report for 2024-25 is adopted by the Shareholders in the ensuing Annual General Meeting, necessary compliances will be undertaken.

5. Audited Consolidated financial statements for the F.Y. 2022-23, F.Y. 2023-24 and F.Y. 2024-25 not disclosed on the website.

Please refer to the Material Documents tab on the website, wherein Annual Reports of FY 2022-23 and 2023-24 are uploaded by the Company. For FY 2024-25, once the Consolidated Financial Statements for 2024-25 is adopted by the Shareholders in the ensuing Annual General Meeting, necessary compliances will be undertaken..

6. Latest Shareholding not disclosed on the website.

The required details of existing shareholders are already disclosed in the RHP. Please refer to the same.

Corrigendum should be given wherever incorrect disclosure/ incomplete information is disclosed without looking into Materiality.

Issuer Company bears an unequivocal responsibility to provide exhaustive disclosures in its Red Herring Prospectus (RHP). The practice of not disclosing things which may be “Not Applicable” in direct affirmative/negative manner is equivalent to an inadequate disclosure;

similarly dispersing related information across different sections of the RHP instead of providing complete disclosure in the Restated Financial Statements, represents a serious deviation from mandated Corporate Governance standards. Claims of immateriality or insignificance or having no financial impact cannot serve as justification for incorrect disclosures or omissions, given that Schedule III of the Companies Act and relevant AS or IND AS requires comprehensive disclosure regardless of quantum. Issuer Company must recognize that:

1. Every piece of information, regardless of perceived significance, warrants proper disclosure

2. The onus of transparent disclosure lies entirely with the issuer, not with investors' ability to interpret or deduce

3. Documentation must be self-contained within relevant sections, particularly the Restated Financial Statements

4. Fragmented or incomplete disclosures may indicate potential risk of misappropriation of IPO proceeds

Given the gravity of public fund mobilization through an IPO, comprehensive disclosure is not merely a regulatory requirement but a fundamental obligation to protect investor interests. The company must err on the side of over-disclosure rather than risk leaving any information subject to interpretation or discovery through cross-referencing.

Independent Directors must also rethink their presence considering Corporate Governance standards maintained by the Issuer Company and there is an immediate need to discuss role of CFO, CS, the Audit Committee, Peer Review Auditor, Merchant Banker, etc in all the above noted shortcomings overserved considering applicable AS/ Ind-AS, various Guidance Note issued by the ICAI, Companies Act, SEBI ICDR Regulations.

Unexpectedly, the peer review auditors seem to be cooperating in withholding significant information from public disclosure, rather than promoting full transparency.

Kindly also refer to the following responsibilities of a merchant banker in relation to restated financial information for a public issue in India:

1. Conduct thorough due diligence on the company's financial statements and accounting practices.

2. Verify the accuracy and completeness of the restated financial information.

3. Verify compliance to the provisions of Companies Act, 2013 in the true spirit.

4. Ensure that the restated financial information complies with the Securities and Exchange Board of India (SEBI) regulations, particularly the SEBI (Issue of Capital and Disclosure Requirements) Regulations.

5. Confirm adherence to applicable accounting standards, such as Indian Accounting Standards (Ind AS) or Indian GAAP in the true spirit.

6. Ensure proper disclosure of all material information in the offer document, including any qualifications or emphasis of matter in audit reports.

7. Highlight any significant changes in accounting policies or practices during the periods under review.

8. Provide a due diligence certificate to SEBI, confirming that the restated financial information has been prepared in accordance with the relevant regulations.

These responsibilities are crucial in maintaining the integrity of the financial markets and protecting investor interests. The merchant banker plays a pivotal role in ensuring that the restated financial information is accurate, complete and compliant with all relevant regulations.

Thanking you,
Yours faithfully,
Suraj J Jhannwar (An informed investor)
9300188940