



Date: 19th August, 2025

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 Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended June 30, 2025, at the analyst meet held on August 12, 2025, is available on the website of the Company at <https://www.smartworksoffice.com/investors/>.

The analyst meet, conducted through Audio means at 05:30 P.M. and concluded at 06:30 P.M. (IST) on August 12, 2025.

This is for your information and records.

Thanking You,

For **Smartworks Coworking Spaces Limited**

(Formerly known as Smartworks Coworking Spaces Private Limited)

Punam Dargar

Company Secretary & Compliance Officer

Mem. No.: A56987

Address: Unit No. 305-310, Plot No 9, 10 & 11 Vardhman Trade Centre
Nehru Place, South Delhi, Delhi, India, 110019

Encl.: As above

Smartworks Coworking Spaces Limited

(Formerly known as Smartworks Coworking Spaces Private Limited)

Regd. Office: Unit No. 305 – 310, Plot No. 9,10, & 11, Vardhman Trade Centre, Nehru Place, South Delhi – 110 019.

Corporate Office: Golf View Tower, Tower-B Sector 42, DLF QE, Gurgaon, Haryana-122002

Phone No: 0124-6919 400

CIN: L74900DL2015PLC310656



SMARTWORKS_v

“Smartworks Coworking Spaces Limited Q1 FY '26 Earnings Conference Call”

August 12, 2025

SMARTWORKS



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

MODERATOR: **MR. MOHIT AGRAWAL – IIFL CAPITAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to Smartworks Coworking Q1 FY '26 Earnings Conference Call hosted by IIFL Capital Services. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Agrawal from IIFL Capital Services. Thank you and over to you, sir.

Mohit Agrawal: Thank you and good evening, everyone. On behalf of IIFL Capital, I'd like to welcome everyone to the maiden earnings conference call for Smartworks Coworking Spaces. From the management, we have with us Mr. Neetish Sarda, Managing Director, Mr. Harsh Binani, Executive Director, Mr. Sahil Jain, Chief Financial Officer, Mr. Pratik Agarwal, Chief Business Officer, and Mr. Anirudh Tapuria, Chief of Strategy and Investor Relations.

I'd now like to hand over the call to the management for their opening remarks, followed by a Q&A. Over to you, Neetish.

Neetish Sarda: Good evening, everyone. Thank you for joining us for our first earnings call as a listed company. On behalf of Smartworks, we extend our sincerest gratitude to our investors, bankers, partners, and shareholders for their invaluable support throughout our IPO. The confidence you have placed in our company, our leadership, and us as founders has been instrumental in reaching this significant milestone.

The oversubscription of our IPO by nearly 14x is a powerful affirmation of our vision and future growth, and we deeply appreciate this trust. As this is our first earnings call after listing, I will begin by sharing more about Smartworks and the industry we operate in. Following that, we will outline our growth strategy and discuss our Q1 FY '26 performance.

Smartworks is India's largest managed office platform by total square feet under management. In just 9 years, which includes more than 2 years of COVID, we have expanded to almost 12 million square feet of space, translating to over 275,000 work seats across 56 centres in 15 cities. For the first quarter of FY '26, our revenue stands at INR 3,792 million, a 21% jump year-on-year. Our reported EBITDA and annualized ROCE stands at INR 2,410 million and 58%, respectively.

Our normalized numbers basis non-GAAP measures stood at an EBITDA of INR 607 million, a 109% jump year-on-year, while having very healthy cash flows from operations of INR 855 million, a 71% jump year-on-year, all of this with an annualized ROCE of 13%. We have only raised INR 5,058¹ million of equity before the IPO.

Before talking about our numbers, let me talk about our journey. From the very beginning, our vision and conviction was to create office spaces for the new age workforce. During our time in the USA, Harsh and I witnessed first-hand the campuses of large multinational companies. We

¹ 5,558 Million was mentioned in error. Figure corrected above.

were truly captivated by the energy and vibrancy of the space and happiness of their employees. This is what inspired us to create Smartworks.

While we started Smartworks as a coworking space, we evolved fairly early into a managed office platform. We saw a very distinct and compelling opportunity in India. While more than 70% of India's supply was from standalone non-institutional landlords, majority of the demand actually came from mid to large enterprise clients. This gap led us to pioneer the managed office platform and yes, we created this category.

In our platform, we take large bare-shell buildings instead of just floors on lease from landlords and transform them into Smartworks branded campuses with all aspirational amenities like cafes, creches, gyms, indoor and outdoor sports zones and much more. Our focus is on mid-to-large enterprises with more than 85% of our revenue coming from enterprise clients. Majority of these clients commit to more than 300 seats with Smartworks.

Before talking more about Smartworks, let me take a moment to talk about the industry. According to market estimates, India's commercial real estate is currently around 1 billion square feet of office space out of which 800 million square feet was only added in the last 20 years at a CAGR of 8.6%. The overall market is projected to grow even faster, adding the next billion square feet in just 10-15 years.

Morgan Stanley reports that India is set to become the office to the world with increasing GCCs and international companies establishing a presence in India. Flexible workspace is the fastest growing segment within the commercial real estate. In a short span of 10 years, it has grown to over 100 million square feet and is projected to further grow at a CAGR of 18% to 20%.

This rapid growth of the entire segment reflects a fundamental shift in customers' preference for flexible workspace as the future of offices. Smartworks has outpaced the segment and grown 1.5x faster at a CAGR of 38% in the last 3 years. Just in the last 3 months, we have added more than 1.1 million square feet of space. Our platform seamlessly integrates all stakeholders whether it is our landlords, clients, their employees or our vendor partners.

Our landlords benefit from guaranteed rent which makes them increase their exposure with us. 25% of our centres are from developers or landlords who have leased multiple buildings to Smartworks. With majority of our campus from non-institutional landlords, we have now broken barriers by working with large institutional developers such as DLF, Raheja and Tata Realty.

For our 700 plus customers, they get flexible, hassle-free office customized to their needs and delivered in less than 2 months across India at a value-centric price. With the likes of Google, Ernst & Young, FedEx, Concentrix and Persistent Systems as some of our customers, not only have our clients moved into Smartworks campuses, but also expanded with us. A Fortune 500 company that started with just 158 seats in 2023 with Smartworks has expanded to almost 2,000 seats by 2025, moving a significant portion of their India RE portfolio into the Smartworks ecosystem.

Another example is of a company that started with us in 2022 with just 380 seats and within just 3 years has expanded 10x to 3,800 seats across six cities. Today, 30% of our revenue comes from multi-city clients who are expanding within the Smartworks ecosystem.

For the 150,000 employees of our clients, they get access to all aspirational amenities within our campuses. And for our rate-contracted vendors, they get regular work throughout the year. These advantages for all our stakeholders have created a flywheel effect.

Now imagine the power of our platform. We are talking about long-term annuity-like contracts with highly predictable cash flows from Fortune 500 companies, global MNCs, Indian conglomerates and well-funded startups. These aren't just one-off deals, they are stable recurring revenue streams. Think of it like a REIT, but with a host of office services such as design, fit-out, day-to-day operations and all amenities included, achieved through an asset-light and capital-efficient model. All of this has enabled us to scale significantly. Our unique ability to take large campuses, which continues to grow in size, allows us to add 2 million to 3 million square feet of space every year by only taking 7 to 8 buildings and turning them into Smartworks campuses.

Our clients continue to choose us because of our model, directly addressing the pain points of traditional offices, which are the hassles of managing multiple landlords, multiple designers and vendors, long build times, high upfront costs, inflexibility and large admin teams managing day-to-day operations, which is all replaced by a one-stop solution by Smartworks.

So, what does Smartworks stand for? First, a standardized and scalable product, where our customers get a uniform experience across India. Second, reliability, offices delivered in less than 2 months, a game-changer in the industry, which usually takes more than 6 to 9 months. Third, frugality, our industry-leading cost structure, whether it is our capex or our opex, allows us to operate efficiently through economies of scale, standardization and modularity.

Fourth, providing high-quality campuses with all aspirational amenities remains our core strength. And finally, value-driven pricing, where all of this allows us to deliver a competitive and value-for-money pricing to our customers. I will now hand it over to Harsh.

Harsh Binani:

Thank you Neetish. Good evening, all. Let me now talk you through important features of our business. We are a high-growth and rapidly scaling business, yet our model is de-risked and insulated. Even when the coworking industry was tested in COVID with multiple client move-outs due to work-from-home and other restrictions, Smartworks remained strong.

We did not surrender any of our large campuses during this period, reflecting the resilience of our business model and our astute building choices. Our mature centres maintained healthy occupancy of around 85% and we operated near breakeven levels. In fact, we were the only ones to expand during COVID.

Incidentally, we also had one of the highest footfalls during this period because of the host of amenities we offered, demonstrating the attractiveness of our product. In times of uncertainty, we are the most attractive partner for our clients because of our value pricing and flexibility.

On the supply side, we are present across India, with supply in 14 cities and Singapore.

Today, we cover over 94% of our spaces, with presence in all the important micro-markets of the country. We work with a diverse range of developers and landlords, ensuring there is no dependency on any single one. Our supply responds directly to customer demand, with strong pre-fill commitments from either our existing clients or new prospective ones, allowing us to scale up in a deliberate and a derisked manner.

Let us now walk you through the journey of a campus. Within 2 to 4 months, very efficiently, after leasing a large campus, we complete the common areas like cafes, corridors and the aspirational amenities and start to build out the offices for the pre-filled commitment.

Post this, within the first 12 months, we aim to reach 65% to 70% occupancy and achieve breakeven. Post this, we recover our entire payback with a steady-state ramp-up of occupancy in about 30 to 32 months. Once our centre stabilizes and recovers the capex, our margins continue to stabilize, but our ROCE continues to go up.

Let us also share some perspective on our demand strategy. Today, our demand is enterprise focused. It primarily comes from 300-plus seats clients who commit to long tenures of over 48 months. They are highly sticky, with a high retention rate of over 80%. Moving forward, about 75% of rental annuity income will continue to come from the top six cities.

While our top 10 clients currently account for less than 20%, this share will continue to come down. No single client of ours typically occupies more than 30% of our campus, further derisking our model. On the sector side, we are very diversified. Although IT and ITES share is the largest in India's commercial real estate, for us that is only 42% and has been progressively coming down.

Today, we serve a broad spectrum of sectors, including engineering, logistics, health care, manufacturing, and BFSI. Our clients include Fortune 500 companies, Indian conglomerates, MNCs, and well-funded soonicorns, unicorns, so on and so forth.

Our revenue model is primarily annuity-based rental income. In fact, 94% of our revenue is rental revenue, which provides us with significant stability and predictability, with visibility into the next few quarters and beyond.

Today, our normalized EBITDA has expanded and stands at close to 16%. Going forward, our margin expansion will continue to happen. One, as new centres mature over the second half of the year, occupancy and utilization will rise. Second, our margin will also expand through operating leverage in corporate and SG&A expenses.

Today, our cost of doing business continues to reduce because of economies of scale and standardization. Our capex and opex continue to go down. As we continue to build our brand and effectively use our proprietary technology platforms, our cost of acquisition of customers and the sales cycle will also continue to reduce.

We leverage a vast design library having built and delivered over 1,000 offices. We've also built a proprietary platform called BuildX, which is a game changer. It brings together design, project, and procurement teams, enabling us to deliver office in a fast-paced 2 months, a big innovation in the industry.

From the outset, we have been emphasizing cash flow predictability and frugality as our core values. Our operating cash flow to EBITDA has constantly exceeded one. As our EBITDA grows, our cash flow grows, which is essentially the funds available for reinvestment and growth.

Based on Q1 '26 estimates, our normalized cash flow from operations is approximately INR 3,400 million, which represents a 42% growth from around INR 2,400 million in FY '25. And this is expected to continue to accelerate with expanding margins in upcoming quarters. Moreover, the CAGR of normalized cash flow from operations from FY '20 to FY '25 exceeds a whopping 80%, highlighting our strong and sustainable cash flow generation.

While in the near-term, on account of growth, our OCF to EBITDA may go up to 1.4, in steady state, it will settle between 1.1 to 1.2, but will continue to stay above 1. Our terms of trade are the most superior in the industry, with receivable days of just 5, driven by our strong client base and ERP-driven collection systems.

Our ROCE has grown to healthy levels and doubled. Today, it stands at more than 13%. Given our focus on cash flow and our capital efficiency, we believe that in the next 2 years, we can double our ROCE, with further upside projected over the next five. We believe our industry is unique, with IndAS accounting and different accounting policies being followed across the industry.

One common unified way to measure ROCE is to compute its basis cash flows. Here is where you can see the North Star of Smartworks shine. We have the best-in-class metrics, with cash ROCE upwards of 47%. And finally, we've eliminated asset liability mismatch for at least the next 2 years, and this will continue to remain as we scale up.

Let us also share some perspective on our growth strategy going forward. In terms of growth, we already have visibility to reach 12 million square feet. At this scale, we foresee that we will be in self-sustaining capex mode, which allows us to grow by 25% to 30% year-on-year without any additional funding. With our strong cash flow generation, the company will continue to have healthy liquidity and cash balances in the near term.

We had scaled up meaningfully prior to IPO and today are well on track to become free cash flow positive soon. We are accounted by IndAS 116 which requires us to create non-cash accounting provisions. In the medium term, the reported IndAS PBT and the non-GAAP PBT will also converge, as our accounting provisions will start to reverse and the business profits will increase manifold.

Value-added services business line, which leverages over 700 plus companies and their 150,000 employees coming to our campuses, will continue to grow. However, our focus remains on our core annuity business, where we see a bigger potential to grow and increase our market share.

From the IPO raise, where we raised INR 3,965² million net of offer expenses, majority is being used for expansion and growth. And today, we are completely net debt negative post-IPO.

Now, I will invite our Chief of Strategy and Investor Relations, Anirudh Tapuriah, to talk about the Q1 FY '26 performance.

Anirudh Tapuriah:

Thank you Harsh, and a very good evening to everyone. Let me now take you through our Q1 FY '26 performance. We are pleased to share that we have had a solid start to the new fiscal year. Q1 has demonstrated consistent revenue growth, strong operational efficiency, and continued progress towards profitability, despite ongoing depreciation and finance costs, which is optically higher on account of IndAS accounting.

We are seeing positive traction in both our core and ancillary revenue streams, and we remain focused on optimizing margins, enhancing asset utilization in terms of occupancy ramp-up, and scaling operations efficiently. Our revenue growth is healthy. In Q1 FY '26, it stood at INR 3,792 million, representing a 5.8% sequential growth and a 21% increase on a year-on-year basis.

Our strong EBITDA and margin performance continues, supported by cost control. Our EBITDA stood at INR 2,410 million, up 25.5% year-on-year, with a healthy EBITDA margin of 63.6%, reflecting strong operational efficiency. Our normalized EBITDA stood at INR 607 million, growing by 109% year-on-year, marking a healthy 16% margin, driven by disciplined cost management and operational efficiencies.

Depreciation and finance costs stood at INR 1,739 million and INR 815 million respectively, with finance costs remaining broadly stable. Please note that these cost types include depreciation on ROU assets and interest on lease liabilities, which are non-cash in nature. Depreciation on fitouts and finance costs on borrowings stood at INR 374 million and INR 87 million, respectively.

I am happy to share that in this quarter, we have reported a positive PBT on a normalized basis, while it was negative INR 56 million as per reported IndAS financials, which has substantially reduced from negative INR 311 million in Q1 FY '25, mainly due to depreciation and high interest cost burden on account of IndAS 116 accounting.

Our normalized PBT improved to INR 168 million, representing a margin of 4.4%, a significant turnaround from a negative PBT of INR 102 million in Q1 FY '25. Our normalized OCF generation in Q1 FY '26 stood at INR 855 million compared to INR 501 million in Q1 of last fiscal, showing a growth of over 70%.

On the supply side, since FY '19, we have added 8.6 million square feet across major cities, which primarily includes Pune, Bengaluru, Hyderabad, Mumbai and other cities, leading to a footprint of 10.1 million square feet as of 30th June 2025. This will further grow to 12 million square feet considering the LOIs and term sheets which we have signed.

² 3,695 Million was mentioned in error. Figure corrected above.

As of 30th June 2025, 0.7 million square feet stood under fitout and 1.07 million square feet is under yet to be handed over, over the coming couple of quarters. Our debtor days continue to be less than a week. Our key demand metrics have also consistently been in line with our past performance. Let me share a few of them.

Our revenue contribution from enterprise clients stood at around 90% in Q1 FY '26. Our revenue from multi-city clients stood in excess of 30% in the quarter gone by. Our weighted average total tenure as of 30th June 2025 stood at 45 months, with the average lock-in tenure as of the same date standing at approximately 33 months.

Our occupancy in operational centres is above 83% and our committed occupancy in these centres stands at around 89%. Happy to share that our committed revenue stands in excess of INR 40,000 million. Now as we have talked about our quarterly performance, I would like to hand over the call back to the moderator requesting to open the line for Q&A.

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

Girish Choudhary: Yes, hi. Good evening and firstly congratulations to the entire team on successful listing and also a good set of numbers. So, on the revenue side, we have seen growth of 21% Y-o-Y and also sequentially we have seen 6% growth. I just wanted to understand in terms of the leased area or occupancy seats, whatever you track and also the pricing, how should we understand this 21% growth on a Y-o-Y basis?

Anirudh Tapuriah: Sure, Girish. So, we will take your first question. As far as the revenue contribution is concerned, we are very focused as far as our annuity revenue through lease rentals are concerned, which stood at approximately 94% in Q1 FY '26. Revenue from ancillary services contributed approximately 4.6% of the Q1 revenue of INR 3,792 million. And when you look at fiscal year '25, the contribution from these ancillary services was approximately 3.8% only. So, our focus continues to be driving our lease rental revenue which continues to be an annuity business.

Girish Choudhary: Okay. So, I was wanting to understand from a leased area Y-o-Y, how much we have seen and also how is the pricing growth Y-o-Y?

Anirudh Tapuriah: Sure. So, from a leased area perspective, we will also cover that as well. As far as our leased area is concerned -- sorry, just a second. We will just come back in a second.

Girish Choudhary: No problem. Yes.

Neetish Sarda: So, while we are just picking up the exact lease area from the quarter before and right now, I think pricing, Girish, there are two strategies. One is obviously the contracted revenues, which escalate at about 5 % year-on-year. So, the revenues that we are already contracted for would automatically escalate at those numbers.

And if you look at the pricing that we've done for the new deals that we've added in the last quarter, they have also been on the same average increase of 5%, closer to about 7,900 rupees per seat. If you look at our total area, we stood at closer to about 8 million square feet of space

last year and that number has already increased to about 8.3 million square feet³ this quarter with another 0.7 million square feet getting added in the next quarter which is already under construction and a million square feet as we mentioned earlier getting added over the next two quarters.

Anirudh Tapuriah:

And, Girish, I would just like to supplement - as far as our operational area is concerned, it stood at 8.3 million square feet as of June 25 and our occupancy on an overall basis was at 83%. It translates into approximately 190,000 seats in terms of operational area. A worthwhile point will be as far as our matured footprint is concerned, it stands in excess of 165,000 seats with a committed occupancy revenue in excess of 90%.

Neetish Sarda:

So, the drivers for this is while we are adding new centres which are now getting filled, our existing centres occupancy is going up and our cost reduction has helped us increase our margins. If you look at our margins, they have grown from Q1 of last year to Q1 of this year by almost 109%, growing from ~INR 30 crores to almost INR 61 crores this quarter, driven by increased occupancy and the price escalation of 5%.

Girish Choudhary:

Yes. I also had this follow-up on the margins. We have seen, as you mentioned, a strong improvement Y-o-Y. I see operating expenses contributed a large bit to this. They have been very flattish in the range of INR 100 crores to INR 103 crores per quarter. And interestingly, your rental expenses has also gone up by just 10%. So if you can explain this operating expenses bit and also the sustainable margins going ahead from, let's say, the current 16% levels.

Harsh Binani:

Thank you Girish. This is Harsh here. On a more strategic front, that is the beauty of how we built and scaled up our business. We see significant margin expansion on a go forward basis, not only because we are going to start to see the benefits of scale and operating leverage kicking in our business, but on a more factual basis, the base effect is also going to catch up.

In the early days, when our base footprint had not scaled up, new centre addition used to pull down the margin. But as we are now scaling up, we are happy to inform that more than 89%⁴ of our operational portfolio is already mature. And with our current footprint of 10 million square feet, with our growth target of adding 2.5 million to 3 million square feet every year, the proportion of mature centres will continue to go up. So as a result of this, you will continue to see the margin expansion happen.

And more importantly, from a margin perspective, it's a deliberate design choice that we've made that as we take larger and larger campuses, our cost of operation continues to go down, which is the trend that you see reflected also on the P&L that you observed. And as we scale up, we believe that in upturns or in downturns, we will continue to be the choice provider for large enterprise clients who prefer value priced offerings such as ours.

So, we expect that the margin expansion trend on our core annuity business will continue. While in the future, there also will be new business lines, as we mentioned, that will help us scale up,

³ 8.7 Million sq ft was mentioned in error. Figure corrected above

⁴ 45% was mentioned in error. Figure corrected above

for now, our focus is on the core annuity business, which is where we see the highest potential to scale up the fastest and increase our market leadership.

Girish Choudhary: Sure, got it. Fair enough. That's clear. My next question is that, like you mentioned, around 1 million square feet is coming up over the next 6 months. So, you have any pre-leasing kind of done for this 1 million square feet? So just wanted to understand, if not pre-leasing, what's the kind of occupancy you're targeting?

Neetish Sarda: Absolutely. So, Girish, we typically have about a 20% to 25% pre-lease that we do before any centre comes in. With the network effect now kicking in with respect to what I had mentioned earlier, our existing client expanding in line with us has allowed us to get pre-commitments of about 20% to 25% before we go ahead and take any of the buildings. These buildings will come in over the next two quarters.

We already have very strong pipelines, because if you look at the million square feet, it is across only three assets. So with Smartworks, because we are not really spreading this million square feet out on floors and taking smaller properties, square feet just three assets are contributing to this additional million square feet with an average property size north of 200,000 to 300,000 square feet. And the pipeline for all the three assets is very, very healthy.

Currently, pre-committed occupancies would be closer to about 25-30%, which is standard with most of our new centres. But we also have a strong enough pipeline to take these projected occupancies. We typically take about 12 months to get it up to about 65% to 70%, which is when we breakeven.

Girish Choudhary: Got it, got it. Thank you and all the very best.

Moderator: Thank you. The next question is from the line of Shivkumar Prajapati from Ambit Investment Advisors. Please proceed.

Shivkumar Prajapati: Yes. First of all, congrats on your successful IPO. I have two questions. Number one is how we are able to maintain the lowest opex as well as capex per seat as compared to the industry average? And my second question is, would we be able to maintain the same going forward once we plan to expand in NCR, Kolkata or Chennai region? And my third question is, I believe 100% of our business comes through broker channels. So, would we be able to reduce the dependency on brokers?

Neetish Sarda: Sure, sir. Maybe I can answer the first question of how we've been able to reduce our capex and opex and have industry standards. If you look at Smartworks' approach, our ability to take large individual buildings and convert them into campuses is something that sets us apart. What we have realized with economies of scale and standardizing the products, 75% of the materials which are used in office spaces can actually be standardized.

By doing both of this, we are able to leverage our scale, go directly to manufacturers and significantly decrease the capex cost which is required to build out offices. Smartworks has demonstrated this multiple times across all our centres in the last 5 to 6 years, where we have

continuously gone ahead and kept reducing our capital expenditure that is the upfront expenditure that we do to build out offices.

We are also able to get better area efficiency because when we take up the entire building, you're able to utilize all parts of the building because of which our opex as well as the capex gets distributed over a larger area. We are able to eliminate a lot of middlemen who usually come in to manage the building on a day-to-day basis and are able to get those margins back to our numbers.

Smartworks with its scale standardization has been able to reduce both our capex cost to INR 1,350 and our opex cost to INR 34 to INR 36 per square feet. And I think this also comes with both at the macro and micro lens. On the capex side, well we can standardize it. On the opex side, we've been able to reduce costs at a macro level.

Just imagine - Smartworks operates more than 9 million square feet of operational space today. Across these 9 million square feet of space, we've gone ahead and negotiated for EMCs centrally. We've gone ahead and negotiated for micro level things like tea, coffee, water centrally. With our scale, we're able to reduce costs and pass on certain benefits back to our customers. It's our continuous effort to make sure that the cost to serve the customer keeps decreasing over a period of time.

The second question which is sustainability of this. Sir, we think that we've been able to demonstrate this across not just last year, but we've been able to demonstrate this across last 3 to 4 years. You'll see continuously that our gross block with respect to the new assets which are getting added has continuously been stable and getting better. Sir, we think that the numbers that we are currently at, which is 1,350 and 36, it is a good place to stabilize going forward.

Anirudh Tapuriah: And also, to touch on your question as far as our brokerage expenses are concerned, we're very happy to share that in fiscal year '22, our brokerage expense was 4% of our revenue. It has already gone down to approximately 3% as our dependency on the brokerage system continues to go down. Harsh and Neetish, would you like to add any perspective on that?

Neetish Sarda: Yes. Absolutely. So, in the first quarter of this year almost 32% of our revenue came from clients who have expanded with Smartworks across different cities. While the initial deal happens through IPCs, most of the expansion happens directly with the customers. So we have been able to reduce our cost of acquisition also significantly in the last, as Anirudh mentioned, going down from 4.5% to less than 3% now. Hopefully that answers your question.

Moderator: Thank you. The next question is from the line of Ayush Saboot from Choice Institutional. Please proceed.

Ayush Saboot: Yes. Hi. Could you please guide us on the seat addition that we plan to do in FY '26 and FY '27?

Neetish Sarda: Absolutely. So, if you look at our signed up square footage already, we have grown from 8.3 million square feet in the start of the year to approximately 10 million square feet of space which is going to get live. 0.7 of which is already under fitout. Currently our operational centres stand at about 190,000 seats. 15,000 seats are under fitouts which will get added within the next quarter

itself. From there you will see an additional 26,000 seats, which is the 1 million square feet which is going to come in the next 2, 3 quarters. Both of that combined are about 40,000 seats which are going to get added this year which is already contracted for.

In fact, we have gone ahead and signed space even further increasing from 10 million. We have an additional 1.9 million square feet of space which translates to 43,000 seats which we have already contracted for which is going to come by the end of the year and the revenues for that will be realized next year.

So what I can tell you safely from 190,000 seats of operational square footage from the signed contract as well as the under fitout deals that we have, you will see the seat count increase from 190,000 seats to 275,000 seats within the next 4 to 5 quarters.

Ayush Saboot:

Okay. Thank you. And just one more question regarding the seat addition. If you could specify the capex cost that we incur per seat and also is the total capex cost per seat borne by Smartworks itself and also once the seats are added, how many quarters does it take to start contributing to revenue?

Neetish Sarda:

Absolutely. So, Smartworks spend about 60,000 rupees per seat to build out all of these seats. All of this is spent by Smartworks itself. We do not get our landlords to participate or share a portion of this because our cost to build out the offices is the least in the industry and we have been able to leverage our scale to do that. And we want to make sure that we are going ahead and leveraging that and spending it on our own. So, 60,000 rupees is what we spend per seat.

Harsh Binani:

On a more strategic choice to reiterate to Neetish's point, doing straight lease model is a choice that the company has made to leverage the efficiency that we are able to get both on the capex as well as opex. We mentioned earlier that our unit economics is very robust and we are able to recover our entire capex in 32 months.

So, for instance, if we are taking a building for a tenure of over 15 years with a much shorter lock-in period of about 4 to 5 years, if we are able to recover our capex in such a quick and rapid fashion, we believe we have built a very strong entry barrier by having an access to a building asset in the best micro markets of the country.

And once the first capex cycle recovers, the building becomes a ROCE machine. As we continue to mature and age, our metrics continue to get better, and the risk profile of the company continues to go down. That's why it's a strategic choice.

And I think just to add to your second question where when will we start realizing money. So, unlike typical flexible workspace, we don't go ahead and spend that money on day one. The 60,000 also that we are mentioning, while Smartworks takes up the entire building, we only spend on the fitout of the space when a customer comes and signs the space. So, it is not like the capital gets deployed today and we wait for a couple of quarters for the occupancy to go up. The fitouts would only happen once a customer is onboarded.

Ayush Saboot:

Okay, thank you. That was very helpful. Shows your robust business model. Also, if you could just reiterate one, the 2,75,000 target that we plan to achieve this by FY '27 end, right?

- Neetish Sarda:** Yes. So, the total addition that you see will be for this year is about 45,000 seats, which is already there in the pipeline and then additional 1.9 million square feet that we sign, majority of it is going to come in the next year.
- Ayush Saboot:** Okay, thank you. And any guidance regarding, I know this must be a little bit far-fetched, but what kind of seat addition will be planted on FY '28? Any guidance regarding that?
- Neetish Sarda:** If you look at our performance in the last couple of years, we've been able to grow steady as we earlier mentioned at about a 30%-35% CAGR year-on-year. And that's the Smartworks growth strategy that has been. I think keeping in mind the value pricing that we have and this kind of scale that we've created, this is something that we've been able to demonstrate in the past.
- Harsh Binani:** And to reiterate to Neetish's point made earlier, our business model allows us to take large campuses, making it very scalable. So, for us to add 2.5 million to 3 million square feet on an annual basis, it is a few buildings that we need to sign every year, given that we work with both non-institutional and institutional developers.
- Neetish Sarda:** So, as Harsh mentioned that you will see that we've been able to add a significant capacity of 25,000 to 30,000 seats in the last couple of years. And I think looking at how we are, 30,000 to 40,000 is what we'll be able to continue adding.
- Ayush Saboot:** Okay. Thank you. I mean, all the best for your future.
- Neetish Sarda:** Thank you.
- Moderator:** Thank you. The next question is from the line of Srinivasan from Asksrini. Please proceed.
- Srinivasan:** Yes. Good evening, team. Congratulations on the good set of numbers. Revenue increase of 21% is a very good number. So, I just want to have two questions, okay? One on the revenue front. So, I just want to know what is the revenue per square feet on occupied area at Q1. And also, I understand that you have a very ambitious goal of adding 2.5 million square feet every year.
- I just want to know what will be the occupancy ratio for the full year. And also, what will be the incremental space being added? What will be the revenue on it also that is being signed? And also, on the loan front, I just want to know what is the cost of capital for the Q1 financial year '25-'26? And also, what is the expected cost of borrowing for the full year?
- Anirudh Tapuriah:** So, thanks a lot for your question. I will probably take all the questions one by one. The first question was as far as occupancy is concerned. So, we are very happy to share that in Q1 FY '26, our occupied seats have gone up by around 5,900-odd seats. Currently, it stands at approximately 158,500-odd seats.
- As far as your second question is concerned that how do you look at on a revenue on a per square feet basis. Again, we are happy to share that on an overall basis, our revenue per square feet in Q1 FY '26, that stood at approximately 173 rupees on a per square feet basis. This is just on the primary leasing side. The ancillary revenue for which we did approximately 4.5% comes over

and above that. As far as your next question on debt is concerned, Harsh, if you would like to take that.

Harsh Binani: Smartworks over the last few years has been very efficiently able to work with several private international banks and PSUs and introduced a new cash flow-based lease rental discounting in the industry where we are able to take advantage of long-tenured enterprise tenure contracts to raise money at a very competitive rate.

Today, our cost of borrowing stands at a very healthy approximately 9%-odd and the interest expense over the last few years has been continuing to go down. During the IPO, we had the opportunity to also repay some debts which will cumulatively save us about INR 21 crores. During the course of this entire debt raise, it has also translated to us expanding our return on equity for all our shareholders.

Anirudh Tapuriah: I just also wanted to add as far as our finance cost on borrowings is concerned, that stood at approximately 87 million in Q1 FY '26. When you look at it as a percentage of revenue, it was approximately 2.3% in Q1.

Srinivasan: So, Yes, just to follow-up on that, I understand the cost of borrowing for Q1 FY '26 is around 9%. I just want to know what can be the full year cost of borrowing guidance for Smartworks. And also, we expect maybe a repo rate being changed down by the RBI in the coming MPC meetings, does the company foresee this as a positive impact on the borrowing cost or because of the turmoil in the macroeconomics to weigh in on the cost of borrowing for the company? We also see that the repo rate change is not being passed down to the borrowers. So what does the company foresee on this front?

Harsh Binani: Thank you. Like we mentioned, the company has already had the chance to repay debt during IPO, which was of high-cost nature. We continue to engage with the different banks and take advantage of the rate cuts. At this point of time, our rates continue to be very competitive between 9% to 10%. And like we mentioned earlier, we are today net debt negative, and our gross borrowings have been continuing to go down year-on-year. And over the next 2 years, we practically see this number to become very negligible.

Srinivasan: Yes. Thank you so much. All the best everyone. Thank you.

Moderator: Thank you. The next question is from the line of Murgank, an Individual Investor. Please proceed.

Murgank: Yes. So Yes, regarding the competitive landscape, I had a question. So, there is a competitor called EFC Limited. And EFC did a INR 40 crores profit this year. And it just manages an area of 3.5 million square feet. So how is EFC so efficient with their managed space? And how are they able to generate so much profit is my question.

Neetish Sarda: So, sir, what we can comment on is what Smartworks has done. Our revenues are annuity incomes that come in. We have been constantly increasing. If you look at our margins, in FY '25, they stood at 12.5%. In the first quarter of FY '26, our adjusted EBITDA is already at 16%. This is with a significant increase in base as well as the new capacity which is added.

So Smartworks is in a high growth stage, and we have started seeing a significant increase in trajectory. If you look at the last 3 years' trend from 36 crores which was 5.1%, in FY '25, we ended the year at INR 172 crores, which is a 12.5% EBITDA. Now that number is further increased from 12.5% to 16% in Q1FY26.

And if you look at even our IndAS losses, which is what we are, accounted for, even those IndAS losses which are through accounting provisions which are created, they have also considerably gone down. Last year, they stood at almost 63 crores. In the first quarter of this year, that number has gone down to 4 crores. So Smartworks is in a path where we are constantly increasing our margins whilst increasing our significant base.

Anirudh Tapuriah: And we'd just like to draw your attention to one more point. If you look at our Investor Presentation, on page 35, we have represented our normalized business performance. You will see that our normalized PBT for full year of fiscal year '25 stood at 155 million. And just for the first quarter of fiscal year '26, it stands at 168 million. So that is the kind of robustness which you see in the underlying business.

Murgank: Okay. All right. Thank you.

Anirudh Tapuriah: Thank you.

Moderator: Thank you. Due to time constraints, that was the last question. I now hand the conference over to Mr. Harsh Binani, co-founder of Smartworks, for closing comments. Over to you, sir.

Harsh Binani: Thank you all for joining our Q1 '26 earnings call. We appreciate your continued support and confidence in Smartworks. As we move forward, our commitment remains steadfast in delivering exceptional value, innovation, and quality to our clients while driving sustainable growth.

We are excited about the opportunities ahead and look forward to sharing our progress in future updates. Feel free to reach out with any questions or for further discussions to EY or our Investor Relations team. Thank you again so much for joining the call.

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

(This document has been edited for readability purpose)