

Management Discussion

Karan Khanna - Analyst, Ambit Capital

Thank you, Ananya. Good afternoon, everyone. And on behalf of Ambit Capital, I would like to welcome you all to the 1Q FY27 earnings conference call for Smartworks Coworking Spaces Limited. From the management today, we have with us Mr. Neetish Sarda, Managing Director; Mr. Harsh Binani, Executive Director; Mr. Sahil Jain, Chief Financial Officer; Mr. Pratik Agarwal, Chief Business Officer; and Mr. Anirudh Tapuria, Chief of Strategy and Investor Relations of the company.

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

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

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

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

Our platform has grown to almost 17 million square foot. This is of total area and over 760-plus clients from Fortune 500 to Forbes 2000 companies, MNCs, leading Indian conglomerates, and unicorns. We have over 150,000 professionals working out of our campuses on a day-to-day basis. Our clients typically sign long-tenure agreements of four to five years, which give our revenue an annuity-like character. Committed contracted revenue today stands at approximately INR5,400 crores and 87% of our FY27 revenue is already contracted for.

Let me talk about Q1 '27 now. This is another strong quarter and another sequential step up. Our revenue stood at INR546 crores, up 44% year-on-year and 5% quarter-on-quarter. The normalized EBITDA of INR107 crores, up 74% year-on-year and 8% quarter-on-quarter, with the margin expanding from 19% in the last quarter to 19.6% this quarter.

Our normalized EBITDA stood at INR39 crores, which nearly tripled from INR13 crores in the same quarter last year. Our operational area [technical issues] 10.4 million square feet, with committed occupancy of Metro Centres at more than 92%. The multicity clients now can contribute 35% of our revenue, up from 31% in FY26.

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

A fresh CapEx cycle has started this quarter. In our industry, there are two ways to reach 20% margin. You can oscillate towards them cycle after cycle, or you can compound to them quarter

after quarter. Smartworks compounds the low volatility, durability of cash flows, and scale makes us an antifragile and sets us apart from any of our peers. I will let Harsh talk through the remaining highlights in detail shortly.

Let me put our growth in market context briefly. Two things are happening at once, and our clients' roster show we are leading both, not following them. One, the office market is at a record high. Flex is its biggest buyer, and flex is consolidating fast towards us. India recorded its highest ever quarterly leasing of 24.6 million square foot, with 27% coming through flex, a big jump from 19% a year ago.

Within flex, Cushman & Wakefield's data shows a widening gap. The top-10 operators' share of flex yielding has climbed every year from 67% in 2024 to 72% in '25. It's already gone to 74% in this H1 of this year, with the long tail continue to remaining less than 5% and shrinking further. Scale, balance sheet strength, and developer relations are now the price of entry, and smaller players simply cannot add buildings the way large platforms can. The big are getting bigger, and we are the biggest, growing the fastest. Our lead over the next largest operator in terms of area will only keep expanding.

The second trend is AI and GCCs are expanding office demand, and they are already our clients. The AI workforce inside India's GCC is set to grow fourfold by 2030, and that demand lands in premium collaboration-rich campuses, exactly what we build. GCCs today contribute 21% of our rental revenue, up from 15% in FY26. And several of our largest clients are building their AI and GCC talent hubs inside Smartworks campuses today, including Switzerland's largest financial institution, a global CX and digital services leader, and this quarter the subsidiary of a leading Japanese NBFC at our Mumbai campus. The result, commercial real estate is growing at more than 6%, but flex is growing at 23%. Within this, Smartworks is growing at 44%, roughly seven times the office market and twice the flex market. This is not riding a trend. This is where the trend lands.

For the past four to five years, demand of office space in our micro markets has outpaced the availability of new office buildings. In a market running short of quality office supply, getting the right building first is the biggest advantage, and we widened that lead this quarter. Every building Smartworks needs for the next two years is already secured, and work on FY29 has begun. By strategically acquiring long-term rights to properties in prime locations, our office space is already signed up for future years uninterrupted access to quality buildings for the next 10 to 15 years. This forward visibility on buildings matched with contracted visibility on revenue is what lets us keep taking more and more market share. Over the last 12 months, we have added 2.1 million square foot of operational space, including 0.3 million square foot just this quarter.

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

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

We reaffirm our guidance of 28% to 30% revenue growth, normalized EBITDA margins between 19% to 20%, and an operational footprint of over 13 million square foot by March 2027, anchored by INR5,400 crores of contracted revenue and a ready pipeline of signed buildings, which are already under construction. Our RoCE is held at 21.5% through the heaviest investment quarter in our history, and as this CapEx cohort matures and completes payback, we expect RoCEs to expand meaningfully through FY28. The path is steady and predictable by construction.

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

Harsh Binani - Whole-time Director and Co-Founder, Smartworks Coworking Spaces Limited

Thank you, Neetish. Let me walk you through the quarter and, more importantly, what the numbers say about the underlying health of the business.

On revenue. It increased to INR546 crores, up 44% year-on-year and 5% quarter-on-quarter, driven by existing clients expanding, our centers maturing, and new seats added. The majority of revenue comes from our core rental business, which grows consistently every quarter. Increasingly, growth comes from existing clients expanding across our network even as we win new logos, and expansion revenue is the lowest-risk revenue there is. Low acquisition cost, low ramp risk, and it is from clients we already know.

On profitability, our normalized EBITDA rose to INR107 crores, which is up 74% year-on-year and 8% quarter-on-quarter with margin expanding to 19.6% from 16.2% in Q1 FY26. It's largely driven by center maturity, several cost excellence initiatives, particularly on energy, and operating leverage at both center and corporate levels. Our normalized PAT was INR39 crores, which is nearly triple the INR13 crores a year ago and up 11% sequentially.

On cash generation, our operating cash flow to EBITDA was 0.9x this quarter on normalized operating cash flow of INR95 crore, which is up 10% year-on-year. Structurally, this ratio runs above 1x. Ours is a negative working capital model with roughly 6-days debtors. The dip this quarter reflects is largely on account of INR33 crores of security deposits paid to landlords to book buildings through FY28 and partially for FY29. We are paying today to own tomorrow's growth.

On the investment front, our free cash flow is negative INR56 crores against negative INR4.9 crores a year ago as CapEx stepped up 66% year-on-year to INR150 crores. Of this, INR45 crores went into upcoming centers and already signed clients spend that is RoCE accretive by design. The balance sheet remains virtually debt-free with net debt of just INR5.6 crores and borrowing costs under 9%. Our credit rating got upgraded earlier this year. Growth at Smartworks is self-funded by design.

On returns, our annualized RoCE held at 21.5%, which is up 870 bps year-on-year, despite INR151 crores of fresh capital deployed into CapEx. As the portfolio matures, the path to further RoCE accretion is steady and predictable. Capital efficiency is a metric, which is worth watching. The gap between EBITDA and PAT is narrowing every quarter as centers mature and complete payback. This captures how much of our operating profit converts to bottom line, and it improves mechanically as the portfolio ages.

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

Our occupancy was 81% versus 82% in Q4 FY26. It's purely a function of newly opened buildings

still filling up. Our mature centers are running at 89% occupancy on 9.1 million square foot with committed occupancy of 92%. That is where the newer cohort is headed.

The resilience on our balance sheet continues to get strengthened. Our asset-liability mismatch is eliminated up to FY29. The committed client lock-ins cover our landlord rental commitments roughly two times over at the portfolio level.

Our resilience through cycles is evident. The model that we built is built to hold in downturns as well. Value pricing keeps a preferred -- keeps us as a preferred partner, and no client typically takes more than 30% off a campus. Through every cycle since inception, we've not surrendered a single campus.

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

Our larger centers continue to get filled by larger clients. The rising share of 1,000-plus seat cohort and multicity clients shows the network effect strategy at work. Even as the new centers get bigger, ramp-up times have stayed constant, and once a center crosses breakeven, incremental revenue flows disproportionately through EBITDA. Importantly, our margins are continuing to expand irrespective of the CapEx cycle. This is the heart of the model. Each new investment cycle lands on a larger, mature, near fixed cost base. So every new cohort is smaller relative to that base, and its ramp-up drag keeps shrinking. At our current scale, adding new centers and the associated CapEx is simply not margin dilutive. Our enterprise annuity demand is at 92% of our rental revenue, with 1,000-plus seat cohorts on 48-months tenure expanding with us across cities.

Technology is our cornerstone. It lets us grow fast, scale consistently. And now, with intelligence embedded deeply through AI, it's opening a clear monetization path ahead. For more details, refer to our earnings presentation page 40 onwards.

Finally, our growth will continue to be self-funded. Negative working capital and durable cash flows mean growth is funded primarily from internally generated cash. The flywheel turns on its own fuel. Put together, we have visibility on both sides of business. A ready pipeline of signed buildings for FY27 and '28, and INR5,400 crores of contracted revenue covering 87% of FY27.

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

With that, we are happy to take your questions. Thank you.

Questions & Answers

Operator

Thank you very much. We will now begin with the question-and-answer session. [Operator Instructions] Ladies and gentlemen, we will wait a moment while the question queue assembles. The first question is from the line of Shamit Ashar from Ambit Capital. Please go ahead.

Shamit Ashar - Analyst, Ambit Private Limited

Yeah. Hi. Am I audible?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

Yes. Yes, you are.

Shamit Ashar - Analyst, Ambit Private Limited

Yeah, thanks. Yeah. Thanks for the opportunity, and congrats on a good set of numbers. So a couple of questions from my side. So you have announced this acquisition of Workstudio Spaces in Singapore. So could you provide some more color on the rationale behind that acquisition and what kind of revenues occupancy do you expect from your Singapore portfolio? And secondly, what is your targeted CapEx outlay for FY27? So, are your fit-out costs of INR1,350 seeing some inflationary pressures?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

Let me answer the Singapore question first. The Singapore -- the acquisition of Workstudio is completely through the cash flows that Smartworks generated with its centers over the last one year. We had cash flows which the company was -- despite of taking up a new center, we had some cash flows, which the company had generated, and we got the opportunity of acquiring Workstudio. Workstudio stands at about 60% occupancy as -- when we acquired it, and we acquired it at a cost of construction. So building out a space of about 14,000, 15,000 square foot or 17,000 square foot in Singapore costs that same amount. So that is the rationale behind acquiring it at that number.

Occupancies of our current operational centers before these two new offices, as well as the expansion -- new acquisition and the expansion, our occupancy stood at 92% plus in Singapore. So we didn't have a lot of seats to sell. With these two centers now getting added, I think there is a -- some capacity between 200 to 250 seats, which is now available to sell in Singapore. Hopefully, that answers the question.

Shamit Ashar - Analyst, Ambit Private Limited

Yeah, yeah. And are you looking to scale up your portfolio more in Singapore in the next two, three odd years?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

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

Harsh Binani - Whole-time Director and Co-Founder, Smartworks Coworking Spaces Limited

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

India business.

Shamit Ashar - Analyst, Ambit Private Limited

Understood. And my second question was on the CapEx. [speech overlap]

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

On the next CapEx --

Shamit Ashar - Analyst, Ambit Private Limited

Yeah.

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

Yes. So the CapEx estimated is between INR550 crores to INR600 crores for the year. This CapEx includes two sets. It includes refurbishment CapEx that we typically do in our centers after every three years. And this is also the fresh CapEx that is going. If you look at our presentation, we've also called out the new assets, which are already coming in. Smartworks has signed up more than 3.5 million square foot of space already, which is either under construction or coming up for construction within the first two quarters of the year itself. So this -- you will see a significant amount of CapEx cycles coming in because if you look at our occupied or committed occupancies of the operational centers, we were already at about 88% to 90%, where we had very limited seats to sell.

With the new acquisitions coming in, with the new properties that we have taken, there is going to be a CapEx cycle coming in at least for the next two quarters. You will see this number to be meaningfully high. And we are projecting to spend anywhere between INR550 crores to INR600 crores on the CapEx for the -- for this year.

Shamit Ashar - Analyst, Ambit Private Limited

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

Operator

Thank you. Ladies and gentlemen, in order to ensure that the management is able to address the questions from all participants in the conference, please limit your questions to two per participant. Thank you.

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

Yashas Gilganchi - Analyst, BOB Capital Markets Limited

Hello, team. Thank you for taking my questions. I'd like to know how much of your expansion you say is speculative. Say, for instance, if you want to lease 100 units of space from the landlords, how much of that space is already spoken for?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

So thank you, Yashas, for that question. I think let's break this down into two parts. One is how we go ahead and acquire a building once we have enough sort of demand coming in for that location. Smartworks has gotten into an effect where there is a flywheel effect on our demand and supply. We're going ahead and acquiring more and more properties in locations where we're seeing our existing clients asking us to give them more and more options. So if you look at our multicity deals or companies which have moved with Smartworks in different cities, that has gone up from 31% to

35% this quarter, which means that almost 30% to 35% of any building that we are taking gets typically pre-committed by a existing client of Smartworks or one of the clients, who is looking at entering into the building. Our ramp-up occupancy, which -- if you look at our past history also, within 13 to 14 months is when we get to about an 80%, 85% occupancy. And that is a trend that we have continuously seen despite of taking larger and larger buildings.

So when we were taking the 300,000 and 400,000 square foot buildings, then also we were able to ramp up in 13 to 14 months. And with some of the acquisitions that we've done last year with 600,000, 700,000 square foot buildings, which have already matured with the buildings like 43EQ and some of the other assets, we've already -- we've gone ahead and increased our occupancy to more than 80% within the first 13 months itself.

So that trend of having about 35% pre-commitments with occupancy ramp-up within the first 12 months or 13 months to 85% is what we're going to continuously see with the new center requirements.

Yashas Gilganchi - Analyst, BOB Capital Markets Limited

All right. Understood. And over FY27, you expect to see any material change in your tenant roster. Where are you noticing a decrease in demand? And which cohorts or cohort do you expect will pick up the slack?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

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

Will this hold at these percentages? It's very difficult to say whether it will hold at these numbers exactly. There might be some changes, but the target is to make sure that we diversify our client mix. We continue focusing on not just getting it IT/ITeS, but we make sure that we have a very healthy mix of manufacturing and engineering or business consultancy and professional services customers also.

You can refer to our presentation page number 17, which clearly calls out the current positioning. I think similar numbers we can expect through the financial year. And if you look at these numbers, it's a conscious call of reducing our focus on IT/ITeS also. If you look at IT/ITeS, it stood at more than 40% of our total cohort mix -- client mix, which is already reduced to less than 30%, which is at 25%. So keeping IT/ITeS at about 30 -- between 25% to 30%, 35% is what the target would be, and diversifying our client portfolio by focusing a lot more on business consultancy, and engineering and manufacturing clients.

And on your second question around cohort, the 1,000-plus seat cohort is our primary engine. It was only at 12% in '22. But just look at the powerful network effect, it's already up to 41%. So what this is indicating to you is not only are we leasing large campuses, but we are filling it up in record time with really large clients who sign up very long duration contracts with us and continue to expand and grow with us.

We see GCCs as a primary growth driver. That number already within a quarter has moved from 15% to 21%, and there is still significant headroom in GCC growth in the subsequent quarters. A lot of companies in Europe, US and Japan are yet to even set up a GCC in India. So we see a very bright

future there and are making very proactive efforts to attract more clients there. And you will also, over the next few quarters, by design, see shrinkage of the sub-100-seat cohort. And we believe we want to continue serving the larger clients and have a laser-sharp focus on the annuity revenues. Hope that addresses your question. Thank you.

Yashas Gilganchi - Analyst, BOB Capital Markets Limited

Yes. That is clear. Thank you very much. I have another question, but I'll join the -- join back in the queue.

Operator

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

Sourabh Gilda - Analyst, JM Financial

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

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

No. So we have very good demand coming in from the -- for the new centers, we have not just two large centers coming up, but almost eight -- seven to eight different centers across different cities under construction. We have very healthy demand coming in. If you look at our -- if you go to slide 15, you will see that our mix of centers. It's not limited to a particular city. You will see it is very well diversified across multiple cities with West, South, North all holding a significant portion of the new supply, which is coming up. We're actually seeing this demand coming in every location. And in -- as far as occupancies are concerned, there might be a quarter or two, where you might see a little bit of volatility on the occupancy. But that depends on the new centers, which get added because the base effect or the new number of seats, which are -- new seats which are added, takes a little bit of time to ramp up. Having said that, that will not have a significant impact on the margins because our older centers or centers which are now getting matured are inching more towards the 90%-plus occupancies.

So with that, I think we can fairly say that anywhere between 80% to 85% is where we can effectively look at our occupancy throughout the next three quarters, despite the high growth.

Sourabh Gilda - Analyst, JM Financial

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

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

Absolutely. If you look at these numbers, you shouldn't look at retention on a standalone. You should also look at it with the committed occupancies that we have. Our committed occupancy still stands to be at 92%, which means -- and retention will only come in mature centers. And if you look at our mature centers' committed occupancies, they are at 92%. It means that we are getting in certain customers who are at slightly lower basis deals that we did four, five years back, where the markets are corrected, and we are going ahead and churning out and already have found a different

customer to take over their space. That's why the mature -- committed occupancy still stands at about 92%.

Having said that, this is a trend that you will see with our company -- if you look at our history over the last two years as well. Even last year, the first two quarters, there was a little bit of churn. Because churn increases, most of the decisions of taking up new offices happen in the first two quarters of every year. And then subsequently in quarter three, quarter four, that gets -- the churn number gets to be much smaller. And that trend can be seen in the last year's numbers also. 74% is what our quarter two churn was. But effectively, the year's churn ended up being 80%, 88%. So we don't look at, like, a 77% churn is what is not important. What is important is, out of that 77% churn, 92% of our properties are already pre-committed. So our committed occupancies are very wealthy highly. So we've already found a customer to take over their spaces in most of the cases.

Sourabh Gilda - Analyst, JM Financial

Sure. Thank you. That's all from my side.

Operator

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

Vikrant Kashyap - Analyst, Asian Markets Securities

Hi. Congratulations on a very strong set of numbers. One thing on your GCC client additions. So your revenue has been improved significantly. Have you started benefiting from your SmartVantage platform? My question is rather -- is it the -- the increment is largely coming from this program that you have started running? And how would it improve your average revenue per month given this cycle continues?

Harsh Binani - Whole-time Director and Co-Founder, Smartworks Coworking Spaces Limited

So, thank you, Vikrant, for the question. Certainly, GCC is a primary growth driver as we look at the next two, three years. And the nature of the GCC continues to evolve across our client base. Couple of quarters back, we handed over one of the largest Swiss Bank's GCC. Subsequently, we've handed over one large manufacturing GCC. So you will continue to see diversity in sector of GCCs. And today the GCCs are not limited to only US. We are also seeing a lot of incoming demand from Europe and Japan. One of the compelling value propositions that we are able to offer to them is, of course, the SmartVantage platform, which bundles not only the seats, but also offers all the other services that they require. It has only been a couple of quarters since we soft-launched this program, and we are happy to share that we are already seeing very positive traction.

The SmartVantage platform has won two large contracts in terms of providing additional services beyond the seat revenue. And we expect this revenue to meaningfully double over the next two years. And the way we look at our GCC strategy, our core will continue to remain our annuity revenue. But the one-stop solution we are able to offer to our clients will enhance our stickiness and also ensure that the contract duration is longer.

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

And just to add to that, our GCC revenue and the addition in the margin that Harsh has spoken about, have not started hitting our books yet because these GCCs that we signed with additional services we have just provided or are providing them the space as we speak. It's only been two quarters. Most of them offices are under fit-out or have just been handed over. And the value

accretion of the other services over and above just the space will happen, but it will happen over the next -- meaningfully see that number increase over the next two or three quarters.

Vikrant Kashyap - Analyst, Asian Markets Securities

Yeah. I got your point. So at this ARPM, we have reached some normalized EBITDA margin of say 19.6%, 19.7%. So could you just --

Operator

Sorry to interrupt. Mr. Vikrant, you may join the queue again for the follow-up question.

Vikrant Kashyap - Analyst, Asian Markets Securities

Okay. Definitely.

Operator

Thank you. Ladies and gentlemen, in the interest of time and fairness to others, we request you to restrict to one question per participant. The next question is from the line of Muralikrishnan from Sundaram Mutual. Please go ahead.

Muralikrishnan Raghunathan - Analyst, Sundaram Mutual

Yeah. Hi. Thanks. So, just wanted to check when we have covered in terms of supply for '28 and looking for '29, but there are some reports saying that completions have seen some delays, of course, we have started working with large developers. So are we seeing any issues on the supply side in adding the -- in adding the seats? Yeah, that's the only question from me. Thanks.

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

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

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

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

Harsh Binani - Whole-time Director and Co-Founder, Smartworks Coworking Spaces Limited

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

Anirudh Tapuriah - Chief of Strategy and Investor Relations, Smartworks Coworking Spaces Limited

And Murari, Anirudh, this side, also just wanted to add, our operational footprint as of June is 10.4 million square feet. Very happy to share that already 1.9 million square feet is currently under fit-out and the details of the same are available on slide 16 of our investor presentation.

So when we speak about 2.5 million to 3 million square feet of annual operating capacity to be added, there is full visibility with respect to centers, which will be handed over to us as well. Hope that answers your question. Murari has dropped off from the question queue. Maybe we can move over to the next participant.

Operator

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

Varun Julasaria - Analyst, 360 ONE Capital

Yeah. Hi, sir. Thank you for the opportunity. I just wanted to check on the guidance front. So how much additional we are expecting from the new leasing, and what is the, like, per square feet revenue that we have modeled for the additional revenue? Like, I think 22% kind of growth what I feel is already factored in based on last quarter's revenue, and rest will come from the new operation, but no new assets.

So I'm just wanted to check like what is the kind of per square feet rate that we are considering? And how much additional rent we feel we'll get from the new asset?

Anirudh Tapuriah - Chief of Strategy and Investor Relations, Smartworks Coworking Spaces Limited

Yes. Thanks a lot, Varun, for the question. With respect to our visibility, we have guided for adding 2.5 million square feet to 3 million square feet in fiscal year '27, with our revenue guidance being constant at 28% to 30% revenue guidance and an organized EBITDA guidance of 19% to 20% from a full-year perspective. Your question with respect to our realization, our realization for incremental fees which we leased out in Q1 FY27 under the mature footprint it was at around INR181 per square feet.

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

And we feel that is the number that will continue, which turns out closer to. But on an occupied basis, about 2.1 to 2.2 times the cost. Two times -- if you look at occupancy adjustment at 90%. But if you look at 100% occupied seats cost, it is the rental cost into anywhere between 2.2 to 2.3 times.

Varun Julasaria - Analyst, 360 ONE Capital

Okay. I'm just wondering like this guidance because already around 20% to 22% kind of a growth is already factored in based on committed occupancy at the current level.

Operator

Sorry to interrupt.

Varun Julasaria - Analyst, 360 ONE Capital

Hello.

Operator

Yes. Please go ahead. Please go ahead.

Varun Julasaria - Analyst, 360 ONE Capital

Yeah. So the current growth is already factored in. So that incremental, I mean, we are adding around 20%, 25% kind of additional space. So I mean, just wondering if the growth would be slightly higher, and we are kind of guiding a little more conservative that way.

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

No. So -- this is -- new centers, which are just coming up right now. So if you look at our committed occupancy, it stands at 92%. So there's not much to sell on our existing base. Whatever we sell on the new centers, which takes about 12 months to ramp up and there might be certain delays on the property handover also. So that's why the range of about 28% to 30% is what we are fairly certain about achieving, and with the steady margins that we've already set. So those numbers we are very confident about because we don't have existing properties where we have seats to sell. So whatever we are now building, which will take about four, five months to build and then eventually ramp up, you will see maybe H -- Q3, Q4, or mostly Q4, see that jump. And that's why we're seeing that 28% to 30% is fairly -- we are fairly confident of achieving.

Varun Julasaria - Analyst, 360 ONE Capital

Okay, sir. And this last question on the OCF EBITDA -- in this time we saw slight decline. I mean, is it due to like -- because I think working capital change was in our favor. So just wanted to understand is there any particular reason, although it's still healthy -- but just wanted.

Harsh Binani - Whole-time Director and Co-Founder, Smartworks Coworking Spaces Limited

No, certainly. We've elaborated this further in our shareholder letter as well. Our OCF EBITDA included INR33 crores of security deposit, which we have used for securing strategic leasing of properties for FY28 and FY29 in several client locations. And therefore, we will continue to add supply for future. And you might see these momentary dips. But structurally, our business continues to be negative working capital. Our receivable days are six days, as you would have seen. That is a big strength of the company. And we continue to have a fair amount of float income as well in terms of the security deposits that we receive from our tenants.

Varun Julasaria - Analyst, 360 ONE Capital

Okay. Sure. Thanks. Thanks. That's it.

Operator

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

Hitaindra Pradhan - Analyst, Maximal Capital

Yeah. Hi, sir. Thanks for the opportunity. Just to zoom in on the CapEx granularity that you provided between refurb and new fit-outs. I mean, how does the refurb CapEx compare with new fit-out CapEx? I mean, new fit-outs are probably in the range of 1,500 or so. So how much do you spend on the refurb?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

No. So new CapEx is at INR1,350 which then increases by 5% every year because of cost of inflation. The refurbishment CapEx is closer to about 15% of the initial CapEx that we do. That is an estimate, 15% of the total value. So that whatever that number would be, INR1,400, INR1,450, about 15% of that every three years is the refurbishment CapEx that we've built in. [speech overlap]

Anirudh Tapuriah - Chief of Strategy and Investor Relations, Smartworks Coworking Spaces Limited

And just to give you some context --

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

Yeah, approximately 5%.

Anirudh Tapuriah - Chief of Strategy and Investor Relations, Smartworks Coworking Spaces Limited

And just to give you some context with respect to how it is also seen for us, if you look at slide 52 of our investor presentation, our last year CapEx outflow was INR388 crores. When you look at our footprint, our fiscal year '25 operational footprint was 8.1 million square feet. From there, we matured to 10.1 million square feet of operational footprint by March '26. And then we are guiding for 2.5 million to 3 million square feet of operational square foot addition this year. That is where the estimates which Neetish had shared earlier comes into play.

Hitaindra Pradhan - Analyst, Maximal Capital

Okay. Thank you.

Operator

Thank you. The next question is from the line of Devang Patel from Sameeksha Capital. Please go ahead.

Devang Patel - Analyst, Sameeksha Capital

The PPT mentions the share of IT and ITeS in revenues is down to 35%. Given this, my question was -- what is the share of call centers, and how you see impact on renewals from this particular segment because of AI?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

So I don't think call centers anyways contributed to significantly into our numbers. We do not classify it further below IT/ITeS. So it is difficult for us to put that into context. But how I can maybe answer this question is 77% retention which means that most of the customers that came to us ended up or had the opportunity of moving out. They ended up retaining with us, and at least 77% did. And even the ones which we didn't retain, we were able to fill them up because our committed occupancy stands at 92%. So we do not have a classification below IT/ITeS, and how much is call centers? We classify everyone under IT/ITeS itself, but I don't think -- I don't believe that is going to be a significant number.

Anirudh Tapuriah - Chief of Strategy and Investor Relations, Smartworks Coworking Spaces Limited

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

Devang Patel - Analyst, Sameeksha Capital

Got it. Just a quick second question. As the share of GCC is rising in our revenue, is it

yield-accretive margin and RoCE-accretive for us? Is that pulling up -- will -- is it already pulling up our RoCEs, or you see that impact in future?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

Any client coming into our ecosystem is pulling up our RoCE. It's not just limited to GCCs. I think the demand coming in from all sectors, whether it's engineering, manufacturing, it is value-accretive. If you look at the price point at which Smartworks is selling, we are creating that significant amount of value for the customers also. That is why you'll see that 1,000-plus seater cohort increasing meaningfully. So it's not just limited to GCCs. As I said earlier, the Vantage program -- GCC's margin expansion through services will still take about two to three quarters to start affecting on our numbers, because right now we are building out the offices for the GCCs that we signed up.

When they move in, start occupying some of our other services, that is when you'll see the services margin come in. But that hasn't started happening yet. We're still in the building out phase for most of the GCCs that we've signed up, or we've just handed over the space and the service revenue increment will -- you see, maybe after three to four -- two to three quarters.

Devang Patel - Analyst, Sameeksha Capital

I mean, the demand would be more at the premium end versus our rentals at INR185. So their demand would get more premium end, which allows us to have higher margins.

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

There is always an opportunity for Smartworks to price up its product. If you look at our price point seat per seat, we are probably the industry leaders, despite of having a healthy margin of 19.6% this quarter. Our price at which we are able to sell to our customers is probably one of the most competitive in the market. So yes, there is an opportunity to price it up further. I think the closest competitor is almost about 15% or 10% to 15% higher than our numbers. So there is an opportunity for Smartworks to price up. But we -- you also need to look at this with the volume of business that Smartworks is doing. 2.5 million to 3 million square foot of addition or 3 million plus square foot of addition is not something that anyone in the market is doing at this point. And we believe that both volume as well as value is going to help us achieve the projected number that we have done for the year.

Anirudh Tapuriah - Chief of Strategy and Investor Relations, Smartworks Coworking Spaces Limited

And Devang, just to give you some context with respect to our pricing power as well, just adding to the point mentioned, as Neetish mentioned, as I commented earlier, it was INR181 per square feet for mature capacity in Q1 FY27. If you just look at the same numbers in the previous fiscal, it used to be around INR170 per square feet. So already there has been an increment of INR11 per square feet in our mature capacity.

Devang Patel - Analyst, Sameeksha Capital

Right. Thank you so much.

Operator

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

Shamit Ashar - Analyst, Ambit Private Limited

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

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

No, absolutely. See -- our function of getting the preferred terms is because of the volume of deals that Smartworks is doing. If you look at some of the deals that we've announced, whether it was the Bombay acquisition in Vikhroli, these are some massive deals, one of the largest deals of office space in the country, probably the top 10 largest deals.

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

Shamit Ashar - Analyst, Ambit Private Limited

Got it. So in the future, will there be more increase even from the institutional landlords versus the non-institute ones?

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

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

Shamit Ashar - Analyst, Ambit Private Limited

All right. Thank you.

Operator

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

Muralikrishnan Raghunathan - Analyst, Sundaram Mutual

Yeah. Hi. Thanks again. So just wanted to check, our peers are also increasing the VAS offerings. So is it to increase the attractiveness of our offerings and -- just to make clients sticky with us? That's one question. And to continue on that, how do we see currently the VAS, as a portion of revenues limited, but how do we see the impact of it on the EBITDA margins evolving? Yeah, that is my question.

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

No, absolutely. VAS as a percentage has significantly increased already. If you look at our numbers for the same quarter last year non-lease rental revenue stood at INR22 crore, which this quarter has already increased to over INR68 crores. Most of this is has driven through value-added services. With Smartworks, there are a lot of VAS services, which are not one-time in nature, but they are

regular. For example, the food programs that most of our customers have bought for their employees or some of these services on the building levels that they have bought for their employees. It is repetitive in nature. While it might come under the operating -- other operating revenues, but it is something which is repetitive in nature. With our base increasing, this will automatically increase in terms of number. It's already tripled. Even though our revenue has grown by 30% -- the revenue from value-added services have grown -- almost tripled from INR22 crores to INR68 crores. Just because the number of seats occupied now, the base has increased significantly, and with the base increasing, you will see this number increase further. As far as our focus on VAS, right now, it is very limited. We've only started focusing on VAS about three quarters back. There are only limited services. So there is an opportunity to increase it further. But we've not factored in any of that in our current projection for this year, particularly because most of it would be under pilot stages, where we are trying other avenues to increase our margins. So it is very difficult to protect into it, but you might see these numbers increase further depending on what -- depending on the pilots on what works for us and what doesn't.

Muralikrishnan Raghunathan - Analyst, Sundaram Mutual

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

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

No, sir. In terms of EBITDA margins, it actually hits our bottom line directly because most of the VAS services that we do are essentially on a take rate basis, where we go ahead, there is no expense on the books, and you take a certain take rate from the service provider. We are not the ones who are providing these services. We integrate the third-party suppliers to provide these services, and we take a certain take rate. So it is definitely going to be margin-accretive. But it is very difficult to predict how much will it be in this year because we are still in the phase of completely launching our different verticals and different offering in the VAS vertical.

Harsh Binani - Whole-time Director and Co-Founder, Smartworks Coworking Spaces Limited

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

Muralikrishnan Raghunathan - Analyst, Sundaram Mutual

Thanks.

Operator

Murali, sir, does that answer your question?

Muralikrishnan Raghunathan - Analyst, Sundaram Mutual

Yeah. Thanks.

Operator

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

Neetish Sarda - Managing Director and Founder, Smartworks Coworking Spaces Limited

Thank you all for joining us this evening and for a thoughtful discussion. For a deeper view of the quarter, the numbers behind the numbers, please do refer to our Shareholders Letter and our investor presentation for more details.

One year on from listing, the business is demonstrably better than it was earlier. Revenue, EBITDA margin, PAT and RoCE, all increased sequentially every quarter even through a high CapEx cycle. With the high forward visibility on revenue and our buildings for FY27 and '28 already signed, the compounding is well underway and set to accelerate. We don't manage for the quarter, we are building for the decade. Thank you for your continued trust. Good evening again.

Operator

[Operator Closing Remarks]