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HOLD
TP: Rs 534 | ▲ 9%

SMARTWORKS COWORKING SPACES | Real Estate (Flex-Work) | 23 July 2026

Aggregressive growth weighing on performance

- **Reported Q1FY27 EPS/Revenues of Rs 1.15/Rs 5,463mn (-15%/-2.5% vs our estimates) as aggressive growth weighed on utilisation**
- **Leased/Operational area increased to 14.5msf/10.4msf (+43.6% YoY/+25.3% YoY) and occupancy deteriorated to 81% (-268bps YoY)**
- **Speculative growth likely to weigh on utilisation and margins; expect stock to trade at 9.8x EV/Adj. EBITDA, downgrade to HOLD**

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Over Q1FY27, **SMARTWORKS expanded total leasable area to 14.5msf (+43.6% YoY, +5.8% QoQ) spread across 64 centres (+30.6% YoY, +4.9% QoQ)**. Operational leasable area increased to 10.4msf (+25.3% YoY, +3.0% QoQ).

Blended occupancy deteriorated to 81.0% (-268bps YoY, -100bps QoQ) even as a limited portion (~72%) of the total leasable area was made operational over Q1FY27. We believe that blended occupancy was affected by the pace of expansion in operational area. However, occupancy at SMARTWORK's mature centres remained steady at ~89%, demonstrating **robust demand for its workspaces and the operator's ability to capture leasing demand from GCCs**.

Tenant profile improved over Q1FY27, as >1,000 seat tenant cohorts contributed to ~41% of the rents (~37% as over FY26). We expect larger tenant cohorts to lease larger spaces for longer durations (WALT of ~48 months - >1,000 seat cohorts as of Q1FY27), materially improving earnings visibility. As larger tenant cohorts sign longer leases, we also expect increased revenues from VAS (~13% of operating revenues as of Q1FY27), helping partially cushion the pressure on Adj. EBITDA margins (~18% as of Q1FY27) from the rapid pace of growth in leasable area.

Though we believe that the demand for SMARTWORK's workspaces remains robust (operator best placed to capture demand from GCCs) we **believe that prioritising utilisation over growth is prudent and expect any material improvement in margins to be contingent on a reduction in the pace of growth.**

Assuming sustained expansion in total leasable area (~2.6msf/Y) and a slower ramp-up of blended occupancy (~83% over FY27E-FY29E), we expect rental revenues to grow by ~26.8% CAGR over FY27E-29E (vs ~36.2% CAGR over FY24-FY26). **Given comparatively slower growth in revenues and limited margin expansion we downgrade the stock to HOLD and expect SMARTWORKS to trade at EV/Adj. EBITDA multiple of 9.8x (from 10.0x) based on Q2FY28E-Q1FY29E Adj. EBITDA, implying an updated TP of Rs 534.**

Key changes

Target	Rating
▼	▼

Ticker/Price	SMARTWOR IN/Rs 489
Market cap	US$ 588.6mn
Free float	42%
3M ADV	US$ 0.6mn
52wk high/low	Rs 619/Rs 362
Promoter/FPI/DII	58%/0%/9%

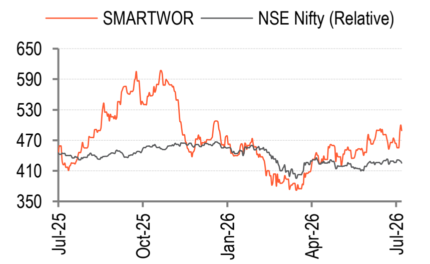
Source: NSE | Price as of 22 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	18,499	24,473	29,982
EBITDA (Rs mn)	11,551	15,448	19,347
Adj. net profit (Rs mn)	105	1,312	2,551
Adj. EPS (Rs)	0.9	11.5	22.3
Consensus EPS (Rs)	1.0	6.4	14.8
Adj. ROAE (%)	3.3	22.0	32.3
Adj. P/E (x)	514.9	42.6	21.9
EV/EBITDA (x)	4.8	3.6	2.9
Adj. EPS growth (%)	115.5	(1108.4)	94.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Aggressive growth weighing on performance

Pace of growth weighed on utilisation

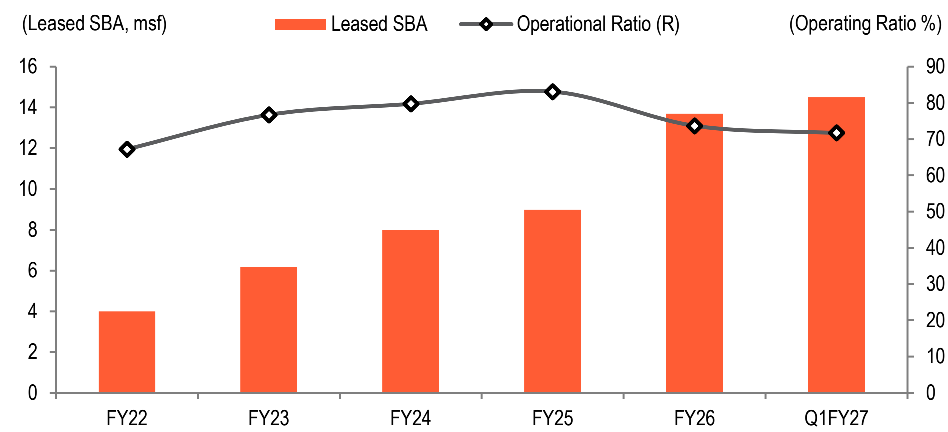
Over Q1FY27, SMARTWORKS expanded leased area to 14.5msf (+43.6% YoY, +5.8% QoQ) spread across 64 centres (+30.6% YoY, +4.9% QoQ). However, a lower proportion of operational leasable area was made available, ~72% (~82% as of Q1FY26 and ~74% as of Q4FY26). Blended occupancy deteriorated to 81.0% (-268bps YoY, -100bps QoQ) as aggressive growth weighed on utilisation, resulting in reported EPS of Rs 1.15, missing our expectations by -15.1%.

Fig 1 – Q1FY27 Performance

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Deviation (%)
Revenue from operations (Rs mn)	5,462	3,792	44.05	5,197	5.11	5,602	(2.48)
EBITDA (Rs mn)	**3,460**	**2,410**	**43.54**	**3,384**	**2.25**	**3,588**	**(3.57)**
EBITDA Margin (%)	63.33	63.56	(23bps)	65.11	(177bps)	64.05	(72bps)
Adj. EBITDA (Rs mn)	**985**	**509**	**93.37**	**1,081**	**(8.87)**	**949**	**3.76**
Adj. EBITDA Margin (%)	18.03	13.43	460bps	20.80	(277bps)	16.95	108bps
PAT (Rs mn)	131	(42)	NA	166	(20.91)	155	(15.10)
EPS (Rs)	**1.15**	**(0.38)**	**NA**	**1.50**	**(23.29)**	**1.36**	**(15.10)**

Source: Company, BOBCAPS Research

Fig 2 – Limited pass-through of growth from total leasable area to operational leasable area



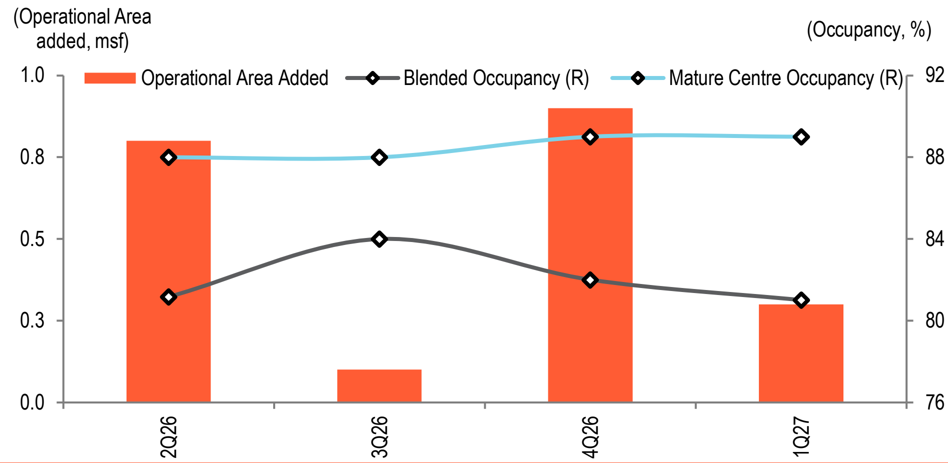
Source: Company, BOBCAPS Research

Occupancy under pressure

Over Q1FY27, ~0.8msf (-27.9% YoY, -69.2% QoQ) total leasable area was added to the portfolio and ~0.3msf of incremental area (-63.7% YoY, -66.7% QoQ) was made operational. As of Q1FY27, ~88% of total operational area was classified as mature (committed occupancy of 92%).

Though we believe that the demand for SMARTWORK's workspaces remains robust (operator best placed to capture demand from GCCs) we believe this pace of space addition is unsustainable. **We believe that the expansion of operational leasable area resulted in the deterioration of blended occupancy to 81% (-268bps YoY, -100bps QoQ)**. Given ~65% of SMARTWORK's expansion is speculative (~35% pre-commitments at the time of leasing with landlords), we believe that caution is warranted as any slowdown in the pace of leasing by tenants is likely to affect utilisation materially. However, management stated that they remain confident of the demand for their workspaces from a wide range of tenants, including GCCs (especially Engineering & Manufacturing companies).

Fig 3 – Pace of growth limiting utilisation

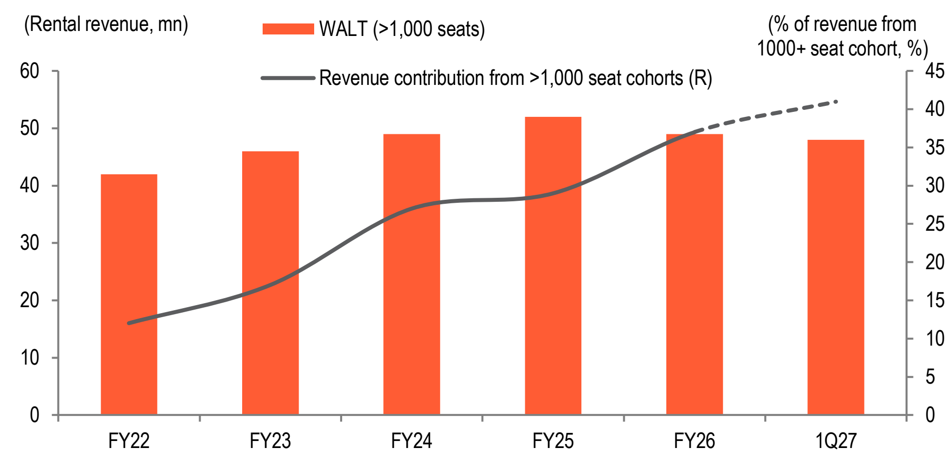


Source: Company, BOBCAPS Research

Improving tenant profile to partially offset pressure on margins

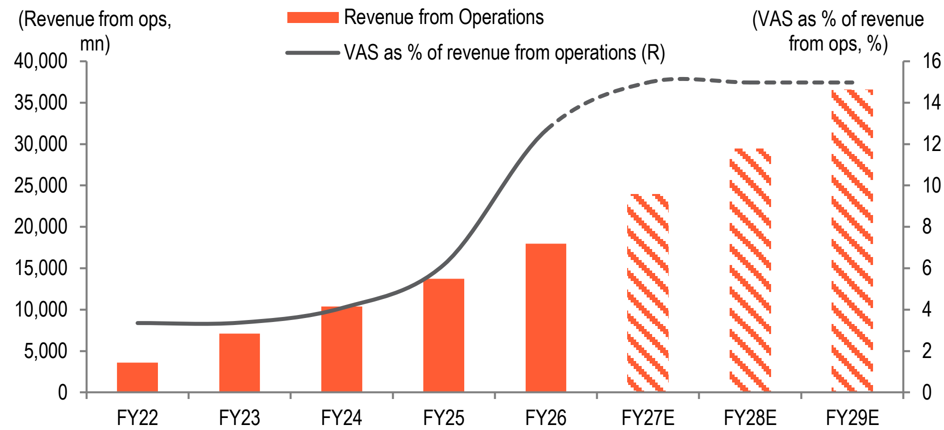
As of Q1FY27, **>1,000 seat tenant cohorts contributed to ~41% of the rents with no single tenant in any centre taking up >30% of the leasable area**. We believe that larger tenant cohorts lease larger spaces for longer durations (WALT of ~48 months - >1,000 seat cohorts), materially improving earnings visibility. As larger tenant cohorts sign longer leases, we also expect increased revenues from VAS (~13% of operating revenues as of Q1FY27), to drive Adj. EBITDA margins (~18% as of Q1FY27). We believe that **higher VAS revenues are likely to ease the pressure on margins from the relative under-utilisation of operational leasable area**.

Fig 4 – Improving tenant profile



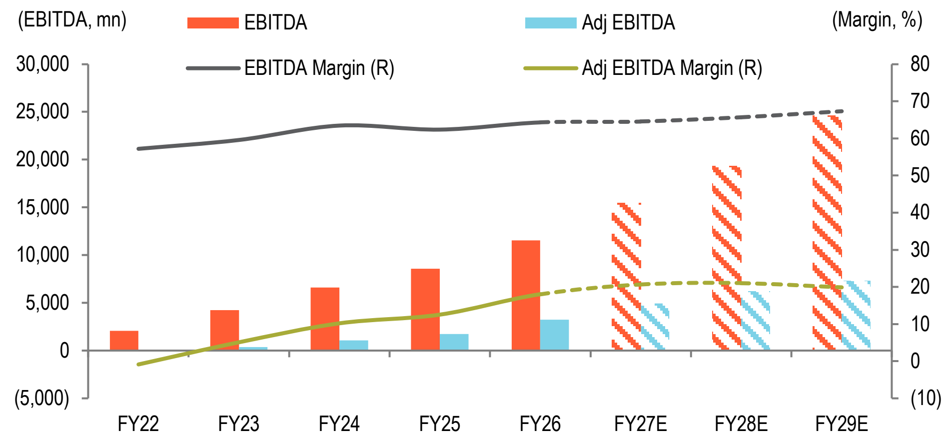
Source: Company, BOBCAPS Research

Fig 5 – Contributions from VAS to increase



Source: Company, BOBCAPS Research

Fig 6 – Higher VAS revenues to cushion pressure on margins



Source: Company, BOBCAPS Research

Unsustainable pace of growth likely to weigh on performance; downgrade to Hold

Though we believe that the demand for SMARTWORK's workspaces remains robust, (operator best placed to capture demand from GCCs) we believe this pace of space addition is unsustainable as it is unlikely to be accompanied by any material improvement in utilisation. We expect **aggressive growth to weigh on occupancy, putting EBITDA margins under pressure**. We believe that prioritising utilisation over growth is prudent and believe that any material improvement in margins is like to be contingent on a reduction in the pace of growth in leasable area.

We adjust our estimates to reflect incremental revenues from the expansion of total leasable area (~2.56msf/Y) and a slower ramp-up of blended occupancy (~83% over FY27E-FY29E). We expect rental revenues to grow by ~26.8% CAGR over FY27E-29E (vs ~36.2% CAGR over FY24-FY26). We also build in higher capex over FY27E-FY29E to support the expansion in leasable area, leading to a material reduction in FCFF. **Given comparatively slower growth in revenues and limited margin expansion, we downgrade the stock to HOLD. We expect SMARTWORKS to trade at EV/Adj.**

EBITDA multiple of 9.8x (from 10.0x) based on Q2FY28E-Q1FY29E Adj. EBITDA, implying an updated TP of Rs 534.

Fig 7 – Revised estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue from operations (Rs mn)	23,936.47	29,445.03	36,576.62	24,560.74	30,720.45	37,538.22	(2.54)	(4.15)	(2.56)
Adj. EBITDA (Rs mn)	4,939.60	6,188.85	7,277.25	4,970.37	6,245.96	7,346.46	(0.62)	(0.91)	(0.94)
EPS (Rs)	11.48	22.32	30.73	11.93	23.46	31.60	(3.79)	(4.83)	(2.73)
FCFF (Rs mn)	137.87	278.47	1,076.87	1,700.63	1,540.17	2,043.87	(91.89)	(81.92)	(47.31)

Source: BOBCAPS Research

Key risks

- A materially faster/slower pace of expansion in total SBA could accelerate/cap revenue growth from lease rentals.
- Unexpected lease terminations could lead to a substantial decrease in overall occupancy; especially as more space is leased to tenants having higher seat/area requirements.
- Given the shorter durations and flexible terms of lease agreements, flex-workspace operators are particularly vulnerable to a market downturn (AI-led disruptions).

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**14,097**	**18,499**	**24,473**	**29,982**	**37,113**
EBITDA	8,573	11,551	15,448	19,347	24,624
Depreciation	(6,360)	(8,293)	(9,695)	(11,148)	(14,618)
EBIT	2,213	3,259	5,753	8,199	10,005
Net interest inc./(exp.)	(3,363)	(3,661)	(4,076)	(4,716)	(5,241)
Other inc./(exp.)	356	541	537	537	537
Exceptional items	0	0	0	0	0
EBT	(795)	138	2,213	4,020	5,301
Income taxes	163	(33)	(901)	(1,469)	(1,789)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**(632)**	**105**	**1,312**	**2,551**	**3,512**
Adjustments	0	0	0	0	0
Adjusted net profit	**(632)**	**105**	**1,312**	**2,551**	**3,512**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	1,159	1,921	2,654	3,132	3,647
Other current liabilities	11,007	12,047	14,702	16,778	18,218
Provisions	71	91	91	91	91
Debt funds	2,160	1,354	1,155	1,155	0
Other liabilities	31,032	43,917	51,507	59,491	67,716
Equity capital	1,032	1,143	1,143	1,143	1,143
Reserves & surplus	47	4,164	5,476	8,027	11,539
Shareholders' fund	1,079	5,307	6,618	9,169	12,681
Total liab. and equities	**46,509**	**64,636**	**76,728**	**89,816**	**102,354**
Cash and cash eq.	497	879	682	818	1,895
Accounts receivables	255	387	521	636	800
Inventories	0	0	0	0	0
Other current assets	1,801	3,589	4,181	4,414	4,645
Investments	110	22	22	22	22
Net fixed assets	11,380	15,234	20,734	26,539	32,302
CWIP	1,355	559	559	559	559
Intangible assets	175	182	182	182	182
Deferred tax assets, net	1,336	1,392	1,392	1,392	1,392
Other assets	29,601	42,392	48,455	55,254	60,556
Total assets	**46,509**	**64,636**	**76,728**	**89,816**	**102,354**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**9,285**	**11,972**	**16,146**	**19,241**	**24,186**
Capital expenditures	(2,910)	(3,880)	(5,500)	(5,805)	(5,763)
Change in investments	18	94	0	0	0
Other investing cash flows	132	(1,229)	0	0	0
Cash flow from investing	**(2,761)**	**(5,014)**	**(5,500)**	**(5,805)**	**(5,763)**
Equities issued/Others	1,168	4,451	0	0	0
Debt raised/repaid	(261)	(1,442)	(193)	0	0
Interest expenses	(417)	(253)	(142)	(142)	0
Dividends paid	0	0	0	0	0
Other financing cash flows	(6,867)	(8,878)	(10,509)	(13,158)	(17,347)
Cash flow from financing	**(6,377)**	**(6,209)**	**(10,844)**	**(13,300)**	**(17,347)**
Chg in cash & cash eq.	**147**	**749**	**(197)**	**136**	**1,077**
Closing cash & cash eq.	**111**	**879**	**682**	**818**	**1,895**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	(6.1)	0.9	11.5	22.3	30.7
Adjusted EPS	(6.1)	0.9	11.5	22.3	30.7
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	10.5	47.9	57.9	80.2	111.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.0	3.0	2.3	1.9	1.5
EV/EBITDA	6.5	4.8	3.6	2.9	2.3
Adjusted P/E	(79.9)	514.9	42.6	21.9	15.9
P/BV	46.8	10.2	8.4	6.1	4.4

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	79.5	76.0	59.3	63.5	66.3
Interest burden (PBT/EBIT)	(35.9)	4.3	38.5	49.0	53.0
EBIT margin (EBIT/Revenue)	15.7	17.6	23.5	27.3	27.0
Asset turnover (Rev./Avg TA)	32.0	33.3	34.6	36.0	38.6
Leverage (Avg TA/Avg Equity)	55.7	17.4	11.9	10.5	8.8
Adjusted ROAE	(80.0)	3.3	22.0	32.3	32.1

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	26.6	31.2	32.3	22.5	23.8
EBITDA	30.0	34.7	33.7	25.2	27.3
Adjusted EPS	3.2	115.5	(1108.4)	94.5	37.7
Profitability & Return ratios (%)					
EBITDA margin	60.8	62.4	63.1	64.5	66.3
EBIT margin	15.7	17.6	23.5	27.3	27.0
Adjusted profit margin	(4.5)	0.6	5.4	8.5	9.5
Adjusted ROAE	(80.0)	3.3	22.0	32.3	32.1
ROCE	4.5	6.2	7.9	8.4	8.9
Working capital days (days)					
Receivables	7	8	7	7	7
Inventory	0	0	0	0	0
Payables	102	141	142	142	140
Ratios (x)					
Gross asset turnover	0.3	0.3	0.3	0.4	0.4
Current ratio	0.2	0.3	0.3	0.3	0.3
Net interest coverage ratio	0.7	0.9	1.4	1.7	1.9
Adjusted debt/equity	42.1	11.2	10.6	8.8	7.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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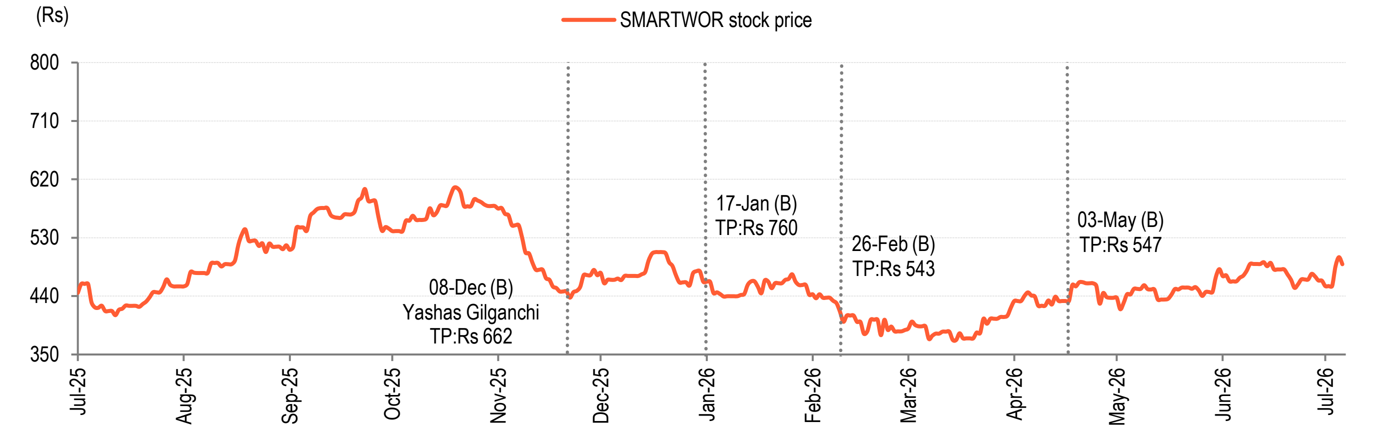
Ratings and Target Price (3-year history): SMARTWORKS COWORKING SPACES (SMARTWOR IN)



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