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BUY
TP: Rs 760 | 64%

SMARTWORKS COWORKING SPACES | Real Estate | 17 January 2026

Higher operating revenues and occupancy drove EPS beat

- **Reported EPS of Rs 0.11, beating our expectations by (~37%), driven by higher-than-expected occupancy (84%) and VAS revenues**
- **Total SBA increased ~2.6msf (mostly in BLR and NCR), but translated into limited new operational SBA coming online, ~0.1msf (~ 2,000 seats)**
- **Adj. EBITDA to grow ~58% CAGR over FY25-28E; expect stock to trade at 14.0x Adj. EV/EBITDA. Maintain BUY.**

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Total SBA expanded to 15.3msf (+~20% QoQ) as ~2.6msf was added in BLR (~42%) and Gurugram (~31%) over 3Q26. Leased SBA (incl. operational area + under fit-out + yet to be delivered) expanded to 11.1msf (~+7.8% QoQ) as ~0.8msf was leased over the period. However, operational area expanded to 9.2msf as a marginally incremental 0.1msf was made operational.

Limited additions to operating area (~0.1msf) and a high proportion of mature centres (~88% of operational portfolio) enabled the highest-ever overall occupancy of ~84% (vs ~80% over FY23-25).

As **more space was leased out to tenants leasing >1,000 seats**, revenue contributions from such large tenants rose to 35% over 9M FY26 (vs 12% in FY22, 29% in FY25).

EBITDA and Adj. EBITDA margins improved to ~64.7% (~62.0% as of 3Q25) and ~17.9% (11.6% as of 3Q25) respectively, driven by impressive improvements in overall occupancy (~+300bps QoQ) and higher contributions from other operating revenue (~14% of total operating revenues).

Driven by SMARTWORKS' access to large-format supply, we expect the operator to increase leasable SBA at an annualised rate of ~+18.6% (+17.2% previously) over FY25-28E. We expect space leased to larger cohorts to result in higher occupancy and longer lease terms that translate into clearer earnings visibility. Additionally, we believe that higher occupancy should lead to higher contributions from other operating revenues (ancillary services and design & fit-out services) over the period improving EBITDA/Adj. EBITDA margins.

We revise our FY26E-FY28E EPS estimates upwards to reflect increased leasable area, improved occupancy and operating margins. **Our 1Y TP of Rs 760 is based on an unchanged multiple of 14.0x, applied to 4QFY27E-3Q28E Adj. EBITDA. Maintain BUY.**

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	SMARTWOR IN/Rs 462
Market cap	US$ 580.7mn
Free float	42%
3M ADV	US$ 0.5mn
52wk high/low	Rs 619/Rs 393
Promoter/FPI/DII	58%/0%/9%

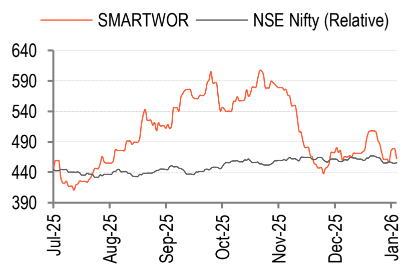
Source: NSE | Price as of 16 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	14,097	18,181	23,139
EBITDA (Rs mn)	8,573	11,294	14,582
Adj. net profit (Rs mn)	(632)	(43)	905
Adj. EPS (Rs)	(6.1)	(0.4)	7.9
Consensus EPS (Rs)	0.0	(7.5)	0.8
Adj. ROAE (%)	(80.0)	(1.4)	16.2
Adj. P/E (x)	-	-	58.3
EV/EBITDA (x)	6.2	4.7	3.6
Adj. EPS growth (%)	3.2	93.3	2021.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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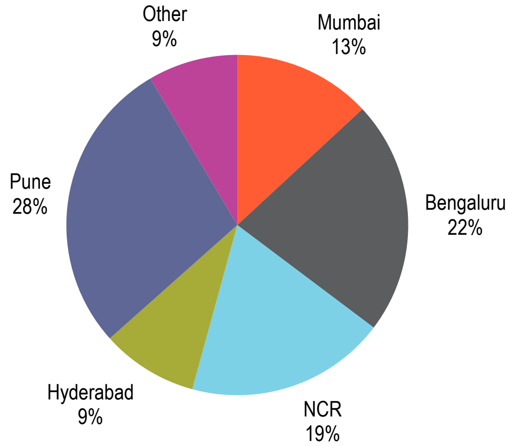
Improved Geographical Presence

Over 3Q26, SMARTWORKS added ~2.6msf to total leasable area (under fit-outs, yet to be handed-over, under LOI) that translated into an addition of ~0.8msf to leasable SBA (under fit-outs, yet to be handed-over). Driven by SMARTWORKS' access to large-format supply from both institutional and non-institutional landlords, we expect the operator to increase leasable SBA at an annualized rate of ~+18.6% (+17.2% previously) over FY25-28E.

Expanding into BLR and NCR

Of the ~2.6msf of total SBA added over 3Q26, 1.1msf (~42%) was added in BLR and 0.8msf (~31%) in Gurugram. Being concentrated in PUN (~28% of total SBA), we believe that the expansion into BLR and NCR (higher office rentals) will help SMARTWORKS push overall rents higher within its portfolio and help establish the brand across India.

Fig 1 – Establishing presence in major office markets



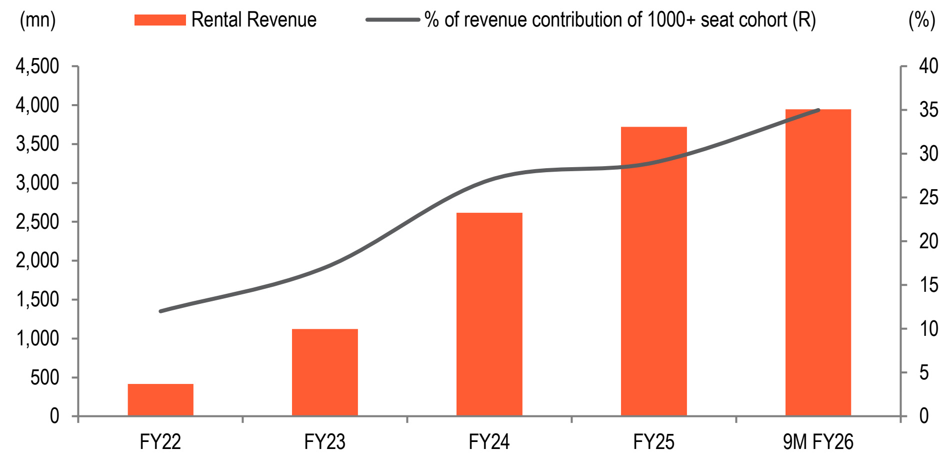
Source: Company, BOBCAPS Research

Increasingly leased out to larger seat cohorts

The proportion of revenue contributed by tenants leasing >1,000 seats has consistently increased since FY22 (12%) to 29% in FY25 and 35% over 9M FY26. We expect the space leased to larger cohorts to result in higher occupancy and longer lease terms (52m total tenure, 38m lock-in tenure as of 3Q26) that translate into better earnings visibility.

However, we believe that as more space is leased to larger cohorts, lease terminations have the potential to affect occupancy materially. As it becomes prohibitively expensive to lease from flex-workspace operators (~>6Ys), we expect enterprise clients to prefer leasing directly with the landlord, especially as their real estate requirements become clear. The operator's performance then, will be contingent on a pipeline of enterprises with demonstrated interest in such relatively large spaces.

Fig 2 – Leases to larger seat cohorts result in improved earnings visibility



Source: Company, BOBCAPS Research

Margins rise on the back of higher other operating income and improved occupancy

EBITDA and Adj. EBITDA margins improved to ~64.7% (~62.0% as of 3Q25) and ~17.9% (11.6% as of 3Q25) respectively, driven by impressive improvements in overall occupancy (~+300bps QoQ) and higher contributions from other operating revenue (~14% of total operating revenues). Given the robust demand from large, multi-city enterprise clients, we expect overall occupancy to improve by ~+178bps over FY25-28E, unless there is a material change in the pace of addition of operational SBA into the portfolio. Additionally, we believe that higher occupancy should lead to increased contributions from other operating revenues (ancillary services and design & fit-out services) over the period.

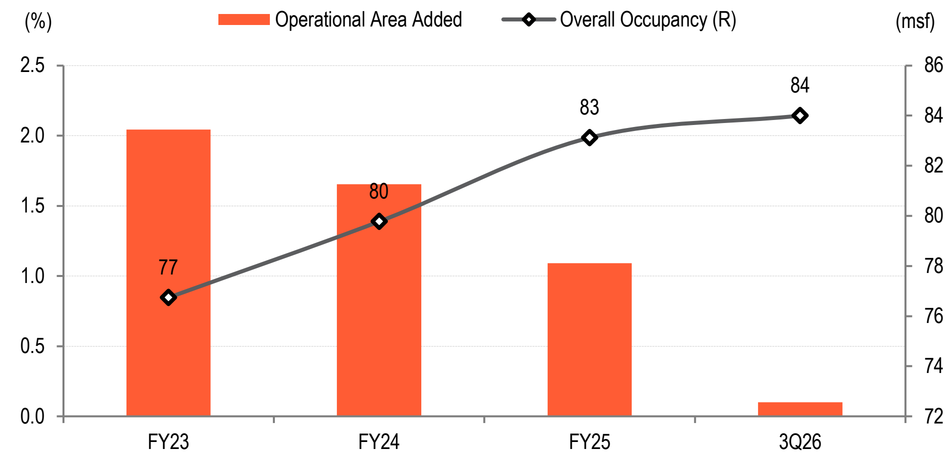
Improved occupancy from limited additions to operating SBA

We believe that the operator posted impressive improvements (~+300bps) to overall occupancy (84%) over 3Q26, as it benefitted from a high proportion of mature centres (~88% of operational portfolio) within its portfolio, buttressed by the limited increase (~0.1msf) in operational SBA. Given the high demand for space within assets, we expect SMARTWORKS to increase operational SBA at a faster pace and expect overall occupancy to improve marginally as its portfolio develops to include a higher proportion of mature centres over FY26E-28E.

Increased contributions from ancillary and design & fit-out services

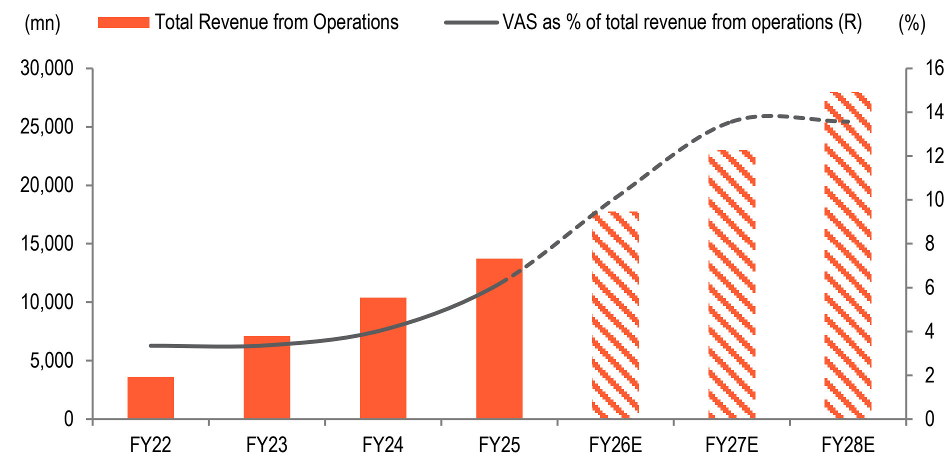
Since FY25, contributions to operating revenue from SMARTWORKS' design & fitout services have been growing. Based on management comments, we believe that the design and fit-out segment is likely to add an increasing proportion to operating revenues and improve operating margins. Additionally, as occupancy within the portfolio improves, we expect a marginal rise in revenues from other ancillary services, as the same operating area is monetised more efficiently. Going forward, we believe other operating revenues are likely to add meaningfully to SMARTWORKS' operating revenue and aid operating margins.

Fig 3 – Improved occupancy from limited new operational SBA



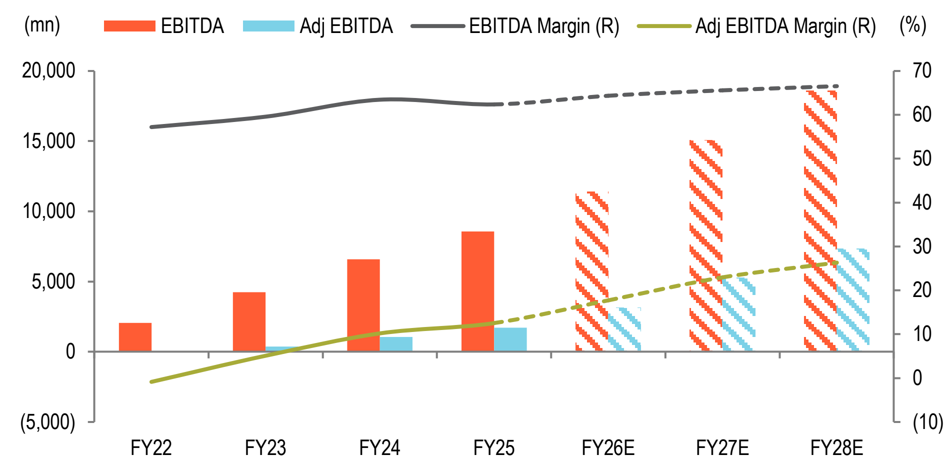
Source: Company, BOBCAPS Research

Fig 4 – Higher VAS share in total revenue from operations



Source: Company, BOBCAPS Research

Fig 5 – Higher margins from improved occupancy and higher other operating income



Source: Company, BOBCAPS Research

Fig 6 – Quarterly Performance

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Revenue from lease rentals	4,059	3,300	23	3,795	6.96	4,025	0.85
Other Operating Revenue	663	218	204	453	46.36	308	115.52
Operating expenses	(1,326)	(1,032)	28	(1,223)	8.39	(1,260)	5.21
Employee benefits expense	(245)	(159)	54	(231)	6.21	(183)	33.91
Other Expenses	(94)	(144)	(34)	(93)	1.86	(173)	(45.32)
EBITDA	**3,057**	**2,183**	**40**	**2,702**	**13.15**	**2,717**	**12.51**
EBITDA Margin (%)	**64.7**	**62.1**	**268bps**	**63.6**	**114bps**	**62.7**	**203bps**
Total cash outflow for lease payment	(2,209)	(1,775)	24	(1,901)	16.21	(2,202)	0.33
Adj. EBITDA	**848**	**408**	**108**	**801**	**5.90**	**515**	**64.56**
Adj. EBITDA Margin (%)	**18.0**	**11.6**	**636bps**	**18.8**	**(89bps)**	**11.9**	**606bps**
Total cash outflow for lease payment (add back)	2,209.0	1,775.2	24	1,900.9	16.21	2,201.7	0.33
Depreciation and amortisation expenses	(2,233)	(1,670)	34	(1,980)	12.76	(1,910)	16.89
Finance costs	(968)	(853)	13	(928)	4.31	(1,015)	(4.60)
Other income	160	118	36	163	(1.63)	163	(1.63)
PBT	16	(223)	NA	(44)	NA	(45)	NA
Taxes	(3.17)	(63.00)	(95)	12.48	(125.40)	(11.16)	(71.58)
PAT	13	(286)	NA	(31)	NA	(56)	NA
EPS (Rs)	**0.11**	**(1.55)**	**NA**	**(0.27)**	**NA**	**(0.30)**	**NA**

Source: Company, BOBCAPS Research

Valuation Methodology

We revise our FY26E-FY28E EPS estimates upwards (as shown in Fig 6) to reflect increased leasable area, improved occupancy and operating margins. We apply an unchanged multiple of 14.0x on 4QFY27E-3Q28E Adj. EBITDA for a 1Y TP of Rs 760. Our multiple reflects the benefits from SMARTWORKS scale and its efficient operations, including the risk from tenant concentration.

Fig 7 – Revised Estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
EPS	(0.41)	7.93	18.88	(1.19)	1.72	8.40	65.2	360.45	124.84
Revenue	18,181.36	23,139.43	27,992.90	17,459.79	21,275.37	25,742.49	4.13	8.76	8.74
Adj. EBITDA	3,037.42	4,783.96	6,763.81	2,493.81	3,437.83	5,103.22	21.80	39.16	32.54
FCFF	580.33	3,206.06	4,357.30	(28.96)	(210.97)	563.56	2104.09	1619.68	673.18

Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- A materially slower pace of expansion in total SBA could cap revenue growth from the lease rentals.
- Unexpected lease terminations could lead to 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 market downturn.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**11,131**	**14,097**	**18,181**	**23,139**	**27,993**
EBITDA	6,597	8,573	11,294	14,582	18,007
Depreciation	(4,727)	(6,360)	(8,220)	(9,695)	(10,848)
EBIT	1,870	2,213	3,074	4,887	7,160
Net interest inc./(exp.)	(3,283)	(3,363)	(3,702)	(4,310)	(4,917)
Other inc./(exp.)	737	356	571	641	641
Exceptional items	0	0	0	0	0
EBT	(676)	(795)	(57)	1,218	2,883
Income taxes	177	163	14	(312)	(729)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**(500)**	**(632)**	**(43)**	**905**	**2,155**
Adjustments	0	0	0	0	0
Adjusted net profit	**(500)**	**(632)**	**(43)**	**905**	**2,155**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,220	1,159	2,214	2,606	3,083
Other current liabilities	8,330	11,007	12,522	14,205	16,138
Provisions	53	71	83	83	83
Debt funds	2,397	2,160	1,348	1,348	1,348
Other liabilities	28,971	31,032	42,782	49,087	56,322
Equity capital	790	1,032	1,143	1,143	1,143
Reserves & surplus	(290)	47	3,981	4,887	7,041
Shareholders' fund	500	1,079	5,124	6,029	8,184
Total liab. and equities	**41,471**	**46,509**	**64,074**	**73,359**	**85,158**
Cash and cash eq.	388	497	1,491	4,233	8,126
Accounts receivables	141	255	383	477	580
Inventories	0	0	0	0	0
Other current assets	2,123	1,801	3,577	3,730	3,906
Investments	113	110	66	66	66
Net fixed assets	9,639	11,380	15,301	17,746	20,677
CWIP	633	1,355	561	561	561
Intangible assets	161	175	178	178	178
Deferred tax assets, net	1,172	1,336	2,890	2,890	2,890
Other assets	27,102	29,601	39,790	43,658	48,373
Total assets	**41,471**	**46,509**	**64,236**	**73,539**	**85,358**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**7,433**	**9,285**	**11,923**	**15,217**	**18,301**
Capital expenditures	(2,663)	(2,910)	(3,374)	(2,445)	(2,932)
Change in investments	(109)	18	29	0	0
Other investing cash flows	850	132	(1,368)	0	0
Cash flow from investing	**(1,922)**	**(2,761)**	**(4,713)**	**(2,445)**	**(2,932)**
Equities issued/Others	684	1,168	4,451	0	0
Debt raised/repaid	(365)	(261)	(1,368)	0	0
Interest expenses	(537)	(417)	(288)	(232)	(232)
Dividends paid	0	0	0	0	0
Other financing cash flows	(5,554)	(6,867)	(8,635)	(9,798)	(11,244)
Cash flow from financing	**(5,772)**	**(6,377)**	**(5,839)**	**(10,030)**	**(11,476)**
Chg in cash & cash eq.	**(260)**	**147**	**1,371**	**2,742**	**3,893**
Closing cash & cash eq.	**(37)**	**111**	**1,491**	**4,233**	**8,126**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	(6.3)	(6.1)	(0.4)	7.9	18.9
Adjusted EPS	(6.3)	(6.1)	(0.4)	7.9	18.9
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	6.3	10.5	44.9	52.8	71.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.7	3.7	2.9	2.3	1.9
EV/EBITDA	8.0	6.2	4.7	3.6	2.9
Adjusted P/E	-	-	-	58.3	24.5
P/BV	73.0	44.2	10.3	8.7	6.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.9	79.5	74.9	74.4	74.7
Interest burden (PBT/EBIT)	(36.2)	(35.9)	(1.9)	24.9	40.3
EBIT margin (EBIT/Revenue)	16.8	15.7	16.9	21.1	25.6
Asset turnover (Rev./Avg TA)	25.8	32.0	32.8	33.6	35.2
Leverage (Avg TA/Avg Equity)	105.8	55.7	17.9	12.4	11.2
Adjusted ROAE	(122.6)	(80.0)	(1.4)	16.2	30.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	49.6	26.6	29.0	27.3	21.0
EBITDA	55.6	30.0	31.7	29.1	23.5
Adjusted EPS	51.4	3.2	93.3	2021.3	138.0
Profitability & Return ratios (%)					
EBITDA margin	59.3	60.8	62.1	63.0	64.3
EBIT margin	16.8	15.7	16.9	21.1	25.6
Adjusted profit margin	(4.5)	(4.5)	(0.2)	3.9	7.7
Adjusted ROAE	(122.6)	(80.0)	(1.4)	16.2	30.3
ROCE	3.1	4.5	5.9	8.5	10.8
Working capital days (days)					
Receivables	5	7	7	7	7
Inventory	0	0	0	0	0
Payables	147	102	142	142	142
Ratios (x)					
Gross asset turnover	0.3	0.3	0.3	0.3	0.4
Current ratio	0.3	0.2	0.4	0.5	0.7
Net interest coverage ratio	0.6	0.7	0.8	1.1	1.5
Adjusted debt/equity	81.9	42.1	11.5	11.2	9.4

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

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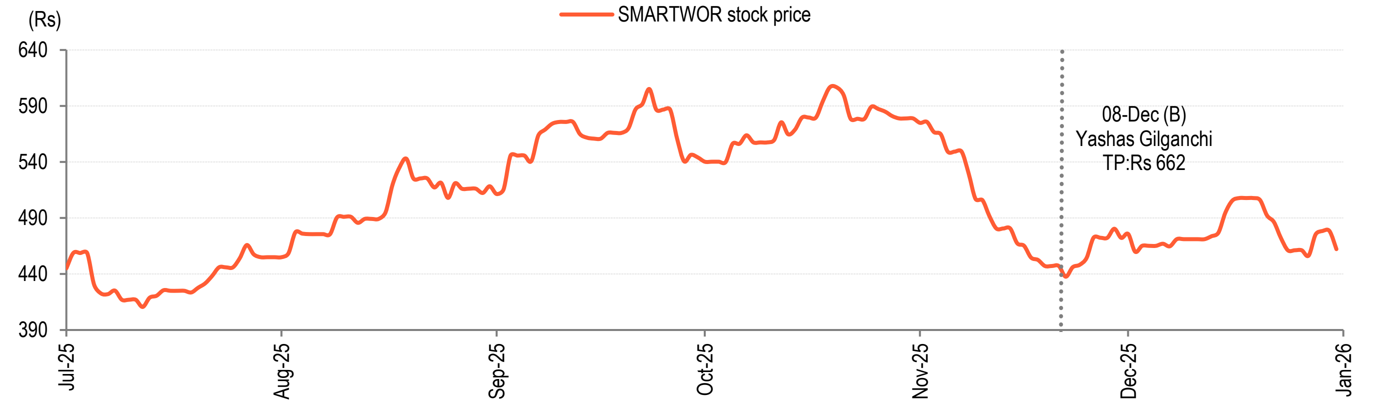
Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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



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