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| 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 |
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SUBJECT: Transcript of the Earning call on financial results of Awfis Space Solutions Limited ('the Company') for Q1 FY26

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on Monday, 11th August 2025 at 04:30 PM (IST) with the senior management of the Company.

The above information is being made available on the website of the Company at <https://www.awfis.com/investor-relations>

This is for your information and record.

Thanking You,

For Awfis Space Solutions Limited

Amit Kumar

Company Secretary and Compliance Officer

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“Awfis Space Solutions Limited Q1 FY '26 Earnings Conference Call”

August 11, 2025

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 11th August 2025 will prevail.



MANAGEMENT: **MR. AMIT RAMANI – CHAIRMAN AND MANAGING DIRECTOR – AWFIS SPACE SOLUTIONS LIMITED**
MR. SUMIT LAKHANI –CHIEF EXECUTIVE OFFICER – AWFIS SPACE SOLUTIONS LIMITED
MR. RAVI DUGAR – CHIEF FINANCIAL OFFICER – AWFIS SPACE SOLUTIONS LIMITED

MODERATOR: **MR. VIKRANT KASHYAP – ASIAN MARKET SECURITIES**

Moderator:

Ladies and gentlemen, good day, and welcome to Awfis Space Solutions Limited Q1 FY '26 Earnings Conference Call hosted by Asian Market Securities. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. The statements are not guarantee of future performance and involves risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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 over the conference to Mr. Amit Ramani, Chairman and Managing Director from Awfis Space Solutions Limited. Thank you, and over to you, sir.

Amit Ramani:

Thank you. Good afternoon, and a very warm welcome to everyone present on the call. Along with me, I have Mr. Sumit Lakhani, our Chief Executive Officer; Mr. Ravi Dugar, our Chief Financial Officer; and SGA, our Investor Relations Advisor.

For Q1 FY '26 results, we have uploaded our presentation on the exchanges, and I hope everybody had an opportunity to go through the same. Let me start with a brief overview of the business for the year. We are pleased to share that we have begun FY '26 on a strong note, delivering a robust financial performance that reflects the strength of the business model and execution capability.

Our revenue for the quarter grew by 30% year-on-year, reaching a total of INR335 crores, driven by sustained demand and healthy occupancy levels across our centers. We also witnessed strong operating momentum at the EBITDA level. EBITDA rose by 60% year-on-year to INR127 crores with margins expanding to 37.8%, marking a significant improvement of 710 basis points compared to the same period last year.

This margin expansion was supported by better occupancy, enhanced operating leverage, improved cost efficiencies and disciplined execution across segments. The performance highlights not only the resilience of our platform, but also our ability to scale profitably while staying focused on service quality, client experience and capital efficiency.

During the year, our Coworking and Allied Services delivered robust growth of 49% year-on-year to INR276 crores. This performance was driven by focusing on diverse cohort split, making customer centricity as a core of our business, along with strong momentum in our Allied Services business. This segment remains a cornerstone of our strategy, driven by a growing demand for flexible workplace solutions.

Our Enterprise segment continues to be a key growth driver, fueled by strong momentum from first-time mid-sized GCC entrants, especially across our centers in Bengaluru and Hyderabad. At the same time, our existing GCC clients have continued to deepen our engagement with us, expanding into additional spaces, particularly in our newly launched centers in Hyderabad.

Our 100-plus seat cohort now represents 59% of our portfolio, underscoring both the scale and the stickiness of our enterprise relationships. This reinforces our strong value proposition and highlight how our multi-city presence enables us to meet the evolving need of enterprise clients across locations.

Meanwhile, construction fit-out projects has delivered a INR58 crores revenue. We see this segment gaining significant traction in the coming quarters, buoyed by a healthy order pipeline and a favorable market outlook and remain confident of meeting our full year guidance. Our operational performance remains strong with seat capacity addition up 40% year-on-year, reflecting the effectiveness and scalability of our expansion strategy.

A key pillar of this expansion has been our focus on premium positioning with 100% of our new centers signed between June 2024 and June 2025 located in Grade A commercial assets. This is a deliberate and strategic shift aimed at addressing the need of a more discerning and quality-focused clientele, including GCCs, while also ensuring long-term asset sustainability and tenant retention.

We have also continued to strengthen our national presence. Since June '24, we launched 4 new Tier 2 centers, increasing our Tier 2 capacity by ~25% year-on-year. Further, we entered 4 emerging micro markets across our network, further broadening our footprint.

Our approach to network expansion remains strategic, focused on markets where we see strong long-term potential. Looking ahead, we aim to build on this momentum with robust pipeline of opportunities across both metro and emerging locations.

As previously guided, our approach for FY '26 continues to be two-pronged strategy. The focus in the first half remains in executing the current pipeline, driving higher occupancy across centers and enhancing operational productivity. Having already secured significant number of seat sales scheduled for occupancy in the coming quarters, we have strong visibility on near-term revenues.

Looking ahead to the second half of the year, we plan to undertake strategic and calibrated capacity expansion, looking at demand visibility, market potential and capital efficiency. This disciplined approach will not only reinforce our leadership position in the flex space industry, but also ensure we remain on sustainable growth trajectory, creating long-term value for all stakeholders.

Let me hand over the call to Mr. Sumit Lakhani, our CEO, to share Q1 FY '26 operational highlights.

Sumit Lakhani:

Thank you, Amit. Good evening, everyone. I would like to share with you the operational highlights for Q1 FY '26. On the supply side, during the quarter, we added 6,065 new operational seats, bringing our total capacity to about 140,186 operational seats across 220 centers Pan-India as of June 2025.

Including centers currently in the fit-out phase and those under LOI, our total capacity now stands at over 165,000 seats across 246 centers, covering an expansive 8.3 million square feet.

Over the past year, we have added a total of 47 centers and 43,452 total seats, underscoring our ability to meet the growing demand for high-quality, flexible workspaces nationwide.

As of June 2025, our exit month occupancy stood at 73%, while centers operational for over 12 months achieved a robust 84% occupancy. This performance, despite the significant addition of new seats during FY '25, underscores the sustained demand for our premium workspace solutions.

Year-on-year, our growth remains strong. Operational seats and center grew by 40% and 30%, respectively. Total seats and centers increased by 39% and 25%, respectively. Looking ahead, we have a pipeline with signed LOIs for 14 new centers, adding approximately 9,800 seats and 0.5 million square feet of chargeable area.

On the demand side, we've signed contracts for 15,000 new seats in Q1 FY '26, demonstrating strong performance on the demand front versus 11,000 seats in Q1 of FY 2025. Notably, 41% of our clients operate across multiple centers within our network versus 36% in Q1 of FY 2025. The average client tenure has increased to 36 months with an average lock-in period of 24 months, demonstrating strong long-term client commitment.

Our client base remains highly diversified with more than 3,200 active clients as of June 30, 2025. We have approximately 18,000 seats already signed, which are scheduled to move in during Q2 and Q3.

This translates to a locked-in revenue of INR463 crores. Our Enterprise portfolio continues to strengthen with 51 clients taking over 100 seats each and 9 clients taking over 300 seats each, all already committed to move in. That concludes my update.

I'll now hand over to Ravi, our CFO, for the financial discussion.

Ravi Dugar:

Thanks, Sumit. Good afternoon, everyone, and a very warm welcome. Let me give you a quick overview of our financial performance. For Q1 FY '26, our consolidated operating revenue stood at INR335 crores, which is a strong growth of 30% on a year-on-year basis.

The operating EBITDA stood at INR127 crores, which is a growth of 60% on a Y-o-Y basis. The margins stood at 37.8% as against 30.7% in Q1 of last year, which is a growth of 710 bps. In Q1 FY '26, our PAT is INR10 crores versus a profit of INR3 crores in Q1 of last year.

On the IGAAP equivalent basis, which is adjusted for Ind AS 116 on lease rentals and Ind AS 109 and 102, the Q1 FY '26, our consolidated operating revenue stood at INR335 crores, again, a growth of 30% on a Y-o-Y basis. The operating EBITDA stood at INR48 crores, which is a growth of 60% on a Y-o-Y basis. The margin stood at 14.5% as against 11.5% in Q1 of FY '25, which is a growth of 300 bps.

For Q1 FY '26, IGAAP equivalent depreciation stood at INR27 crores. In Q1 FY '26, PAT is INR25 crores versus INR15 crores in Q1 of last year. We continue to maintain a very strong liquidity position. Our gross debt stood at around INR7 crores, resulting in a debt-to-equity ratio

of 0.02, a notable improvement from 0.08 in Q1 of last year. Additionally, our net debt-to-equity ratio is minus 0.18.

With continued improvement in profitability and liquidity, we expect to remain in a very comfortable position on debt-to-equity ratio. Our return to capital employed is at 67% annualized for Q1 versus 62% for the whole of FY25, underscoring the strength of our financial performance. That is all from our end.

We now open the floor 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 Adhidev from ICICI Securities.

Adhidev: Sir, first may be a housekeeping question. Could you elaborate on the capex you have incurred for this quarter and any guidance for the year overall, depending on how our seat addition pipeline looks? That is the first question.

Ravi Dugar: So, for the quarter, the capex what we have incurred is around INR50 crores. And the guidance is that we continue to see very strong momentum across all our sectors. And depending on the need in the coming financial year, the company will continue to evaluate the capex spends depending on our growth aspirations.

Adhidev: Okay. So, if you take a broader view, this will be equivalent to INR200 crores or more in the coming year as well?

Ravi Dugar: It will be in the same line as last year.

Adhidev: Okay. Sir, my second question is on our operating margins. Now, do you see a potential for further improvement in margins in the coming years? It's more of a structural question. It's not limited to a quarter, considering you mentioned that we are adding more and more premium office spaces, right, in more grade A buildings. So, do you expect the overall profile to again go upwards over the longer term?

Sumit Lakhani: So, Adhidev, with respect to the overall margin view, the way we look at is, over the next couple of years, we are looking for margin expansion because of, one, the blended occupancy going up. It will be the largest contributor for it.

A large number of our seats are less than 12-odd months. So, the blended occupancy is sitting at currently about 73%. In the next 3 to 4 quarters, we expect this percentage to keep on improving, and there will be much more mature centers around. So, we expect a significant level of margin expansion in the long term, over the next 1, 2, 3 years just by a change in the blended occupancy.

Second, we expect an improvement in margins primarily from the operating leverage as well. And the third one, as you mentioned is, we are on a drive to premiumization with more number of Elite and Gold centers coming up, which will have impact on the margins.

And the last point I would say is, where we are very focused is increasing our Allied Services, which is primarily the tech offerings, F&B offerings, which we provide as integrated to our

customers. That will also help around in the margin. So, structurally, we are in a trajectory for margin expansion over the next 2-3 years.

Moderator: The next question is from the line of Girish Choudhary from Avendus Spark.

Girish Choudhary: Again, I just wanted to understand the margins better, like you just mentioned about the structural scope for increase. But if you could help us with understanding the current margin structure in the mature centers currently you're operating with and also, what's the kind of drag which is coming in from newer assets? That will be helpful and will help us understand much better the scope for expansion?

Sumit Lakhani: Sure. So, this is more on a pure-play fundamental base, how we look at the business and at an ideal center kind of unit economics. Any center which hits a mature stage, so let's say, a 12-month plus kind of a vintage for us in a straight lease model, we generally look at center EBITDA margins of about 30% to 35% for that center.

For a managed aggregation, closer to about 23% to 25%. So, on a blended basis between MA and SL, our view is about 27% to 28%-odd as a blended kind of a contribution margin for these centers. Now, it takes us at least around 9 to 10-odd months to hit about 80%-85% of occupancy.

So, the portfolio of new centers have a kind of a drag. Even while we get some level of rent fees or a decent level of rent fees for initial occupancy buildup, they still have a kind of a drag on the overall margin.

If you look at our current center profile as of 30th June, approximately 30% to 32% of our seats would be under the bucket, which would be less than 12 months. So, we expect that once these centers hit almost about 12-month plus kind of vintage and with an improved kind of occupancy, the margins are going to improve.

Second point, Girish, like I mentioned in my commentary, we already have signed up almost about 18,000 seats, which will go live in Q2 and Q3. And this, I'm saying the demand. So, this is a significant level of seats as already signed-up..

So, by Q3 end, I'm expecting an improvement around in the blended occupancy as well overall. So this is how we primarily look at the business, though Q3 and Q4 will also be the quarters where our supply expansions also go around on a larger scale.

Girish Choudhary: Sure. And in terms of corporate overheads, where are we? And you also mentioned about the operating leverage, right? So, how should we see that going ahead?

Sumit Lakhani: The way we look at it is almost about annually 0.2% to 0.5%-odd kind of improvement in margins because of corporate overhead efficiencies.

Specifically for this year, the kind of overall guidance we have done in terms of the EBITDA margin is similar to last year because we have built up a decent level of teams and put in resources for long-term growth of the company.

And the overall guidance around on the margins, which also factor in some kind of operating leverage from corporate overheads is supposed to be same as of FY '25 with a bit of an upward bias.

Girish Choudhary: Sure, sure. My second question is on the construction and fit-out business. You mentioned in the opening remarks about a strong pipeline. If you can share any number, what's the order book like and what's the cycle of that order book?

Amit Ramani: So, Girish, there is obviously a very strong demand in this segment. We are looking at this segment on a half-yearly or a yearly basis. And clearly, there's a bit of a time gap, right, on how -- when you have the project and the revenue delivery. The current number was INR58 crores Q1 FY '26.

Currently our underlying demand is looking healthy, and we have a strong execution pipeline of over INR100-plus crores. And obviously we are confident of a strong growth in FY '26.

Girish Choudhary: Got it. So, the current order book is INR100 crores, right?

Amit Ramani: Yes. So, Q1 FY '26 number was INR60-odd crores and then the order book is about INR100-plus crores.

Moderator: The next question is from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: Congrats on a good set of numbers. The question was on the bookkeeping side, what was the rental profit share paid to the landlords during the quarter, for the current quarter?

Ravi Dugar: So, the profit share, what we have paid is INR20 crores and the total rental paid is around INR94 crores.

Chintan Sheth: INR94 crores, of which INR80 crores was the cash adjustments in the Ind AS table you have mentioned, right, in the presentation?

Ravi Dugar: Yes. So, the total rental paid is INR94 crores, out of which INR20 crores is part of the other expenses and INR74 crores is part of the lease rental payment under Ind AS 116.

Chintan Sheth: Okay. And what was this amount last year? I believe?

Ravi Dugar: So, the total last year number was around?

Chintan Sheth: INR111 crores, right?

Ravi Dugar: You're talking about Q4 or last full year?

Chintan Sheth: No, no. Full year was INR111 crores. I'm talking about quarterly because it seems little low?

Ravi Dugar: Okay. Just give me 2 minutes. I'll give you that number.

Chintan Sheth: Sure. And second is on the occupancy, which we reported for the current quarter, 73%. We were kind of looking at, focusing on improving the occupancy, and we were also looking at NSE, the

straight lease coming in. If you look at the mix in the current quarter, straight lease share has increased in the overall pie. That should reflect in the improvement in the occupancy, but it didn't happen so? If you can just elaborate a little bit on that as well, would be helpful?

Sumit Lakhani:

See, if you look at the occupancy level, it has to be looked in the context of the overall new seats added. Now, almost, as I mentioned, about 30% of our seats currently are less than 12-months old. So, they are going through various phases of occupancy buildup.

Second, I'm not able to understand your question around on the straight lease versus MA. The MA continues around in a similar kind of a ratio as between straight lease and MA mix. These straight leases, which we are signing, couple of them are also not where we are building up the occupancy. . So, they are not generally in pure play back-to-back kind of straight leases.

Q2 and Q3, like I mentioned, we have a very strong pipeline of signed clients. A lot of them are under the back-to-back kind of scenario. So, that's where a couple of those straight leases are coming up.

Chintan Sheth:

Got it. And lastly, on the Allied Services for the current quarter, if you can provide that number. And we have also launched few of the Allied Services in the last quarter, like the CAD services plus network support services and other related ancillary services, how those are doing, if you can elaborate on that?

Amit Ramani:

Sure. So, in Q1 FY '26, the Allied Services revenue grew about 43% year-on-year. Approximately, it's about INR45-odd crores for the quarter. Obviously -- sorry, I'll just take that back. It's about INR36 crores, sorry. I take that back. And obviously, driven by deeper penetration within the existing client base, our focus on, obviously, delivering value around F&B. TechLabs has taken off well. Mobility products are doing fairly well. And then we obviously had started employee transportation as well in partnership with ECOS Mobility. So, I think all of this has kind of resulted in this 43% year-on-year growth that's out there.

Chintan Sheth:

Okay. 43% year-on-year growth and absolute amount is Rs. 36 crores. Then if I look at the core Coworking space sales, it seems that sequentially occupied seat revenue, per seat revenue has moderated quite a bit from INR8,400 to INR7,800. This is purely because of mix or I'm looking at occupied. So, it factors in the occupancy as well.

So, if you can -- because if I look at adjusting the ancillary revenue, the revenue sequentially are flat at INR240-odd crores out of the total INR276 crores we reported, if I adjust the INR36 crores, which you just mentioned, we are at INR240 crores of core space revenue, which is more or less similar to last quarter. So, despite seat getting added during the quarter, our sales are more or less flat, which implies the rentals has kind of moderated. If you can just...

Sumit Lakhani:

So, there is no underlying decrease in the average seat price, over the last couple of quarters, what we have seen is a constant increase in the same center seat pricing because the underlying rentals in commercial real estate have increased. So, there is no decrease, rather it's on an upward trend, the overall price realization.

When we look at the price realization per seat, it also gets skewed around on a bit -- in that quarter, the new centers which come around in which kind of micro markets, because if they are coming in micro markets with lower rentals skews it a bit.

Second, it also skews it a bit at what time of the quarter is the occupancy coming in. If in the third month, we have more kind of occupancy coming in, so it skews around on the overall aspect. So, if you primarily see, we don't have any kind of decrease in the seat pricing.

Chintan Sheth:

Got it. And just coming back to the rental, about...

Sumit Lakhani:

So, I will tell you with respect to the rental, probably one of the reason why you are seeing a similar kind of a co-working space revenue is, we had a large customer signed up, for almost about 3-odd quarters. And this quarter was where the exit of that customer happened, and it had an impact of about INR5 crores to INR6-odd crores on the revenue.

Chintan Sheth:

Okay. And -- no, I'm asking on the profit share, you mentioned INR20 crores. If you can give me Q4 and last year sequential and Y-o-Y number of the profit share number would be helpful? That's all for me.

Ravi Dugar:

Chintan, you can take down the numbers. So, for Q1 current year, the Ind AS 116 rental is INR95 crores. The other expense, which is the profit share is INR27 crores. So that makes it around INR122 crores of payout.

Chintan Sheth:

Total payout, right. Okay, INR27 crores. And if you can provide similar numbers for the last year quarter and last quarter sequentially?

Ravi Dugar:

Yes, in last quarter, the number is, against INR122 crores, we paid around INR108 crores. The breakup of which is: Ind AS 116 is INR77 crores, and the profit share is INR31 crores.

Chintan Sheth:

Remaining -- INR31 crores, if it has declined. Okay. And last year Q1?

Ravi Dugar:

Okay. Last year Q1, again, I'll have to take it out.-- I'll come back to you on this.

Chintan Sheth:

Okay, I'll jump back in queue. You can separately give me.

Moderator:

The next question is from the line of Aayush Saboo from Choice Institutional Equities.

Aayush Saboo:

I wanted to know regarding the seat addition target for the next year, do we see any upside to it? And also, if you could just elaborate on how is the competitive intensity shaping up in our critical micro market sales? What are the risk mitigation strategies that we are developing to face this increased competition overall this flexible workspace?

Amit Ramani:

So, broadly speaking, our guidance remains the same as last year. So, what we have done last year, about 40-odd-thousand seats is the guidance for FY '26 as well. In terms of the competitive landscape, I think because of our model being a bit different than most of the flex operators; one, in terms of size, our typical size is between 30,000 to 35,000-odd square feet, which is a bit different than what most others compete for.

Second, our model obviously looks at doing a split of 65% managed aggregation, 35% straight lease. So, our profit share model, obviously, being unique is one of a kind, and I think is allowing us to continue to expand.

And you've seen that over the last almost year plus that we have been able to maintain that sort of mix there. So, from that standpoint, I don't think we see any challenges in terms of continuing to add our seat capacity and the guidance remains the same as last year.

Aayush Saboo: Okay. So, 40,000 seats in the next 2 years, right?

Amit Ramani: No, over FY '26.

Aayush Saboo: Over FY '26, okay.

Amit Ramani: We, last year also added approximately 40,000 seats for FY '25. The same guidance remains for FY '26.

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

Shivkumar Prajapati: First of all, congratulations on a great set of numbers. So, sir, my first question is on sector exposure. I believe around close to 50% of our top line comes from IT and IT-enabled services. And currently, some layoffs has been announced. So, I just want to understand what impact does this have on us? And going forward, how we plan to deal with these things? And if you could share the churn rate sector-wise, that would be really helpful?

Amit Ramani: So, to answer your first part of your question, we currently have about 35% to about 37% of our business comes from IT/ITES. Overall, 65% is from large enterprises and corporates. And then, obviously, in addition, about 10% comes from BFSI, 10% from consulting and 10% from sort of other service offerings, right? So, we have a diverse base of this happening currently.

In terms of IT/ITES, if you really look at it from the outside, it all looks as one, right? But there is 3 parts to the IT/ITES that is there, which is, essentially, we are looking at the India-facing IT, which is one-third; the GCC, which is seeing a huge growth and then obviously, ITES.

You are absolutely right that in some of the IT/ITES, which was the offshoring part of it, there is some bit of challenge that is there. But all other -- the 2 segments, so the India facing as well as GCC is kind of filled up that demand. So, we don't anticipate any challenges coming overall from an industry standpoint. And currently, we are not seeing, in the last few quarters, any changes to that as well.

Shivkumar Prajapati: Okay. Great, sir. So, I mean, there are no issues in contract renewals or any cancellations from these sectors, right?

Amit Ramani: So, specific by sector, we don't see any challenge. And typically, our churn is roughly about 1%-odd, right? So, it continues to remain in that range. So, I don't see any challenges in the first quarter itself.

Shivkumar Prajapati: Sir, my next question is, like a few new IPOs that are in the market, which are largely traditional lease models. So, are we experiencing any pricing pressure in any of the markets or any expected pricing pressure in the coming time?

And we -- like will we be able to maintain our INR9,000 plus of per seat realization given we have -- like most of our centers are in Grade A assets in the last 1 year. So just want to understand this INR9,000 realization per seat, where can we see this at the end of FY '26?

Amit Ramani: So, to answer the first part of your question on the competitive landscape, obviously, the competition has been there in private as well as public, right? Obviously, now we see a few of our other sort of counterparts going public.

So, I don't think the competition intensity has not been there. It's been there for the last, I would say, 5-odd years since we have had a great run post the blip in COVID, and the flexibility has established itself as a part of the commercial real estate market.

So, I think, from that standpoint, I don't see any changes in that sense. As far as the INR9,000 goes, that is a factor clearly of the micro market rental, right? And I think the micro market rentals have been robust over the last couple of years. I think we have seen one of the best years last year for commercial leasing and also for Flex Space, right?

So, from that standpoint, I don't anticipate any challenge on maintaining or upping the per seat price. I probably cannot give you specific guidance on the FY '26 end-of-year number. But clearly, maintaining or having upward bias towards that number, I don't think has been a challenge, and it's been demonstrated over the last few years as well.

Shivkumar Prajapati: All right. And sir, did we benchmark ourselves with the peers? I mean, in case of cost per seat, like capex, opex or return ratios? If you could highlight a few of the positives that we stand out against the peers?

Amit Ramani: So, it's very hard to compare without a context, right? I mean our model is very, very different. For us, clearly, our managed aggregation continues to remain one of our hallmarks. We have been able to prove that for the last few years to maintain the kind of seat capacity addition that we have done.

Second, the network, currently, 210-odd centers that are live. There are another 30, 40 that are on the horizon. So, 250-plus centers, 18 cities, almost 60-plus micro markets. That gives us a very different edge and clearly something that we continue to focus on.

The client diversity, we demand diversity. We have a healthy mix of more than 100 seats, about 49%. 41% is less than 100 seats. So we service every type of customer, every type of cohort in the market. And then clearly, I think the customer centricity, obviously, is at the core of it.

And hence, today, we are able to service 3,200 client companies in the portfolio, right, which is probably a large portion of private and publicly listed companies. So, from that standpoint, I think these are the key differentiators. We don't benchmark specifically on specific metrics, clearly, but these are the differentiators for us.

- Shivkumar Prajapati:** And sir, my last question is, like in retail business, we track same sales growth to understand like the real growth of the business. So, in this, do we track some same center revenue growth kind of thing? I mean if you can share the growth for mature centers on Y-o-Y basis?
- Sumit Lakhani:** On an annual basis, while we are not tracking and reporting the SSG aspect. But if you look at the fundamental business because the customer cohort comes at different times of the year on every contract, there is an escalation clause. So, on average, from every customer, we end up getting or a blended average about 5%-odd kind of an annual escalation.
- It could be generally between 3% to 5% for a larger cohort and between 5% to 7%-odd for a smaller cohort. And we see the margins generally intact or having a bit better around in the coming years. So, we see the mature centers give a better kind of overall margin as well as the revenue profile.
- Moderator:** The next question is from the line of Vikrant Kashyap from Asian Markets Securities.
- Vikrant Kashyap:** Congrats on a strong set of numbers. You highlighted a strong growth in Coworking space this quarter, and just wanted to know what are the demand -- growth drivers in this segment and how sustainable are they? Are you able to maintain such kind of growth going forward in this year and ahead?
- Sumit Lakhani:** Yes. See, like the Coworking segment grew by 49% year-on-year, and -- so it was primarily driven through strong seat sales momentum and then better occupancy in various centers and disciplined capacity expansion into Grade A assets. If you look at in Q1 alone, we have sold 15,000 new seats.
- Further, we have approximately 18,000 client seats, which are signed and which are scheduled to move in during Q2 and Q3. And this is expected to generate a locked-in revenue of almost about INR463 crores.
- We've also seen strong momentum from first-time GCC entrants, companies like ABC Fitness, Meltwater, amongst others, they're signing up for multi-market presence along with us and especially in key micro markets in Bangalore and Hyderabad.
- The Elite product launch also has given a boost to this momentum for larger MNCs and GCCs signing up with us. So, we expect the Coworking segment growth momentum to remain strong through the remaining FY '26 as well.
- Vikrant Kashyap:** Okay. My second question on the Elite. So how many seats are under Elite portfolio? And going ahead during FY '26 and '27, how many seats we are expected to add under office Elite version?
- Sumit Lakhani:** So, as of now, we have 3 centers live in Elite, which are approximately closer to about, you could say, 2,800 to 3,000-odd seats would be across these 3 centers. For the remaining part of the year, we are expecting to add closer to 3 to 4 more centers.
- Moderator:** The next question is from the line of Yashowardhan Agarwal from IIFL Capital Services.

Yashowardhan Agarwal: Sir, earlier you have told that contribution margins in MA model is around 23% to 25%, between 30% to 35% for SM, and blended contribution margin for the center level would be 27% to 28%. So, sir, what would be the EBITDA margins and what are the costs between EBITDA and contribution margin. Can you please explain that?

Sumit Lakhani: So, Yash, what I explained over there is a scenario with respect to an ideal center once it hits maturity. So, in an ideal scenario when we get about 27% across the whole portfolio we expect -- and I'm talking more about a bit more long-term kind of situation where the percentage of mature centers to the total portfolio is quite different than the current color.

We would expect, in an ideal scenario, to reach closer to about 18% to 20%-odd of EBITDA under the contribution margin, we would expect closer to about 7% to 8%-odd as the overall corporate overhead.

Yashowardhan Agarwal: Okay. So, 18% to 20% EBITDA margin, that is corporate expenses at the company level?

Ravi Dugar: So, the current EBITDA margin, what we have reported is around 14.5%. What Sumit is mentioning is what we desire to reach, which is around 17% to 18%. The difference between 14.5% and 26% is around 10-11% of corporate overheads.

Yashowardhan Agarwal: Got it, sir. And sir, in terms of margins. If I look at the current quarter...

Moderator: Sorry to interrupt. Sir, we would request you to come back for a follow-up question as there are several participants waiting in the queue.

Yashowardhan Agarwal: Okay.

Moderator: The next question is from the line of Abhishek Khanna from Kotak Securities.

Abhishek Khanna: I just wanted to check, and sorry, a basic question, but the INR50 crores of reported EBITDA that you shared for 1Q, is this the cash EBITDA or is that the -- is that a different number that way? I mean, is the cash EBITDA different from this INR50 crores number?

Ravi Dugar: So, the cash EBIT that we have reported, I mean, what you can calculate is around -- including other income is around INR67 crores. Now, if I have to add the other income component in this INR48 crores of operating EBITDA, it would be around INR57 crores to INR58 crores.

Abhishek Khanna: So, the cash EBITDA excluding other...

Ravi Dugar: So, the cash EBIT, excluding other income, would be around 60 -- sorry, INR58 crores.

Abhishek Khanna: About INR9 crores out of the INR67 crores gets netted out?

Ravi Dugar: Yes. But that's more of a reflection of the cash EBIT.

Abhishek Khanna: Fair enough. And when you say that you have this INR60 crores of revenue coming from construction and fit-out projects, is there an EBITDA number that you could attribute to this,

maybe an 8%, 10%, whatever margin this works at? Or if you could just give some sense on the number?

Ravi Dugar: Yes. So, the segment margin for that particular segment is around 7.5%, which is after all the costs. That's the PBT...

Abhishek Khanna: At the EBITDA level?

Ravi Dugar: That's the PBT level. Yes.

Abhishek Khanna: It won't be too different -- because there would be limited depreciation and finance cost for that, I understand right.

Ravi Dugar: Yes.

Abhishek Khanna: And that 7.5% has been that way for a while? Or has that number changed in the last 1 or 2 years?

Ravi Dugar: So, in the last 1 or 2 years, that number has actually improved. So, it was earlier in the range of around 6.5%. Now it's around 7.5%.

Abhishek Khanna: All right. And just one last thing. When you say that you're trying to move more towards these premium centers, which I understand are more on the owned business model from Grade A developers. Is that a strategic shift because of the lack of availability of revenue sharing agreements as much as you would want it or is that irrespective of you getting the revenue sharing agreements? I mean, would you do it still if you had the availability of these revenue share/managed aggregation agreements still?

Amit Ramani: So, the availability of managed aggregation profit share centers continues to be very strong, right? I mean the pipeline there. Last year, you saw was the hottest market ever in history of India of 80 million square feet of commercial real estate, and we added the highest capacity ever in our own history in last year, right, 40,000 seats, of which about 65%, 66% was in the MA model. So, I don't think that has been -- is an issue, and I don't believe that in the future, it will be an issue.

But having said that, to answer your question on the premiumization, clearly, as you saw some of the markets, right, post-COVID, enterprises came in, in a big way. And about 18 months ago, some of the large multinationals and GCCs after the uncertainty of COVID went away, started expanding aggressively, right?

So, we clearly believe that we need to be able to service every type of customer. And hence, we are almost 40% in less than 100, 60% in more than 100 feet core. So, we are servicing every type of customer.

The tiering of the model, which is basically our flagship product, which we believe does really, really well, then our Gold centers and now Elite provides the ability to service every type of tiered customer, be it a GCC, multinational, be it a premium -- Indian multinational or be it a more, I would say, SMEs and mid-corporate type customers.

So, I think the intention to expand there was not because of supply. It was clearly to address every single customer segment and to address every type of need that exists in the market, And we clearly believe that at the premium end, just like you get luxury cars, right, the opportunity is there, but it's limited.

But India being a value country, clearly, a large opportunity exists in our flagship product as well. Hence, we are continuing to grow each of them in a similar segment where 85% of the product will continue to be in flagship and about 15% will be a mix of Gold and Elite.

Sumit Lakhani: Okay. So, the point I wanted to add over here was, as a conscious move over the last 4 to 5 quarters, what we have done because the MA model also became very, very established. The quality of assets which we are picking up in MA has improved significantly than what we used to do about 3 to 4 years back. So that's where in the commentary that we are highlighting.

Abhishek Khanna: All right. That is helpful. Just maybe one last question that I wanted to add. Would that mean that your more premium products would generally and historically have been on the straight lease model, and they continue to be that way? And revenue share plus premium products aren't generally something that go hand in hand or is that maybe not the right understanding that I have?

Sumit Lakhani: No. So, that won't be the right understanding. See, Elite as a category is one very specific category, which probably may not come a bit straightforward in MA. But the MA itself gives a lot of opportunity for premium product, and we are going for more grade A assets or only grade A assets in managed aggregation as well.

We have a couple of Gold centers under managed aggregation model as well. So, at least internally, we would endeavor that in the next couple of quarters, we would have Elite centers also coming under MA model.

Moderator: The next question is from the line of Shamit Ashar from Ambit Capital.

Shamit Ashar: So, I just wanted to know if you are seeing some sort of ripple effect from the slowdown in the IT sector because last quarter in your presentation, your approximately 45% of the clientele was from the IT sector. So, could you point out that number this quarter?

Sumit Lakhani: So, the percentage remains almost the same from IT sector. So, it ranges between 45% to 47-odd percent from IT/ITES for us. We are not seeing any kind of decline in terms of demand coming up from the sector, I mean, despite what we hear about the commentary. Probably it's a function of the kind of space they are taking from flex players. So, from the whole sector, we are not seeing any kind of change in demand.

Shamit Ashar: All right. And I've gone through a couple of DRHPs from your competitors. So, a lot of players are reporting the revenue to rent multiple. So, have you worked out that number for Awfis yet?

Sumit Lakhani: So, I don't have an immediate kind of -- current for this quarter. But generally, on an ideal center basis, our rental revenue ratios range from about 2.2 to 2.5.

- Moderator:** The next question is from the line of Pranav Shrimal from PINC Wealth Advisory.
- Pranav Shrimal:** Most of my questions have been answered. Just a couple of questions, sir. Speaking about the micro market, are we seeing any demand increasing from Tier 2, Tier 3 cities? And are we thinking of expanding our portfolio further? Or are we focusing on Tier 1 cities at the moment?
- Amit Ramani:** So, as we have been giving the guidance, I think, for a while now that the current Tier 1 and Tier 2 city split is about 89% and 11% in Tier 2 cities. We believe that clearly having a diversified network across some 18, 19-odd cities that 18 of those we have already launched. We are in the process of launching Vijayawada, so about 19-odd total cities.
- We believe that having a diversified network is very, very important. And hence, we have established that these 19 cities will be the growth for the future. Now, the demand in Tier 1 cities will continue to be strong. And hence, about, I would say, 85% to 90% of our portfolio, we will continue to expand in Tier 1 cities. While we want to continue to expand in Tier 2 cities as well, obviously, the base is smaller, hence the growth seems higher in the initial years.
- We also believe that over the next 3 to 5 years, all of these Tier 2 cities will become fairly established. And as they become established, we want to be the market leader, like we are the market leaders in Tier 1 cities as well.
- Pranav Shrimal:** Understood. One last question, sir. You said that we have approximately commitment of 18,000 seats coming in Q2, Q3. So -- and we are going to open 3 new centers. So, are they related or the 3 new centers -- does the 3 new centers include the 18,000 number or is that separate only?
- Sumit Lakhani:** Okay. So, I'll just clarify for everyone. When I say 18,000 seats, these are the seats which are coming from the demand side, not the supply side. So, these are the seats which we have signed up for customers whose handover will happen of the space in Q2 and Q3, and we will start getting revenue from these seats in Q2 and Q3. So, there's a committed kind of demand which we have signed up.
- Moderator:** The next question is from the line of Devang Patel from Sameeksha Capital.
- Devang Patel:** You mentioned strategic focus on GCC and enterprise clients. What will be the share of GCC clients today? And in 3 years from now, where do you see that going? Also, does it mean increase in the size of new centers that you put catering to GCC demand and also would be looking at managed campus at some point of time?
- Sumit Lakhani:** Can you repeat your second part of the question?
- Devang Patel:** Would it lead to increasing size of centers as you cater to more GCC demand, including putting up managed campus for GCCs?
- Sumit Lakhani:** Okay. So, primarily, from our perspective, the way we are tracking is more on the first-time GCCs, which are coming to India because the existing GCCs are already part of our ecosystem for a much longer time. I don't have a percentage as of now with respect -- to the percentage of these GCCs, the first-time GCCs as a percentage of total occupied seats as of today.

But probably in the next couple of quarters, once this number becomes meaningful, we'll share it with you. I'll just give you a straightforward aspect. In the last 6-odd months, we would have signed 9 new GCCs, which are coming -- which have come to India for the first time.

Now, generally, if you look at a couple of these GCCs, they are starting with 50-odd full-time employees. This could translate to maybe 75 to 80 seats in our perspective. Two, they are starting with and growing or to certain GCCs, which are starting with almost about 250 full-time employees kind of situation.

So, we have signed up for the range of 50 to 650 seats across these GCCs. And broadly, our sweet spot when we sign an enterprise customer is generally about 30,000 to 50,000-odd square feet of centers. And that discipline we are maintaining around -- and because we -- on a case-by-case basis and on a very strategic basis, we end up doing very large centers for a single client.

Devang Patel: Okay. Could you repeat how many seats in Q1? I'm sorry, I missed that.

Sumit Lakhani: No. So I said we have signed almost about 9-odd GCCs in the last 6 months, which are the first time GCCs coming to India.

Devang Patel: I got that. Separately, I was asking how many -- 1,000 more seats to be leased in 2 quarters, but how many were leased out in Q1, around 15,000?

Sumit Lakhani: Yes, 15,000 seats.

Devang Patel: Okay. And lastly, on the furniture business, you're looking for some more investment. Where would you be looking to do that investment? And what is your thought process around starting a third vertical?

Amit Ramani: So, if you look at -- I'll answer the second part of the question, and I'll come back to the first part. So, second part, what is the new logic, right? So, if you look at our discussion that we did about a quarter ago for the full year guidance, we were clear that we were evolving from just a coworking managed office operator to a platform that's integrated and provides all the different services that a workplace user requires, right?

So, hence, we have coworking. We have managed office, which are fully established. In the last 3 years, we have established design and build services, which is our fit-out business. We expanded our Allied Services where we added the TechLabs, which is our IT solutioning. We added food and beverage cafeteria management. We added mobility. We added the transportation solution through our partnership with ECOS Mobility.

So, a user that requires any of these services can come to a kind of a one-stop shop solution, right? So, it's going to a bank where you can get a savings loan, you can get a personal loan and you can get a credit card. Similarly, if you think about furniture, the buyer of the furniture is the same buyer of the coworking or managed office solution. And hence, we believe that adding the furniture business adds to that element.

Today, almost less than 10% of our customers are co-working. 90% of their portfolio is in conventional space, where they are buying design-build services or furniture or any of these aspects from other providers. We believe that having access to 3,200 client companies gives us the ability to offer furniture also as a service offering.

To answer the first part of your question, this year, we anticipate somewhere around INR7-odd crores, INR10-odd crores of investment that will go towards establishing the capacity, firstly, for our own consumption and then obviously expand into third-party solutioning as well for furniture.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand over the conference to Mr. Sumit Lakhani for closing comments.

Sumit Lakhani: We thank everyone for joining the call today. We hope we have been able to give you a detailed overview of our business and also answer your queries. Should you have further queries or clarifications, please feel free to reach out to SGA, our Investor Relations Advisors. Thank you.

Moderator: Thank you. On behalf of Awfis Space Solutions Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.