Date: 30/05/2025

To, National Stock Exchange of India Limited (“NSE”) Listing Department Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051	To, BSE Limited (“BSE”) Listing Department Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
NSE Scrip Symbol: AWFIS	BSE Scrip Code: 544181
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SUBJECT: Transcript of the Earning call on financial results of Awfis Space Solutions Limited (‘the Company’) for Q4 FY '25

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 for financial results for Q4 FY '25 held on May 26, 2025.

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 Digitally signed by AMIT KUMAR
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“Awfis Space Solutions Limited

Q4 FY '25 Earnings Conference Call”

May 26, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 26th May 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 MARKETS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Awfis Space Solutions Limited Q4 FY '25 Earnings Conference Call hosted by Asian Markets Securities.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Vikrant Kashyap from Asian Markets Securities. Thank you, and over to you, sir.

Vikrant Kashyap: Thank you. Good evening, everyone. Thank you for joining the Q4 FY '25 Earning Conference Call of Awfis Space Solutions Limited. Today, we have on the call Mr. Amit Ramani, Chairman and Managing Director; Mr. Sumit Lakhani, Deputy Chief Executive Officer; and Mr. Ravi Dugar, CFO.

I now hand over the call to Mr. Amit Ramani. Thank you, and over to you, sir.

Amit Ramani: Good evening, and very warm welcome to everyone present on the call. Along with me, I have Mr. Sumit Lakhani, Chief Executive Officer; Mr. Ravi Dugar, Chief Financial Officer; and SGA, our Investor Relations Advisors. For the Q4 and full year FY '25 results, we have uploaded our presentation on the exchanges, and I hope everybody had an opportunity to go through the same.

To start, I'd like to extend my heartfelt congratulations to Mr. Sumit Lakhani on his appointment as Chief Executive Officer. In his new role, he will oversee P&L, daily operations and customer-centric initiatives in addition to leading our sales, marketing and supply acquisition efforts. This leadership transition makes a major milestone in our journey to transform Awfis into a future-ready world-class organization. Sumit has been instrumental in Awfis success story, bringing a strong grasp of our business, customer needs and company culture. His strategic clarity, collaborative spirit and drive for innovation make him exceptionally well suited for this position. I'm confident that under his leadership, we will maintain strong momentum and continue executing with excellence across all fronts. Over the years, Sumit has played a crucial role in shaping our brand, customer experience and go-to-market strategies. His elevation is a natural step towards our vision of long-term growth and greater agility in a fast-evolving business landscape.

As part of this transformative chapter, we are also strengthening our leadership team by welcoming seasoned professionals from reputed organizations - adding depth, diversity and domain expertise that will further fuel our next phase of growth.

Let me start with a brief overview of the business for the year. We are pleased to share that we have delivered a strong financial performance in FY '25, achieving a year-on-year revenue growth of 42% to INR1,208 crores, surpassing our initial revenue guidance of 30% set at the beginning of the financial year. This remarkable growth was driven by a strong performance in all our service segments.

Our EBITDA demonstrated strong momentum, growing at 64% year-on-year to INR402 crores with a margin of 33.3%, representing an improvement of 440 basis points over the same period last year, supported by enhanced operating leverage and exceeding our initial guidance.

During the year, our co-working allied services business delivered robust growth at 48% to INR916 crores, contributing to 76% of our total revenue. This performance was primarily driven by a successful sale of newly added seats, sustained improvements in occupancy across our established centers and strong momentum in our food and beverage business.

Meanwhile, the construction fit-out projects, including our design and build business experienced a growth of 36%, reaching a total of INR278 crores and accounting for about roughly balance 23% of the revenue.

As we take a moment to reflect on the journey that we have had in FY '25, it is clear that Awfis has truly transformed into a dominant player in the flexible workplace sector with a strong presence across India. We have come a long way driven by our commitment to continuous improvement, operational excellence and a deep understanding of the changing needs of the modern workplace.

Over the past year, that is FY '25, we have made significant progress on several fronts. On the co-working side, in FY '25, we have focused on building capabilities by adding approximately 39,000 seats, setting the stage for next phase of our growth. We have also been able to strengthen our client base, welcoming marquee names such as National Stock Exchange and several GCCs.

I'm happy to share that we have successfully onboarded 3 prominent global organizations at our premium centers in Hyderabad. These partitions reflect our ability to meet the complex large-scale needs of global businesses and reinforce our position as a preferred partner for innovative forward-looking organizations.

We have expanded into high potential Tier 2 cities such as Guwahati and Lucknow, tapping into emerging business hubs and capturing new growth opportunities. We have also enhanced our premium elite offering, staying true to our promise of providing high-quality, tech-enabled and beautifully designed workspaces.

On the design and build business, we have accelerated our capabilities, allowing us to deliver fully customized workplace solutions from initial design concepts to final execution perfectly tailored to our client needs. At our core, we are an end-to-end workplace solutions provider built on an asset-light, high-margin model.

This approach has allowed us to stay agile, optimize costs and offer unmatched flexibility to our clients, helping us against changing market dynamics while maintaining our premium quality. As we kick off this new financial year, it is important for us to set a solid foundation for FY '26, one that will fuel our success not for just this year, but well into FY '27 and beyond.

This is about more than just setting our immediate targets. It's about laying the groundwork for long-term scalable growth that firmly positions Awfis as a true leader in flexible workplace industry.

To do this, we are focusing on building a strong ecosystem that together, focuses on co-working as well as allied services and our design and build businesses. In the co-working segment, our strategic priority is to strengthen our position as a preferred partner for delivering large-scale tailored workplace solutions that address the unique requirements of our enterprise clients.

To support this, we have expanded our team with seasoned senior professionals to strengthen enterprise sales and business development. The focus would be in building, nurturing relationships with large enterprises, managing strategic accounts and driving the profitability of our co-working and managed office offerings.

Last year, we were able to onboard multiple GCCs that entered the Indian market. We will continue to foster a relationship with such global organizations to help set their first offices in India. Our Elite products specifically targeted for GCCs has been received very well, and we will continue to establish new elite centers in key micro markets as we go forward.

For the coworking demand, we plan to launch our updated design, Design 6.0, to meet with the evolving needs of today's modern workforce. I strongly believe that our structured approach and deep understanding of the client needs will enable us to tap into every workspace need at today's workforce.

Another key focus area for us this year is the continued expansion of our design and build capabilities. We are proud to already be the preferred partner for D&B solutions in IT/ITeS segment. Building on this strong foundation, we are now expanding our portfolio to cater to a broad range of sectors and significantly larger mandates.

To enable this growth, we have bolstered our leadership team with senior professionals across design, project delivery and business development. These strategic hires bring deep sectoral expertise and are already playing a pivotal role in scaling our operations and unlocking new client relationships.

In parallel, we are also embracing innovation at every stage from fostering design rendering tools to immersive VR walkthroughs, ensuring an elevated client engagement, higher conversion rates and shorter turnaround times. These advancements will position us to win more complex projects across verticals and further cement our leadership position in the D&B space.

Additionally, our scale, nationwide presence and ability to serve clients across all segments through our 3 format workplace models give us a distinct advantage in scaling high-margin allied services. This ecosystem approach allows us to drive deeper monetization, enhanced stickiness and deliver differentiated value to our customers.

Awfis Café operates 200-plus cafes across centers, serving as a vibrant hub for community and convenience. This year, we are expanding the model to serve external clients, opening a new avenue for the F&B-led growth. Awfis TechLabs launched in FY '25 is our integrated IT service arm offering network infrastructure management and user solutions amongst other services. With a very strong early traction, we plan to scale this aggressively in FY '26.

Our transportation service powered by a strategic partnership with Eco Mobility offers customized sustainable commute solutions for enterprises. This is expected to emerge as a key driver of client satisfaction and retention. Under Mobility Solutions, we have introduced innovative offerings like the hub to cater to hybrid and on-the-move professionals with a robust network of 600-plus meeting rooms already in place. This vertical is poised for significantly scale and impact in FY '26. We have also introduced event management services for the clients that are evolving into turnkey solutions for corporate events, town halls and activations. It enhances client engagement while monetizing underutilized time and space across centers. Our approach for FY '26 will be a two-pronged strategy.

Having expanded our capacity in FY '25, our focus in the first half of FY '26 will be on executing our current pipeline, driving stronger occupancy rates. This disciplined execution will lay a strong foundation for the second half, where we will prioritize strategic capacity expansion, carefully selecting high-potential locations to capture emerging demand and optimize long-term returns.

We believe that the commercial real estate market has seen rapid growth in both sales and rentals over the past few years. We are confident in sustaining our current trajectory of strong revenue growth backed by continued demand across our core business segments and a robust pipeline of opportunities.

We remain focused on driving further improvements in EBITDA margin through operational efficiency and scale benefits. In parallel, we will continue to expand our footprint at a steady pace, maintaining the momentum in seat addition to support our long-term growth strategy.

Let me hand it over the call to Sumit Lakhani, our CEO, to share Q4 FY '25 operational highlights.

Sumit Lakhani: Good evening, everyone. Thank you, Amit, for your kind wishes. I'm deeply honoured to step into the role of CEO at this pivotal stage in Awfis journey. It's been a remarkable experience growing alongside the company from our start-up roots to becoming India's leading flexible workspace provider.

I'm excited to further our impact, drive new growth and continue creating meaningful value for our clients, partners and teams. Together, we'll build on a strong foundation and seize new opportunities to shape the future of work in India.

Now I would like to share with you the operational highlights for Q4 FY 2025. On the supply side, I am pleased to share that we successfully achieved our FY '25 target, marking a significant milestone in our growth journey.

During the year, we added approximately 39,000 new seats, bringing our total capacity to around 134,000 operational seats across 208 centers nationwide as of March 2025. Including centers currently in the fit-out phase and those under LOIs, our total capacity now stands at over 164,000 seats across 243 centers, covering an expensive 8.4 million square feet.

We have also strengthened our footprint, expanding into 9 Tier 2 cities and 5 new micro markets, allowing us to better serve the growing demand for flexible workspaces and emerging business hubs. As of March 2025, our exit month occupancy reached 73%, while centers operational for over 12 months recorded a solid 84% occupancy, underscoring the sustained demand for our premium workspace solutions.

Year-on-year, our growth remains robust. Operational seats and centers grew by 41% and 30%, respectively. Total seats and centers increased by 38% and 28%, respectively. Looking ahead, we have a strong expansion pipeline with signed LOIs for 13 new centers, adding approximately 11,000 seats and 0.6 million square feet of chargeable area.

On the demand side, we signed contracts for 13,000 new seats in Q4 FY 2025 and 53,000 new seats in FY 2025 overall, reflecting a well-diversified revenue base. Approximately 66% of our occupied seats are taken by large corporates and MNCs, 20% by SMEs, 13% by start-ups and the remaining share by freelancers.

Notably, 40% of our clients operate across multiple centers within our own network. The average client tenure is 33 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 3,000 active clients as of March 31, 2025.

That concludes my update. I will now hand over to Ravi, our CFO, for the financial discussion.

Ravi Dugar: Thanks, Sumit. Good afternoon, everyone, and a very warm welcome to everyone. Let me give you a quick overview on our financial performance. For Q4 of FY '25, our consolidated operating revenue stood at INR340 crores, which is a growth of 46% on a Y-o-Y basis.

The operating EBITDA stood at INR116 crores, which is a growth of 73% on a year-on-year basis. The margins stood at 34.1% as against 28.9% in Q4 of last year, same period, which is a growth of almost 520 bps. In Q4 of FY '25, PBT, excluding exceptional items is INR12 crores versus PBT of INR1 crores in Q4 of last year.

On the IGAAP equivalent basis, which is adjusted for Ind AS 116 lease rentals, Ind AS 109 and Ind AS 102 - for Q4 FY '25, our consolidated operating revenue stood at INR339 crores, which is a growth of 46% on a year-on-year basis. The operating EBITDA stood at INR48 crores, a growth of 125% on a Y-o-Y basis. The margins stood at 14.2% as against 9.2% in Q4 of last financial year, a growth of 500 basis points. For Q4 of FY '25, IGAAP equivalent depreciation stood at INR24 crores.

Now coming to full year FY '25, we are pleased to report a 42% year-on-year revenue growth in FY '25 to INR1,208 crores, surpassing our initial guidance of 30% set at the beginning of the year. The operating EBITDA stood at INR402 crores, a growth of 64% on a year-on-year basis. The margins stood at 33.3% as against 28.9% in FY '24, which is a growth of 440 basis points.

This performance not only demonstrates strong operating leverage but also exceeds the guidance we set at the beginning of the year. The full financial FY '25 on the IGAAP equivalent basis, again, adjusted for Ind AS 116, 109 and 102, our consolidated operating revenue stood at INR1,206 crores, a growth of 43% on a year-on-year basis.

The operating EBITDA for the full financial year stood at INR168 crores, a growth of 146% on a year-on-year basis. The margins stood at 13.9% as against 8.1% for the full financial year FY '24, a growth of 585 bps.

For FY '25, IGAAP equivalent depreciation stood at INR81 crores and the PBT, excluding exceptional items, is at INR97 crores versus INR13 crores in FY of '24. As of 31st March 2025, we maintained a strong liquidity position with INR130 crores in cash, bank and FD balances.

Our gross debt stands at around INR23 crores only, resulting into a debt-equity ratio of 0.05, a notable improvement from 0.13 in March '24. Additionally, our net debt-to-equity ratio has improved to -0.22 compared to -0.10 in the same period last year.

With continued improvements in profitability and liquidity, we expect to remain in a very comfortable position on debt-to-equity ratio. Our return on capital employed also improved, rising from 43% in FY '24 to 62% in FY '25, underscoring the strength of our financial performance.

This is all from my end. We now open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star then one on your touch-tone phone. If you wish to remove yourself from the question queue you may press start then two. Participants are requested to use handsets while asking a question. Ladies and Gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Girish Choudhary from Avendus Spark, please go ahead.

Girish Choudhary: Hi Good evening, Amit and Sumit. Firstly, congratulations, Sumit, on your elevation, much appreciated. My first question is on your strategy, right, fiscal '26 strategy, which you mentioned will have 2 phases. If you can share more details across both the phases, like the first phase, what's the kind of occupancy/ ramp-up we are looking at and the margins, which we can expect? And then the second phase, what's the growth you're looking at in terms of seat additions for the year?

Sumit Lakhani: Thank you Girish. So Girish, in terms of the way we look at our current business, if you would see, we are already at 134,000-odd seats. And there are almost about 18,000 seats, which are under fit-out, and further about 11,000-odd seats where we have signed LOIs. So we have a very clear visibility of another 30-odd thousand seats.

So, sitting today, I would say we are very confident that we will add a similar number of seats in FY 2026 like we added in FY 2025. So from that perspective, we are fairly in a comfortable kind of a spot.

The way we look at business right now, the first half, we will use primarily to drive higher occupancies across the centers, which went live in Q3 and Q4 of last financial year so that we don't miss out on our key KPI, which is that the 12-month plus centers need to hit about 84% or 85% kind of occupancies.

So at a blended level, this could be in a similar range that we will hinge between 72% to 74% kind of occupancy in H1 around. In H2, we will look at the overall macro. And if required, we may, you know, even accelerate our kind of supply acquisition depending on the situation at that point of scenario. So this is what we say in a phase-wise manner.

Overall, as of today, if I have to give a guidance in terms of seats, it would be similar as FY '25. In terms of revenue growth, where we sit today, it's going to be closer to at least about 30-odd percent. And with respect to margins, I think it will be similar to what we did for FY '25 with a bit of an upward bias as well.

Girish Choudhary: Got it. Got it. Specifically on fiscal '25, like you've added close to 40,000 seats, right? You're close to 135,000 now. If you can share what's the occupancy in those 40,000 new seats for the year? Just to understand this a little more deeper how the ramp-up will flow through. And I'm assuming that 40,000 seats will also -- will have a much lower margin, right, for fiscal '25?

Sumit Lakhani: Yeah. So see, this 40,000-odd seats came across all the 4 quarters scattered across from month-to-month. I don't have an exact occupancy number of these 40-odd thousand seats. But typically, the way we look at tracking is we try to hit about 80%, 85% occupancy in a center in a period of 9 to 10-odd months of its start date. So that's the way we look at coming around.

And yes, the new centers, they have a bit kind of a drag around the margins to a certain extent. Generally, if you look at our supply acquisition strategy, we, at the initial period, also structure some level of operational rent-free period in our leases so that the impact or a drag on the P&L is a bit subdued during the occupancy buildup period.

Girish Choudhary: Got it. Got it. And lastly, the other ancillary businesses, right, which you have significant plans to scale up, if you can give some road map across these verticals, be it Design & Build and, let's say, the other ancillaries, which includes the mobility and F&B. I mean, what can we foresee over the next 2, 3 years in terms of the scale-up?

Sumit Lakhani: Sure. So primarily, the way we look internally in our business is Design & Build is a full-fledged separate vertical, which has become large. In terms of the overall industry perspective of this vertical, it's growing almost closer to about a CAGR of about 20% to 25% year-on-year backed by higher leasing in the commercial real estate sector.

So, as you would have seen even in the last financial year, we have grown almost about 30-plus percent in this segment. So, we continue to look at a strong growth in this segment. As Amit mentioned, we primarily are focused on now a bit larger kind of volume of business in this segment.

Then the second segment, which is the alternate space revenue is the second kind of a segment for us. Here, we are adding new offerings, which includes the transportations, which include a more focus on F&B. Apart from our own centers, we are also focused on doing that for third-party scenario.

Currently, the ASR contribution is almost about 11-odd percent of the space revenue. Our intent is to keep growing it at a higher pace. Our overall thought is that the ASR would be growing at a much higher base on the overall revenue as compared to the space seats sale revenue growth for us.

Moderator: Sorry to interrupt. Girish sir, may we request to return to the question queue for follow-up questions as there are several other participants waiting for their turn. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the conference, please restrict your questions to 2 per participant. If you have any follow up questions, you may rejoin the queue.

Our next question comes from the line of Mr. Vikrant Kashyap, please go ahead.

Vikrant Kashyap: Sir, I have a couple of questions. First, on the trends on the co-working industry and GCC space and how are we positioning us to capture these opportunities? Would you please also share some marquee deals that reflect Awfis' efforts in this space?

Sumit Lakhani: See, overall, if you look at the Indian flex market, India's flex market is expected to reach closer to about INR600 billion by 2027. It's about 20% to 25% CAGR expected over the next 5 years. And at Awfis, we are extremely well positioned to ride and lead this wave.

Now if you look at a couple of trends which are coming around in the market and which are becoming strong behavioural permanent kind of changes, one, the flex has gone mainstream. So, enterprises are adopting core plus flex and hub-and-spoke models, not just to save cost, but to offer agility, faster deployment and employee-centric work environments.

Second, GCCs are accelerating their India strategy. We have almost over 1,800 GCCs already operating in India and more entering each year. So the demand for plug-and-play, scalable tech integrated workspaces has exploded. So, projections estimate that India's GCC market will expand to almost about $100-plus billion by 2030. So with the number of centers increasing to closer to about 2,500.

Then I would say Tier 2 is the next flex boom. So enterprises and GCCs are also looking beyond metros into Tier 2 cities to access talent and manage their costs. So Tier 2 flex space base stock is expanding fast. And it is projected to contribute almost equivalent to about 30% of the total market by 2028-2029.

With respect to Awfis, I would say, experience is the new differentiator. Generally, the clients are no longer looking at comparing desk costs. They are evaluating design, sustainability, service quality. And so, we have been ahead of that curve.

From our perspective, the other differentiating factors are, one - the network effect. We operate about 200-plus centers with a presence across 18 cities and 58 micro markets. It's far higher than any other competitor. Then we have a very multitiered product strategy. From a standard Awfis centre to a Gold and Elite format, we cater to everyone from a young start-up to a global GCC. Few players in India offer that breadth with consistency.

Then a large differentiation for us also is our supply acquisition model, which is the managed aggregation model, which is almost about 67% of our portfolio. It allows us to scale quickly and in a more capital-efficient manner. And then I would say we are not just now offering space. We are offering an end-to-end platform with Design & Build, Mobility, IT services and Hospitality layers across our ASR ecosystem.

Vikrant Kashyap: Okay. Since you've highlighted your Elite version has a strong demand in GCC space. So out of the new seats or space that you have signed, how much has been deployed to this Elite version?

Amit Ramani: So currently, we have 3 centers which are operational under Elite, one in Hyderabad and 2 in Bangalore. And the plan this year would be to add another 4 to 5 Elite centers across India. And that basically would be somewhere around, from overall of our portfolio - almost 85% to 86% would be a flagship product and about 14% to 15% would be a combination of our Awfis Gold and Awfis Elite.

Vikrant Kashyap: Okay. And the last question on your tie-up with Eco Mobility. So what are your thought process of the management behind this deal and how you want to scale this portfolio?

Sumit Lakhani: So with respect to the collaboration with Eco Mobility, it is primarily centred around solving a very real and growing need for enterprise-grade employee transport solutions, especially in Tier 1 cities, where commute times can be long, unpredictable.

And there is a major friction point for productivity. So what we did is by integrating Eco's tech-enabled travel capabilities with our workspace offerings, we are able to provide a seamless end-to-end solution that covers not just where people work, but how they get to work.

So it strengthens our overall enterprise value proposition and enhances stickiness and monetization opportunity for us. So it's a natural extension of Awfis as a service ecosystem for us.

Moderator: Our next question comes from the line of Adhidev Chattopadhyay from ICICI Securities, please go ahead.

Adhidev Chattopadhyay: Yes. First of all, congratulations, Sumit, for your elevation in your role and to the management for a great year. So the first question I have is on this memorandum of association where we have mentioned we'd like to get into retailing of furniture and also do some backward integration. Could you help us understand what are the sort of cost savings synergies we'll have? And this retail portion, would will be a separate vertical? Or will it be part of your Design & Build vertical? That is the first question.

Amit Ramani: So Adhidev, the furniture piece of our business is a natural progression towards a backward integration. As you saw, we added approximately about 39,000-odd seats this year, which is a captive demand. And our revenue for Design & Build roughly was another INR280-odd crores.

So we influenced another 20,000 desks that we were basically responsible for either as part of design or as part of Design & Build directly or indirectly with our clients. We feel that that's a very, very large captive audience that's available with us. And when you say retailing, obviously, the plan is not to open up retail stores as you would think about it, but it's primarily to focus on the B2B space in the furniture business.

Clearly, when we start, we are focused on primarily focusing on modular chairs and some loose furniture and then further expanding our basket as we go forward. But the day 1 ambition is to obviously service our captive demand. Yes, at the same time, we can offer this as part of the Design & Build solution. And at some point in the future, we could also offer this as a standalone solution where we would just be selling furniture.

If you look at our portfolio today, we have 3,000-odd client companies that sit with us. And a large portion of their portfolio is in conventional space. So, we believe that the same-decision maker that is taking a decision for co-working, managed office, mobility is the same decision-maker for furniture as well.

So we feel that this is something that will help expand into an already established -- very strong established client base, another touch point with our client and help stickiness and obviously, a continued relationship with the client.

In terms of margins, Adhidev, it's a bit soon because we are in the process of going through the whole setup. Maybe in the next couple of quarters, I can give you a more clear guidance. But clearly, currently, I'm buying from third party.

So the third party is making some margin. So even if I was to save some margin there, I think it makes complete sense, plus it's because new service line for us. But I'll give you a clear guidance on the margin maybe in the next couple of quarters.

Adhidev Chattopadhyay: Sure, sure. Sir, just a housekeeping question. Currently, what will be your capex per square feet on either a chargeable or a carpet data basis, if you can just give us a ballpark number on our capex, what we are incurring right now?

Sumit Lakhani: So closer to about INR1,680 on super builtup area is the kind of ballpark capex for us, a pure standard Awfis product.

Adhidev Chattopadhyay: Okay. Fine. Sir, and just following up on that, sir, any capex guidance you'd like to give for '26? And also, I have noticed you paid taxes for the first time, at least on the P&L. So are we out of our tax shield past losses? And what would be the effective tax rate for '26? Those are my questions.

Ravi Dugar: Adhidev, this is Ravi this side. So, on the taxation piece, the small amount that you see over there is because of the subsidiary taxation. As far as Awfis main entity is concerned, subsidiary for us is almost like 2% of our revenue. However, as far as the Awfis main entity is concerned, we still have some carryforward losses, which we plan to utilize in the current year. So most likely, in Q4 of the current year or Q1 of the next year, which is FY '27, we would be out of the brought-forward losses. What was your first question?

Adhidev Chattopadhyay: I'll just complete this. So in '26 also, there would be no tax outgo, right? We'll still be in a tax yield, right, just to understand in FY '26?

Ravi Dugar: Yes, most likely, yes, for Awfis main entity, yes.

Adhidev Chattopadhyay: Okay. And just I just wanted a capex guidance number for FY '26, if you could share that, overall capex, which we would envisage to do? Our share or I don't know how you want to -- whatever shows up in the balance sheet?

Sumit Lakhani: So Adhidev, like I mentioned in terms of the total number of seats for FY '26, what we are guiding right now is almost similar to FY '25. So the overall capex spend will also be in the same range as FY '25.

Adhidev Chattopadhyay: Okay. We should just use that as the benchmark.

Sumit Lakhani: Yes.

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

Shivkumar Prajapati: My first question is we have expanded into Tier 2 cities like Guwahati and Lucknow. So what's the criteria do we use to select new Tier 2 markets?

Amit Ramani: Yes. So if you look at the whole overall strategy for us, so India's growth story, obviously, over the next decade is going to be written beyond the 7 cities. Whether it's digital adoption, start-up activity, GCC expansion or any of the rising talent pools, the Tier 2 cities are clearly leading some of the charge there.

And what we believe the reason -- the way we have at least structured is that we believe, including Vijayawada, which we'll open this year, we believe that the future of the INR4 trillion to INR10 trillion economy is going to be written on the back of the Tier 1 cities and some of these 10-odd Tier 2 cities that we are looking to be present in.

The criteria that we use is the level of demand that we assume for those areas, the kind of pipeline that we have from our current client base. We also do an analysis, which basically gives us a sense that any city that we expand into should be able to have at least 4 to 5 centers because we run a complete operations team and obviously, a sales team in that city. So there has to be a certain operating leverage that has to come into that city.

Based on these criteria, we basically look to expand. But current guidance, I think at least for FY '26, other than Vijayawada, which we have already selected, I don't think we are looking to expand into any other Tier 2 cities.

Shivkumar Prajapati: Great, sir. Sir, my next question is on Elite. So we have launched Elite for the GCCs. So how does our offering differentiate from the competitors? And what's the expected revenue contribution from this segment in the coming years, say, 2 or 3 years down the line?

Sumit Lakhani: So the whole concept of starting Elite came as a perspective of a multi-tiered product strategy for us. So we have a standard offering, which is a more value product than a gold it's a bit more premium and Elite becomes a higher premium product. The idea of creating Elite was that we intend to offer the similar specs of design and physical spaces as the GCCs and larger Fortune 200 or Fortune 500 companies are utilizing in their base home locations. So that was the primary kind of differentiation.

If you look at competition, everyone has a kind of a product and a value positioning. so an Elite would compete with a couple of players like, let's say, WeWork or TEC across various markets in those kind of product positioning.

And as Amit mentioned, as of today, we have 3 Elite centers, which are live. For the whole financial year, we expect we would have almost about 8 to 9 Elite centers, which will be live by end of the year.

And in terms of the overall revenue contribution, it would be a bit lower because we will have almost about 250-plus-odd centers by end of the next financial year. The margin profile is similar to the kind of model we select. So, if the Elite center is in a straight lease model, we expect that it will generate a 30% plus kind of a center level EBITDA margin. And if it's in a managed aggregation model, it would be closer to about 23% to 27% kind of a range.

Amit Ramani: The other small point I'll add here is obviously, it becomes big from a customer standpoint is the experience that we offer. So if you look at our -- some of the centers today, the kind of amenities at the flagship level or the gold level and as well as on the Elite level, they offer a multitude of offerings to our customers at different price points. Specifically on Elite, we have this whole training room available with us, concierge services, which take care of a lot of different elements.

We have spaces that essentially service their training requirements, their recreational requirements. And I think to that end, we have a full focus on wellness in terms of the quality of infrastructure is one. But obviously, overall, how we are providing this experience to our customers.

And as we were discussing earlier, our strong focus is to create very strong experience and engagement with the customer. And as a result of our strengthening of our food and beverage offering or the transportation solutions, it becomes a one-stop solution for our clients.

So I think overall, yes, great infrastructure, well-designed spaces across the 3 offerings, but at the same time, delivering an experience which is exceptional and doesn't exist with any of the other competitors.

Shivkumar Prajapati: Great, sir. Sir, my last question is on capex allocation. So how do we prioritize between the seat additions or, say, expanding the Awfis Transform or Awfis Care businesses? So just want to understand like what proportion of the capital would go towards seat additions and, say, other allied services that we offer?

Amit Ramani: So the primary capital that we deploy today, right, I would say almost 95% plus of it is towards our seat expansion, right? I mean, that is the primary investment that we do. When it comes to transform, that's a service, right? It requires limited capital deployment. Yes, there is some working capital requirement because it's Design & Build business for B2B space.

But outside of that, I don't think it requires much capital investment as we would call the hardcore capital investment. And Awfis Care business, last September, we had already exited out of that business by selling it to a large operator that primarily is in the facility management space. So, we have no capital deployment towards the Awfis Care business anymore.

Moderator: Your next question comes from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: Thank you for the opportunity, congrats on the good execution. Sir, my question is basically on the capex number, which we did almost around INR200-odd crores is slightly higher than what we had planned for around INR140 crores to INR150-odd crores. So despite we are adding, we have added around close to 40,000, which we have guided. Trying to understand why the capex spend was higher than our earlier estimate despite seat additions being in line with our guidance?

Ravi Dugar: Hi Chintan, This is Ravi this side. Yes, the guidance given was in the range of INR140 crores to INR150 crores at the beginning of the year. However, as mentioned in our last earnings call that the company will continue to evaluate the capex spends depending on our growth aspirations, and we can have higher capex versus initially guided. We continue to see very strong momentum across all the sectors.

That said, the reason for higher capex are as follows: 1) It was due to some of our enterprise deals , where we have had higher capex spend on some of our properties. Also, as was mentioned in the last earnings calls, we rolled out Elite by Awfis centres. We have also invested in that format, which has resulted in higher capex spends.

These are the broadly 2 reasons for having a higher capex spends versus initial guidance. That said, the capex per seat, again, it remains in the same range of around 52,000 to 55,000 for our entire portfolio.

Chintan Sheth: Got it. And second question is on the concierge service with ECOS. How -- I understand that it's an add-on service and seamless services to your clients. How should we look at monetizing whether it will be percentage share we will get from ECOS or without incurring any incremental cost because they will be operating and they will be managing the entire transit part? We'll just provide the source or the clients' employees to their network and make a cut out of it, that will be the broad understanding of the agreement?

Amit Ramani: So Chintan, currently, we view this as a pure convenience for our customer offering, right? I don't think the intent, at least day 1 for us, is to look at it as a revenue or a margin improvement impact for FY '26 at least. We feel that this is something that our customers demand today. It is something that Eco Mobility being another parallel player already listed in the space with a very strong reputation.

I think the 2 partnerships are more around offering a convenient solution to our customers. Our customers are asking us today to provide not only the infrastructure, they are also asking us for IT solutions. They are also asking us for transportation solutions. So this becomes more of a convenience in FY '26.

Then obviously, once the partnership becomes stronger, we can give some guidance for the future years. But today, we didn't come at it thinking that this will have a huge impact on our revenue or our margins.

Chintan Sheth: It will start slow, but as it catches up, we can expect some margin accretion overall...

Amit Ramani: Of course. Yes, no guidance for FY '26 because we are looking at it as a convenience factor. We are obviously piloting it at multiple locations in the network today. But yes, you can potentially see in FY '27 and '28, probably an impact of this partnership.

Moderator: Our next question comes from the line of Ankush Agrawal from Surge Capital.

Ankush Agrawal: Hi sir, thank you for taking my question. So firstly, can you let us know what is the broadly the corporate overhead currently on an Ind AS level?

Ravi Dugar: Yes. Is this Ankush?

Ankush Agrawal: Yes.

Ravi Dugar: Ankush, the corporate overhead is in the range of around 10%.

Ankush Agrawal: 10% of overall revenues?

Ravi Dugar: Yes.

Ankush Agrawal: Okay. And are we seeing any kind of operating leverage on this like from broadly just, say, last year, what was it and how much is it now?

Ravi Dugar: Yes. We have already seen a lot of improvement, which has happened between the 2 years. In FY '24 versus the current year, we have already seen an improvement by almost like 200 bps to 300 bps is what the range has been. And going forward, we'll continue to see some improvement on that side as well.

Ankush Agrawal: Got it. Secondly, this quarter we've seen our profitability reduced sequentially. I'm looking at Ind AS numbers. So wanted to understand, is there some element of seasonality wherein Q4 have some higher expenses? Or is it just normal routine business that some costs would have gone here and there, that's why it's down?

Ravi Dugar: Yes. So Ankush, as we said, we continue to see a very strong momentum in demand across all the sectors. Our overall operating metrics continue to improve. But what you are referring is primarily due to some non-operating nature items. So in the quarter, we had a onetime charge of INR4.5 crores due to some accelerated hits what we have taken on a few of our centers.

This is as part of our strategy of continuously assessing our portfolio at the time of lease renewals. So that's a onetime charge what we have taken. Additionally, some of our properties have been renewed in Q4. This has resulted in a higher ROU and a lease liability creation in the current quarter.

Ankush Agrawal: I was looking on to Ind AS number. I was looking at Ind As number?

Ravi Dugar: Yes, I'm talking about the Ind AS numbers only. Yes, so these are primarily the 2 reasons why you see a slight dip.

Ankush Agrawal: Okay. And just one out more thing like typically, like we have mentioned that the fit-out period is generally between 60 to 90 days. So ideally the seats under fit-out at the end of any quarter should result in a similar number of more seats being operational in next quarter, which is typically not the case.

Typically, we have half the number of seats that are being operationalized in the next quarter. That would obviously mean that we are closing down or moving into renovation for a number of seats every quarter. So would it be possible for you to start sharing data like how many seats we have dissolved or have moved them to renovation or something?

Sumit Lakhani: So when you say that we are opening half the number of seats, can you just elaborate that so that I can answer question?

Ankush Agrawal: Yes. So for example, as of Q3 end, we had about 21,000 seats under fit-out. Q4, we have operationalized 12,000 seats. So in the past, it is only half, the number of seats under fit-out at the end of every quarter typically end up being so. If the number of days is 60 to 90 days under fit-out, it should have been one-to-one or a little higher? So I'm just trying to understand that.

Sumit Lakhani: Yes. So I'll just explain that. So the category when we are putting under fit-out, it basically means that the LOIs have been signed, and we have registered that agreement. Now from the point of registering the agreement to taking the possession of the property, there is a kind of a time lag and then we take a time lag with respect to fitting out the whole process. The overall fit-out process is generally 75 to 90 days. And so that's the reason when you see the category under fit-out, these centers end up being live in a span of about 3 to 6-odd months.

Ankush Agrawal: Okay. But would it be fair to assume that every quarter we would be dissolving -- it's just a clarification of last part?

Sumit Lakhani: Yes. So, what you see as an under fit-out - so generally, if I am, let's say, giving 10,000 seats under fit-out, so every quarter, you could assume that 5,000 of those seeds will go live.

Moderator: Your next question comes from the line of Kishore Kumar from Unifi.

Kishore Kumar: Congrats on a good set of numbers. So, can you just tell me the actual rent paid?

Ravi Dugar: Hi Kishore, this is Ravi this side. So, the actual rent paid on the leases is in the range of around INR245 crores. This is appearing as depreciation and finance costs and the rent in the other expense schedule is around INR111 crores. Sum total is around INR355 crores.

Kishore Kumar: Sir, INR111 crores for full year?

Ravi Dugar: For the full year, yess.

Kishore Kumar: Got it, sir. Sir, on the mature center -- in the comparison with mature center and the new centers interest, how is the rent spread moving, sir, actually? So, if I take the rental paid for the seat as well as the revenue that we receive, what is the spread for the mature centers in comparison with the new centers?

Ravi Dugar: Yes. So, on a mature center, the contribution margin would be in the range of around 24% to 25%.

Amit Ramani: So, let me just take that. So, in case depends on the model. So, the mature centers, typically, which are 12 months or more. If it's a straight lease center, the margin would be somewhere around 30% plus. If it's a managed aggregation center at that stable state occupancy, that would be somewhere around -- anywhere between 22% to 24%.

And then across, obviously, the overall business, so if I was to only look at 12 months or more blended between the 2 models, it will be somewhere around about 25% to 26%. But since the portfolio is obviously a combination of less than 12, more than 12-month centers, so clearly, obviously, the margin profile is a bit lower when you look at it at a blended level.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Amit Ramani for closing comments.

Sumit Lakahni: So 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 Relation Advisors. Thank you.

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