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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 Q2 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 earning call for the quarter ended on September 30, 2025, held on Tuesday, 11th November, 2025 at 05:30 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

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“Awfis Space Solutions Limited
Q2 & FY26 Earnings Conference Call”
November 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 November 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:

Ladies and gentlemen, good day and welcome to Awfis Space Solutions Limited Q2 and H1 FY26 Earnings Conference Call hosted by Asian Markets Securities Private Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions, expectations of the company as on the date of this call. These statements are not guarantee of future performance and involves 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Ramani, Chairman and Managing Director of Awfis Space Solutions Limited. Thank you, and over to you, Mr. Amit.

Amit Ramani:

Thank you. Good evening and a very warm welcome to everyone present on the call. Along with me, I have Mr. Sumit Lakhani, CEO; Mr. Ravi Dugar, Chief Financial Officer; and SGA, our Investor Relations advisers. For the Q2 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. At Awfis, we take great pride in the journey we have undertaken, a journey that has transformed us from being a pioneer in flexible segment to becoming India's largest and most trusted workplace solutions provider. What began as an idea to make workspaces more accessible and agile has evolved into a national platform that is redefining how India works, collaborates and grows.

Over the years, we have continuously adapted to shifting market dynamics, anticipating the changing needs of enterprises and professionals while remaining steadfast in our mission to deliver high-quality, technology-driven and future-ready work environments. Today, we stand tall with 247 centers and nearly 175,000 seats across 18 cities, serving a diverse base of over 3,400 client companies from dynamic start-ups and emerging enterprises to large corporates and GCC.

This scale is not just a reflection of our size, but of the execution excellence and operational depth we have built over the past decade. Our ability to scale consistently and profitably in a rapidly evolving commercial real estate environment underscores the strength of our business model and the resilience of our team.

As we look ahead, we are strategically leveraging our strong leadership in the value segment to move up the value chain. The future of workspaces is being shaped by flexibility, quality and technology and Awfis has positioning itself as a full spectrum across both value and premium offerings.

We have increased our focus on Grade A buildings and premium locations, aligning with the evolving requirements of GCCs, large enterprises and global clients seeking high-quality, tech-enabled and sustainable workspaces. The approach is already reflected in our new supply acquisition with 70% of our new supply now coming from Grade A+ assets and 100% from

Grade A assets. This reconfirms our continued progress towards premiumization of our portfolio. Our portfolio mix is also evolving. Our premium workspaces now feature 21 Gold and 5 Elite centers across some of the most prestigious micro markets in the country. Further, our geographic expansion strategy continues to strengthen the pan-India presence.

Our Tier 2 seat capacity grew by 28% year-on-year, showcasing the growing acceptance and adoption of flexible workspace model beyond traditional metropolitan centers. Both the flex and the enterprise segment of our business continues to grow at a strong pace.

The enterprise segment is propelled by the entry of new mid-sized GCCs setting up operations in India. Our ability to deliver customized high-performance workspaces supported by cutting-edge technology and robust project execution has made Awfis the partner of choice for large organizations seeking speed, quality and flexibility. On the flex side of the business, which includes co-working centers and less than 100 seats cohorts, we are witnessing a strong network effect across our client base, expansion from existing clients, both within current centers and new locations. This continues to drive steady growth, complemented by healthy new client acquisition.

A significant milestone in our strategic journey is the planned subsidiarization of Awfis Transform. Our high potential design and build business. We believe this vertical represents a key growth engine for Awfis and tracking it separately will enable greater focus, strategic clarity and scalability. This move is designed to optimize management bandwidth and unlock new growth opportunities by providing entity with the enhanced flexibility in capital deployment, strategic partnerships and expansion initiatives to scale the business. The business now aims to expand beyond workplace design and build into new segments such as retail, hospitality and institutional projects, supported by a dedicated leadership team and a clear financial visibility. Over time, our vision is to position Awfis Transform as a leading full-service design and build platform serving clients across all sectors.

Now coming to our financial performance in H1 FY26. Awfis maintained its strong growth trajectory supported by sustained client demand, healthy occupancy levels and operational efficiency. For H1 FY '26, our operating EBITDA grew by 44% year-on-year. Revenue expanded by 28% and PAT rose 49%, reflecting both top line growth and improved profitability.

Revenue for this quarter grew by 26% year-on-year to INR367 crores, while EBITDA increased by 32% to INR132 crores, with margins expanding by 180 basis points compared to the same period last year. Our co-working and allied services segment in Q2 FY '26 continued to lead the growth, rising 36% year-on-year to INR297 crores and contributing to about 80% of the total revenue.

This momentum was driven by our ability to maintain high occupancy across all expanded seats today, coupled with strong traction from GCCs and enterprise clients. Our construction and fit-out projects grew by 19% quarter-on-quarter to INR69 crores. We see this segment gaining significant traction in the coming quarters, buoyed by a healthy order pipeline and a favorable market outlook and we remain confident of meeting our full year guidance.

The Indian office market continued its strong momentum in Q3 despite global macroeconomic uncertainties, including changes in U.S. tariffs and visa policies. As of year-to-date FY '25, cumulative gross leasing volumes stood at approximately 64 million square feet, putting the market on track to match or surpass last year's record high. GCC transactions remain a key growth driver, contributing 32% of the quarterly gross leasing and about 30% year-to-date, underscoring their expanding footprint in India.

India has firmly established itself as one of the world's most mature and dynamic flexible office ecosystem. At a time when global occupiers are recalibrating portfolios for greater agility, India's flex sector is not merely keeping pace, it's setting global benchmarks for scale, maturity and innovation.

By Q2 2025, India's office footprint stood at about 80 million square feet across the top 8 cities, the largest in APAC region and on track to reach about 85 million square feet by year-end, and looking at crossing about the 100 million square foot milestone by 2026.

Demand has grown in tandem, rising nearly sixfold since 2022 as occupiers increasingly favor shorter turnaround time, a turnkey managed solutions and faster go-to-market setup. In 2024, flexible workspace contributed to around 15% of total new office leasing, underscoring their mainstream acceptance and central role in shaping India's modern workspace landscape.

With over 65% year-on-year surge in net absorption, industry analysts expect flex penetration to soon reach one-fifth of all commercial take-ups in India, positioning the country as a dynamic hub for innovative workplace models and reinforcing its appeal to both domestic and global enterprises.

Flexibility and agility are driving India's flex space story and this trend is set to accelerate as firms actively seek business-ready offices to rapidly scale or adjust headcount as needed while facilitating a premium experience for their clients. As we move forward, our focus remains unwavering to build the most agile, high-performing and future-ready workspace ecosystem in India.

On the client side, we continue to enhance the experience through technology, integration, superior design and sustainable operations. Our aim is to position Awfis not just as a workspace provider, but as a long-term strategic partner that empowers businesses to scale with agility and confidence. Let me now hand over the call to Mr. Sumit Lakhani, our CEO, to share H1 FY '26 and Q2 FY '26 operational highlights. Over to you, Sumit.

Sumit Lakhani:

Thank you, Amit. Good evening, everyone. I would like to share with you the operational highlights for Q2 FY 2026. On the supply side, during the quarter, we added 14,000 new seats, bringing our total capacity to around 147,000 operational seats pan-India as of September 2025, a 33% year-on-year growth, including centers currently in the fit-out phase and those under LOI.

Our total capacity now stands at over 170,000 seats across 247 centers, covering an expansive 8.4 million square feet. As of September 2025, our exit month occupancy stood at 74%, while centers operational for over 12 months achieved a robust 84% occupancy. Year-on-year, our growth remains robust.

Operational seats and total seats grew by 33% and 23%, respectively. Looking ahead, we have a pipeline of centers under fit-out, along with signed LOIs for 22 new centers, adding approximately 24,000 seats and 1.1 million square feet of chargeable area. On the premium workspace side, we now have 26 centers divided between 21 Gold centers and 5 Elite centers.

On the demand side, we signed contracts for 15,000-plus new seats in Q2 FY 2026 and approximately 30,000 plus for H1 of FY 2026 compared to almost about 25,000 seats in H1 of FY 2025, reflecting a robust revenue pipeline. Approximately 61% of our occupier seats are taken by large corporates and MNCs, 23% by SMEs, 15% by start-ups and remaining share by freelancers.

Notably, 44% of our clients operate across multiple centers within our network. The average client tenure is 36 months with an average lock-in period of 23 months, demonstrating strong long-term client commitment. For clients with greater than 100 seats, the average client tenure is 47 months with an average lock-in period of 30 months. Our client base remains highly diversified with more than 3,400-plus active clients as of September 30, 2025.

Our portfolio continues to demonstrate strong enterprise depth with large cohorts, which are listed 200-plus seats now accounting for nearly half of our total client base, including 34% from 500-plus seat segment and overall 61% from 100-plus seat cohort. Over 10 GCCs are already operating out of our 5 Elite centers, further reinforcing our capability in delivering a premium global experience.

In H1 FY 2026 also saw us sign 9-plus large corporates MNCs, taking up 5,000-plus seats. An existing Fortune 500 IT client, who currently has a portfolio with us across 5 locations, signed further expansion of 1,000 seats across 2 Tier 2 cities. That concludes my update. I will now hand over to Ravi, our CFO, for the financial discussion.

Ravi Dugar:

Thanks, Sumit. Good evening, and a very warm welcome to everyone. Let me give you a quick overview on our financial performance. For Q2 and H1 of FY '26, our consolidated operating revenue stood at INR367 crores, which is a strong growth of 26% on a Y-o-Y basis. And for H1 FY '26, it was INR702 crores, which is again a growth of around 28% on a Y-o-Y basis.

The operating EBITDA stood at INR132 crores, which is a growth of 32% on Y-o-Y basis. The margins stood at 36.1% for Q2FY26. As of H1 FY '26, the EBITDA stood at INR259 crores, a growth of 45%, with EBITDA margins at 36.9%. In Q2 FY '26, PAT was at INR16 crores versus a PAT of INR15 crores, which excludes all the exceptional items.

And for H1 of FY '26, PAT was INR26 crores versus a profit of INR17 crores, excluding exceptional items. On the IGAAP equivalent basis, which is adjusted for Ind AS 116 on lease rentals and other IndAS, namely IndAS 109 and IndAS 102, for Q2 FY of '26, our consolidated operating revenue stood at INR366 crores, which is a growth of 25% on a Y-o-Y basis. And for H1, the number was at INR701 crores, a growth of 28% on Y-o-Y basis.

The operating EBITDA stood at INR52 crores in Q2, which is a growth of 18% on Y-o-Y basis. For H1 FY '26, the EBITDA stood at INR100 crores, which is a growth of 38% on Y-o-Y basis. For Q2 FY '26, IGAAP equivalent depreciation was at INR29 crores and finance cost at INR5

crores. And for H1, equivalent depreciation stood at INR56 crores and finance cost was at INR11 crores.

We continue to maintain a strong liquidity position. Our gross debt stood at around INR21 crores in Q2 FY '26 as against INR28 crores in Q2 of last year, resulting into a debt-equity ratio of 0.04, a notable improvement from 0.07 in Q2 of FY '25. Our net debt-to-equity ratio is at negative 0.18.

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 is at 65% annualized for Q2 FY '26 versus 62% for the entire financial year FY '25, underscoring the strength of our financial performance. With this, 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 Chattopadhyay from ICICI Securities.

Adhidev Chattopadhyay: Sir, I have actually one question, which may have two or three parts to it. What I noticed is now that our MA share has now come down to around 61% of the overall total supply. Obviously, I understand we are trying to premiumize our product and hence, the quality of real estate and daily developments would require us to go the straight lease way.

So could you just help us understand over more medium term, what does it mean for our realization and also our EBITDA margins, right, as we move away to more straight lease? And consequently, even on our capex requirement, how does it change our capex requirements versus what we have been doing historically? So that is what I wanted to understand first

Sumit Lakhani: Sure. So Adhidev, primarily with respect to managed aggregation, there is no change in terms of strategy. The current pipeline of new centers, which you see with respect to managed aggregation is almost about 65%-odd. It's just that in the last two odd quarters, we had seen a bit more straight leases and a couple of Elite centers which came on board. So from our perspective, the overall strategy with respect to managed aggregation continues to stay the same.

Adhidev Chattopadhyay: Okay. So -- but to understand for more premium grade properties, right, Grade A, are you able to still source managed MA deals as easily or are you compelled to go to straight lease? I think that was more the -- what I was trying to target?

Sumit Lakhani: So fundamentally, if you look at the way the supply strategy is happening, with respect to Elite properties, as we have also explained over the last couple of quarters, the supply acquisition is primarily around on straight lease properties, whereas over the last 1-odd year, we have taken a specific focus with respect to increasing the building quality for the managed aggregation properties also which we source.

With respect to the managed aggregation properties, which we are sourcing, we are able to source more successfully the better Grade A buildings. As mentioned during our commentary, now in terms of the new additions over the last 1 year, 70% of properties which we have sourced is under Grade A plus supply and 100% across Grade A. And one of the strategy which is

working well for us is forward leasing of new buildings under managed aggregation. So from that perspective, we feel very confident in terms of acquiring supply under MA model.

Adhidev Chattopadhyay: Okay. Sure. That is clear. I think last part on the margins. Now we are, I think, settled at this 14% to 15% sort of margin range. So when do you see maybe some uptick from here at a portfolio level?

Sumit Lakhani: See, like probably in the last one or two quarter results also, I would have given a guidance that for the current year, financial year, we expect margins to stay stable between 14% to 15%. Next financial year, we expect a kind of a positive upside on the margins as the blended occupancy increases a bit.

Adhidev Chattopadhyay: Okay. So just trying to understand again because with our premiumization strategy and how it helps our margins overall in the -- from a 2- to 3-year point of view, just wanted to directionally get some idea?

Sumit Lakhani: So directionally, premiumization is going to help us with respect to improving the margins. But the impact of it would require at least four to six odd quarters and a bit more a larger portfolio of premium centers. As you would have noticed that from this quarter, we have also started reporting the number of portfolio of our premium centers, which is almost about 26 centers. So as this 26-odd centers starts increasing and as a percentage of the total portfolio, it increases, it will start having a positive impact on the margins.

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

Girish Choudhary: Firstly, on carving out the design and build to a wholly owned subsidiary. If you can help us understand how you're thinking about capital allocation and leadership bandwidth and also the corporate overhead sharing between the core and the subsidiary business? And as a follow-up, if you can also help us understand, so I read that you're expanding into newer sectors like retail and hospitality. So what gives you the right to win there in terms of capabilities or relationships or any execution expertise over there?

Amit Ramani: Sure. Thanks, Girish. So obviously, the move is intended to provide greater flexibility in terms of capital deployment, strategic partnerships and expansion into new initiatives. And again, when you look at the co-working business and our Transform business, one of the feedbacks that we have always gotten is that can we split these costs properly.

So I think what it will do for us is that 2 businesses on its own -- on a stand-alone basis, you can track. In terms of the corporate costs that you mentioned, obviously, anything that even today, whatever is allocated to the co-working managed Awfis business or the Transform business, I think, can be seen clearly in our financials as how it's demarcated. So those costs obviously will get realigned.

In terms of your question on retail and hospitality, obviously, in commercial interior space, we have the market leadership. We do a fair bit of work across different client types in that space. On retail and hospitality, some of that expertise will have to be built either organically or

inorganically going forward. And we will continue to look at opportunities of expansion both in these sectors and kind of take it from there.

Girish Choudhary: Got it. And also on this business, what I'm seeing is that the revenue momentum is lacking this year, right, first half. So how should we see this business going heading into, let's say, '26 and '27, '28, maybe more, let's say, near to medium term and even long term, how should we look at what's the order book visibility?

Amit Ramani: Yes. So Girish, there's a very strong demand in this segment. Obviously, a better way of looking at this segment is over a long period on a yearly basis, right. Because every quarter, you could have some changes. But for example, Q1 to Q2 of '26, we have grown by almost 20%, right.

So there is a time gap between the booking of the project, the revenue delivery. And -- but clearly, we are seeing a good growth momentum as we go forward. We strongly believe that the commercial interior design and build is an extremely large opportunity as conventional leasing continues to grow in this country as we have seen over the last few years.

We will continue to see momentum in the design build, fit-out space. So obviously, we are very, very bullish. I think this a little bit of a blip is more of a quarterly thing. But I think on a yearly basis, we are very, very bullish on the overall expansion opportunity and as well as how we see the space growing. So the guidance for the year remains the same.

Girish Choudhary: Got it. Secondly, in terms of your guidance, like your earlier guidance, you had indicated that you would want to consolidate in first half, drive occupancies and maybe start your expansion or resume our expansion in second half, right? So where are we in that journey currently? And I also see that occupancies have increased by around 2% in the last 6 months. So do you see any further room for pickup the trajectory there and also the expansion momentum?

Sumit Lakhani: Yes. So Girish, with respect to blended occupancy, yes, you are right. We have seen improvement around on that, and we are on a strong path with respect to increasing the blended occupancy. As you would see, in H1, we have already sold almost about 30,000-plus seats and a lot of those seats will get occupied in Q3 and Q4 as well, which is going to have a positive impact on us.

In H2, we see -- we are already started gearing up for a larger kind of supply acquisition. So that has already happened. We're also doing a lot of projects are under fit-outs. So Q3, Q4, the supply acquisition is going strong. And so that for FY '27 and H1 of FY '28, we are able to deliver a strong growth.

Because if you look at primarily at broadly our numbers with a 74% of blended occupancy, we still have a very significant lever of growth only by bringing in occupancy from the current seats, right? So now the supply which we are picking up and building up the pipeline is going to help us with respect to driving growth for H1 of FY '28.

Girish Choudhary: Got it. And lastly, I mean, the presentation talks about a one-off of INR3.5 crores related to FA write-off. What is that about?

- Ravi Dugar:** Yes. So as part of a regular review of our portfolio, there are a few centers which have been closed down or terminated. So this is the write-down what we have taken on account of non-movable assets from those centres.
- Girish Choudhary:** Okay. Got it. So this is like a recurring thing or like you keep seeing centers getting closed on an annual basis, right? So...
- Amit Ramani:** On an annual basis, we keep doing this exercise. So I think the way to look at it is, obviously, there are -- we've been in business for almost 10 years, right. There are centers which have probably completed one cycle or maybe two cycles in some cases. As part of our portfolio strategy to have a consistent experience.
- In some cases, we close down a center, which does not work with our current brand ethos and/or it could be that, that center was done at a stage and a time where the fit-outs that we did does not work with our current design guidelines and so on. So there are multiple reasons for which we exit the centers.
- And we feel that every year, there could be two or three centers that will get closed down every year. And every 6 months in terms of hygiene, we are basically taking the write-off for the fixed assets and their written-on value. So this is that part. So there would be some charge related to closure of centers every year, maybe 2 to 3-odd centers every year.
- Moderator:** The next question is from the line of Yashowardhan Agarwal from IIFL Capital Services Limited.
- Yashowardhan Agarwal:** Okay. So my question is on the seat addition. So how should we look at it in terms of timeline? Because as per our earlier guidance, we should be adding -- total seat should be around 175,000, which means that around 28,000 should be added in the upcoming 2 quarters. So will it be sequentially or is it going to be the last quarter heavy?
- Sumit Lakhani:** So I would say it's going to be a bit more last quarter heavy in terms of supply acquisition. If you look at the trend for the last financial year as well, in H2 of FY '25, we added closer to about 25,000-odd seats. And so over here, as I answered in one of the earlier questions, H2 of FY '26 is where we are also pushing more on the supply acquisition and H1 was more of a consolidation phase around for us.
- Yashowardhan Agarwal:** Okay. Sir, my second question will be on the margin. So excluding INR3.5 crores written off that we have taken, our margins were around 15%, right? And so there are currently 3 things at play. First, the margin from the mature centers. Second would be the drag from the new centers, which are not mature. And third is the contribution from D&B segment. So could you please give us a breakup so that we could get to know that how are mature centers performing and what is the drag from the new centers?
- Sumit Lakhani:** So with respect to the overall margins breakup between mature and the growing centers or centers with less than 12 months of vintage, we are currently not sharing that data point. Probably we can look at sharing that data point on an annual basis. But currently, the blended occupancy as well as the occupancy for 12-month plus center is what we are giving right now.

Yashowardhan Agarwal: Okay. And sir, what is the breakeven occupancy for us?

Sumit Lakhani: –So typically, in a managed aggregation center, where we have a profit share model with a space owner along with a minimum guarantee situation, the operating breakeven at the center is about 30% to 35% of occupancy. For a straight lease center, the similar operating breakeven is at about 55% to 60-odd percent kind of occupancy. Generally, we hit about 80% of occupancy within first 9 to 12 months of center operations. Just to add to your point, what we try to do is that the new center portfolio or the new centers are not a significant drag on the mature portfolio. That's what we intend to do and try to create a mix around on that.

Yashowardhan Agarwal: Okay. And sir, on the balance sheet, I can see contract assets of INR77 crores. So sir, how should I read that?

Ravi Dugar: Contract assets for us are the D&B project assets. So typically, what we have is around 45 to 60 days kind of a receivable on that side, the assets till the time they are billed to the customer. So this is actually the work in progress on the D&B side.

Yashowardhan Agarwal: Got it, sir. And sir, how is furniture segment shaping up? Any guidance on that?

Amit Ramani: So on the furniture side, obviously, we continue to remain quite active around it. And we are obviously continuing to evaluate all the opportunities in that space. So our long-term strategy is to continue to strengthen the backward integration, enhance supply efficiency and then focus obviously remains on identifying the right operating model and partnership.

So at this stage, I think we have been able to curate quite a few partnerships where these partners will allow us to expand that whole business vertical for us. Obviously, we have a phased plan. And I think over the next 3 to 6 months, you will see us obviously growing that segment.

Last few months were obviously around curating the partnerships, setting the portfolio, the kind of product offering we were enabling. And the next 3 to 6 months is obviously to continue to drive this growth forward. So you will see quite a bit of action over the next quarter -- few quarters.

Yashowardhan Agarwal: Yes. So in the presentation you had mentioned that we are moving up the value curve with focus on Grade A plus and Grade A building. So if you could elaborate a bit on that, how is this transitioning and moving? And how will it impact our market as well as our positioning in the market?

Amit Ramani: Yes. So Yash, as we move up the value curve, our focus on Grade A and Grade A+ assets being driven by the rising demand that's coming from the GCCs, the large enterprises, the premium clients that are seeking obviously high-quality tech-enabled workspaces. A number of these premium transactions are under the straight lease model, which typically delivers a higher margin at the center level compared to our MA structures.

So that said, our overall strategy remains asset-light with over 65% of our portfolio under fit-out pipeline is still under the MA model, right, demonstrating obviously, our continued commitment

to an asset-light, sustainable kind of growth that we have. So that's kind of where we are headed with that.

But at a very basic level, the MA straight lease mix, we don't anticipate changing. As I said, under fit-out centers still are in that split of 65-35. And yes, in the short term, we did see some, but that was because we were adding a few more Elite centers in the first phase of our growth. But overall strategy continues to remain asset-light.

Moderator:

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

Chintan Sheth:

Great set of numbers. I'm trying to understand in terms of the growth which we are delivering, right, we have improved our occupancy this quarter, but that is not getting reflected somehow in our operating margin improvement because the belief and the model itself is such that a large part of fixed cost should get absorbed with the higher occupancy.

The FA one-off is -- even if I adjust that, the growth in expenses is faster than the revenue growth for the quarter. So -- and this is I'm seeing for last three, four quarters as well. So because one of the reasons I understand that we are expanding on the seat capacities and the supplies.

And that is hitting while a little bit more on the expense side. But with the occupancy improving, the expectation was that we start to see the leverage kicking in, in terms of profitability, higher profitability. If you can run us down in terms of how should one look at it going forward and what has happened so far?

Ravi Dugar:

So Chintan, there are a couple of things which are happening at the same time. So for the quarter, if you have to talk about specifically, there are 2 impacts which have come in the quarter. One is the FA impact what we spoke about, which is what we have taken on a few of the properties, which is around INR3.5 crores.

Chintan Sheth:

How many seats got closed or at this stage?

Ravi Dugar:

I'll have to -- that's around 900.

Chintan Sheth:

900, okay.

Ravi Dugar:

The other thing what has happened is in quarter 2, as part of the annual appraisal process, there are ESOPs issued to the employees under the ESOP 2024 scheme. So there's an additional charge which has happened on the ESOP side. So that is around INR2.4 crores approximately, which has impacted the current quarter versus the previous quarter.

But however, that said, we have been kind of holding on to our margins over the last 2 or 3 quarters. And obviously, there's also an impact which is there because of the number of seats which have been rolled out in the last 1 year. Approximately, I believe, around 35,000 seats have been rolled out in the last 1 year.

So obviously, there will be a time when the occupancy will take time to build up and then there's a cost impact due to that. So as Sumit mentioned in earlier reply, - for the current year, we see

the margins to be holding on to this level. However, we see the margins improve after maybe five or six quarters.

Chintan Sheth:

Got it. And if you can just one bookkeeping on the profit share part, if you can share, which typically I had asked on every quarter call, that will be helpful. And lastly, on the industry point of view, one is the GCC focus has been all along for most of the peers as well, they've been very upbeat about the segment.

And per se, we also started incrementally focusing more on the enterprise side, not that we are not defocusing from the flex side or co-working side. But incrementally, our focus is on the enterprise clients and GCCs. In that light, what is the outlook? How the industry is evolving from the co-working flex to enterprise-driven demand, which is in the market right now driven by the GCCs. If you can just sum up your views and thoughts about the industry overall?

Sumit Lakhani:

Sure. So Chintan, I'll answer the second part of the question and while Ravi can give you the thing on those numbers. So the way we look at business, we are excited on both sides of the business. One is the flex side and the enterprise side. Flex has always been the core. We love catering to smaller cohorts across and catering a very large network of centers across India.

And that's the strategy which we intend to follow over the next couple of years. Center sizes of 30,000 to 40,000 square feet and end up catering to a multiple segment of cohorts. So I see this side of the business and demand significantly growing and there is no doubt rather -- what we see is a large part of the competition because we are only focused on only larger cohorts, here, we have a kind of an advantage now, and this is the segment which ends up giving us better pricing realization as well. Then over the last couple of quarters, we started consciously taking a call with respect to moving on the premium segment because this segment, we started realizing that with the behavioural change of occupiers moving towards flex spaces and adopting flex spaces, the larger MNCs and larger corporates for their mid to large sizes of requirements, so size of requirements ranging from 50 to 500 plus are focused around on it. And they were looking to give longer lock-ins and better kind of pricing. So we specifically started moving towards more premium segment of customers for enterprises.

So when we do enterprises, we are a bit more focused around on Fortune 500 companies, larger corporates and MNCs so that we end up getting a bit better price realization and don't end up getting into a situation where after 3 or 4 years of lock-in that when the client moves out, we don't have any recourse. So we are being very selective with respect to the enterprise clients we sign up.

How we safeguard ourselves is with respect to the size of these clients. So most of the enterprise clients, when we are doing managed office as the industry normal places exist, we prefer doing that also from a mid-sized deals, generally about 30,000 to 50,000-odd square feet. But on selective basis, with respect to specific GCCs, where we are completely confident with respect to their plans over a longer tenure or very large kind of corporates where we know the kind of workspace plans they have like a couple of quarters back.

we signed up National Stock Exchange, we take larger bets as well. So from that perspective, the strategy is very -- to grow across. One differentiator, if I could say, between us, our approach and generally, what I see in the market is we grow very significantly with one single customer.

About 45% of our clients have taken seats with us in more than one center. So even the larger enterprises we sign up, you would see they would have taken seats with us across many multiple locations, 5 to 7. And they not only work with us only in co-working or flex side in managed office or enterprise side, but also on the D&B side. So that's how we have been looking at growing the business.

Chintan Sheth: And the furniture piece will be part of D&B or it will be separate? How are you kind of thinking about structuring them?

Sumit Lakhani: Yes. So currently, the plan is to keep it as part of the core entity as well, not move into the D&B entity.

Chintan Sheth: Okay. And the bookkeeping one, I'll join back in queue.

Moderator: The next question is from the line of Heet Parikh from Ashika Institutional Equities.

Heet Parikh: My first question is on the rent outflow for the first half. What is the actual rent outflow? And second is on the capex number. Now with Elite center more focused, what is our current per square feet capex? And how is the number going for the full year?

Ravi Dugar: So, this is Ravi. So the rent outflow is INR187 crores, which is there flowing from the ROU, which are the lease payments, and the other number, which even Chintan was asking is around INR56 crores, which is on the variable side, which includes the MA payouts, the profit share on the MA deals and also the under 1 year, which typically are routed through the short-term leases, so to speak. What was the other question?

Heet Parikh: Capex on the Elite center, what is the difference delta there? On the Elite center or Gold centers?

Amit Ramani: So essentially, the average capex on super built-up area is about INR1,700 to INR1,750 on a super built-up area. The premium center, a Gold center would cost about 15%, 20% higher. So that would be another INR200 to INR250 more. And then the Elite would be another 20% from Gold. So that would be another INR250. So a difference is about INR250, INR250 between flagship, which is INR1,750, about INR2,000 and INR2,250 on the Elite center.

Moderator: The next question is from the line of Devang Patel from Sameeksha Capital.

Devang Patel: Sir, on the D&B segment, our revenues are flat in the first half. What is the reason for that slowdown? Earlier, we said 50% is our own and 50% is third-party work. Is that mix still true today? And is the slowdown in any one of these segments?

Amit Ramani: So there's a very strong demand in this segment as we see it. As I said earlier also that the way to look at this is on a year-on-year basis. Some of the projects have their own time lines to start. Obviously, there's a time gap between the booking of projects and the revenue delivery. We have seen 20% growth quarter-on-quarter this year. And we believe that on a yearly basis, this growth

will continue to the guidance that we have given till now. So I don't see this as any -- I think the way to look at it is the revenue here is on a year-on-year basis.

Sumit Lakhani:

But it's an interesting point what you put across over there. As you would see, the H1, a larger number of seats which went live were primarily around on straight leases and Elite and GCC side. So a larger booking of revenue in H1 came around from the third-party revenue and not from the managed aggregation landlord side of the Transform business.

So that's why there is, at our end, a significant level of optimism around on the D&B segment because where we feel comfortable is that more number of larger third-party clients now are becoming our clients for D&B and are choosing our services. And with the kind of order book which we currently hold for H2, we are fairly confident around on our -- the whole annual numbers.

Devang Patel:

Okay. My other question was on your adjusted EBITDA to adjusted CFO conversion this first half, it's again improved versus the second half last year. Can we expect that this conversion to be more than 1 going forward before we get the breakup of D&B and co-working businesses? Can this ratio remain more than 1?

Ravi Dugar:

So broadly, it will be in the same range. Right now, the ratio is 1x for H1. The ratio will continue to be the same.

Moderator:

The next question is from the line of Sabyasachi Mukerji from Bajaj Finserv AMC.

Sabyasachi Mukerji:

So I'm asking that what is the capex number for FY '26 given we have already spent INR110 crores in H1, what is the FY '26 capex?

Ravi Dugar:

So, Sabyasachi, the cash outflow on account of capex in H1 is approximately INR110 crores. In the coming remainder of the year, as we see, the company will continue to evaluate the capex spends depending on our growth aspirations. We are seeing a good growth in our overall portfolio with a healthy mix of enterprise client acquisitions.

So to answer your question, in number sense, it would be around INR220 crores kind of a thing or in that range. So initially, we had given a guidance of around INR180 crores to INR200 crores. So it would be in the range of around INR220 crores.

Sabyasachi Mukerji:

Okay. But I mean, given the guidance that H2 will see aggression in terms of seat addition, will that number have an upside risk, I mean, going above, let's say, INR220 crores and annualizing that INR110 crores for H1?

Amit Ramani:

At this stage, we don't see that happening because as Sumit had alluded earlier also, in H1, we obviously expanded our straight lease. And hence, the spend was a bit higher. And in H2, the focus is for us to keep a healthy mix of our 65-35 between MA and straight lease. And hence, we don't see any major deviation from what we are projecting for H2 as well.

Moderator:

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

- Aayush Saboo:** Congrats on a great set of numbers. Can you just throw light on what is the possibility of us increasing our seat addition targets for FY '27, FY '28 from what we guided? And what is the upside in seat addition that we see?
- Amit Ramani:** So at this stage, I think we are not obviously able to give a guidance for '27 and '28 in terms of the seat addition. In terms of FY '26, the guidance continues to remain what we have given. And obviously, we are still evaluating our FY '27 and '28 plans. And maybe by end of the year, we'll be able to share that further.
- Moderator:** The next question is from the line of Sweni Shah from Share India Securities.
- Sweni Shah:** Congratulations on good set of numbers. I just want to understand on a larger level, for a flex market space, can you let me know on how the total supply versus the total demand is going to flow for the next, I would say, FY '27, '28 estimate, if you have?
- Amit Ramani:** Sure. So obviously, the Indian market continues to perform strongly with 64 million square feet of gross leasing for year-to-date, right? With this leasing activity likely to match or even exceed last year's record level, we feel that GCCs will remain a key growth driver accounting for nearly one-third of the overall demand.
- On the flexible workplace side, India is now the largest market in APAC with almost nearly 80 million square feet of stock expected to cross 100 million by end of 2026. The demand for agile, tech-enabled managed solutions has risen sharply. If you look at the numbers, just our numbers, we are essentially doing about -- in the H1, we have done about 30-odd thousand seat just as a single operator itself.
- And today, the flex industry is about 15%, 16% of the total overall leasing that we are seeing in the market. So overall, the outlook remains very, very positive. Flexibility, speed to market, all of these great quality design solutions are obviously driving sustained demand. And India increasingly emerging as the global benchmark for modern workspace needs in the flex space. So all of it looks bright. As I said, I gave some metrics, but overall, the growth journey for flex as well as on the supply and the demand looks very, very strong.
- Sweni Shah:** Okay. That is quite understandable. But I just want to know a little more detail on if I see personally in the flex market, I just feel supply may be more than the demand. Is that the situation going forward or like how would it be? Would it be at a breakeven or if you see demand will be more than supply? Is what I'm trying to understand a little?
- Amit Ramani:** So see, again, it's a bit of a hard question to answer at a macro level because the demand and supply is very micro market level, right? So you could have, for example, in a micro market like BKC today, supply is probably in single digits. But in certain markets like, let's say, Hyderabad Financial District, it could still be in double digits.
- So I think it's very hard to answer that question. Overall, if you really look at the absorption, right, the absorption last year was 65 million. This year, we are going to cross that somewhere between 75 million to 80 million. So clearly, the supply has only been acquired because the demand continues to be strong.

And the demand drivers are multinationals expanding, GCC is expanding, India facing IT expanding, India business is growing. So all of the macro, despite all the challenges that we have had in the first H1 of FY '26, the demand has continued to remain strong in each of the micro markets. So it's very hard to answer on an overall India basis.

I think overall trajectory for both supply and demand continues to be good. There will always be some catch-ups that will happen because if you add a lot of supply, and it takes time to fill up. If you did not add supply for a number of peers, then it becomes obviously hard to find that kind of supply in certain micro markets.

So -- but overall, I think both will go in somewhat in tandem as we go forward. Also depends what kind of supply you're looking for, right? I mean, in our case, for example, we are looking for centers which are typically at about 30,000-odd square feet, right? Now at 30,000 square feet, this would typically be a floor or maybe two floors in a building.

Now that kind of availability, even if I was to go to BKC today where everybody is saying there's no supply available, I can find. But when you're trying to look for large assets, right, 1 lakh, 2 lakh, 5 lakh square foot, those assets obviously will be much harder to come by because there's a build cycle for them and then there is a leasing cycle for them.

And both to match is very, very hard. So because our strategy is to go with smaller centers, diversity across those centers, we are in 247 locations. We are across 19 cities. It gives us the ability to continue to grow irrespective of how the demand and supply of a local micro market pans out.

Sweni Shah: Got it. This is quite explanatory. I have one more question. Just to know on -- I don't know if I've missed this or not, but I just wanted to know if -- how much is the number of seats that you're planning to add in the coming 2 years or 3 years plan?

Amit Ramani: So we just -- as I mentioned earlier, I think we have given a guidance for FY '26, which will hold. But for FY '27 and '28, we would not like to comment right now. Maybe by end of the year, we will be able to give a clear guidance of '27 and '28.

Sweni Shah: Sure. No problem. Thanks.

Moderator: Thank you. Due to time constraint, that was the last question for today's conference. I would now like to hand the conference over to management for closing comments. Over to you, sir.

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 Relation Advisors. Thank you.

Moderator: On behalf of Asian Market Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.