

Smartworks Coworking Spaces Limited

May 28, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	310.00 (Reduced from 320.00)	CARE A; Stable	Reaffirmed
Short-term bank facilities	50.00 (Enhanced from 40.00)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-7.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Smartworks Coworking Spaces Limited (SCSL) derive strength from continued improvement in scale of operations over the years through improving space under management and healthy occupancy levels. CARE Ratings Limited (CareEdge Ratings) also notes SCSL's listing on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) from July 17, 2025, post a successful initial public offer (IPO), which subsequently improved SCSL's financial risk profile, leading to improved capital structure and debt coverage indicators. CareEdge Ratings also notes that a major portion of IPO funds are to be utilised for future expansion.

Ratings also consider the company's strong presence in the flexible, fully serviced workspace sector across India, and backing of reputable investors. Ratings further benefit from a diverse and reputed tenant profile, which reduces tenant concentration risk. The presence of escrow mechanism and debt service reserve account (DSRA), and stable operating cash flows through timely collection of rent contribute to rating comfort.

However, ratings are constrained by leveraged capital structure, despite improvement in FY26 from IPO and reported net profit as per IND AS accounting, significant expansion plans in the near future that pose market risks, the potential risk of lease non-renewal after the lock-in period, exposure to macroeconomic conditions, and cyclical nature of the competitive real estate industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) level by 20% and adjusted profit before interest, lease rentals, depreciation, and taxation (PBILD) level of 15% on a sustained basis.
- Sustenance of healthy cash flow marked by cash coverage ratio (CCR) over 2x on a sustained basis.

Negative factors

- Non-renewal of lease contracts, leading to decline in occupancy levels below 75% on a sustained basis, resulting in moderation in the liquidity profile and weakening CCR on a sustained basis.
- Un-envisaged debt-laden capex leading to increase in debt beyond ₹400 crore on a sustained basis.
- Adverse impact considering unforeseen contingent liabilities, arising from pending litigations.

Analytical approach: Consolidated

For assessing SCSL's credit risk profile, CareEdge Ratings has taken a consolidated approach, considering expected increase in operations of its subsidiaries with high operational and financial linkages. Details of entities consolidated have been mentioned under Annexure-6.

Outlook: Stable

CareEdge Ratings has assigned 'Stable' outlook of expected continuation of improvement in the company's financial performance in the near-to-medium term, propelled by healthy growth of space under management with comfortable occupancy levels.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong presence in flexi fully serviced workspace platform marked by pan-India existence

SCSL is the largest managed office platform in India, in terms of footprint, with over 10.1 million square feet operational SBA and around 6.00 million square feet under pipeline (which includes 1.1 million square feet under fitouts and 4.9 million square feet yet to be leased) in 15 cities in India & Singapore across 66 centres with over 775 customers as on March 31, 2026. SCSL offers flexibility with minimal capex and is known for its rapid office delivery, typically providing fully configured, custom-designed office spaces to clients within 45 to 60 days from the date of contract signing versus typical 6–9 month process for conventional office space.

SCSL leverages its economies of scale through standardisation, modular design, and reusable components, ensuring lower capital intensity and faster payback across centres. The cost per seat is one of the lowest in the industry (opex of ~₹ 34-36 per sq. ft. per month and capex of ~₹ 1,350 per sq. ft), which helps it to maintain healthy earnings before interest, taxation, depreciation, and amortisation (EBITDA) margins with low price per seat.

SCSL has the benefit of pan-India presence, which helps it diversify geographical concentration risk and also adds to benefits extended to multi-city clients, who accounted for ~31% of rental revenue in FY26. It sharply scaled up its operations in the last five financial years while establishing a diversified clientele base. Reputed and growing customer base, and unique product offering, services and facilities are expected to support healthy growth in operating revenues and margins in the medium term.

Diverse and reputed tenant profile

SCSL's revenue is driven by long-term, annuity-driven contracts with enterprise clients contributing ~90% rental revenue in FY26. The operations are spread across 61 leased centres with over 775 clients, which provides healthy revenue diversity to the total rental income and minimising business risk. SCSL has more than four years of total tenure with customers with more than 1000 seats, leading to revenue visibility and business stability. Several existing clients have increased their engagement levels with SCSL by renting out more seats in same premises or across locations, resulting in increase in the revenue from multi-city clients. Rental revenue contribution from multi-city clients stood at ~31% for FY26. High retention rate and growing multi-city enterprise penetration ensure high client stickiness and cash flow predictability. SCSL is focusing on reducing client concentration risk with sectoral diversification (~61% rental revenue coming from non-IT/ITeS clients in FY26), and progressively reduced dependency from top clients over the years with moderate revenue contribution from its top clients. Revenue from Global Capability Centre (GCC) clients exceeded 15% of rental revenue in FY26. However, it is limited by geographical concentration, arising from the company's geographic spread, as four major Tier 1 cities of the 15 cities (Tier 1 and Tier 2) contributed ~75% of total footprints in FY25 (80% in FY24), which is owing to high concentration of enterprise clients in cities. As on March 31, 2026, clients come with a weighted average lock-in tenure of around three years, which ensures cash flow stability. With the company expanding its presence in Singapore, geographical diversity is expected to improve further.

Improvement in scale of operations through improving seat availability and stable occupancy

The company's scale of operation improved marked by increase in TOI to ₹1795.81 crore in FY26 over TOI of ₹1375.27 crore in FY25, driven by addition of new spaces/seats under management and stable occupancy levels (March 31, 2026: 82% and March 31, 2025: 83%), despite increase in seat availability (March 31, 2026: 231,000 and March 31, 2025: 184,000). Profitability also improved and the company reported PBILDT of ₹1155.12 crore in FY26 against ₹861 crore in FY25. Adjusted EBITDA (after adjusting lease outflow) stood at ₹314.40 crore in FY26 compared to ₹176 crore in FY25.

The company reported net profit in IND AS financials for the first time amounting to ₹10.53 crore in FY26 against loss of ₹63.18 crore in FY25. The adjusted gross cash accruals (GCA) reported for FY26 also improved significantly to ₹834.00 crore from ₹556.00 crore in FY25.

Despite significant increase in seats available for lease, occupancy levels have remained healthy, reflecting the company's ability to identify centres with healthy demand and lease them out to reputed clients. Seat availability is expected to improve further in the near-to-medium term while maintaining healthy occupancy.

Successful completion of IPO

The company successfully completed its IPO and got listed on July 17, 2025, with a premium of ~7% over IPO price. The issue was subscribed over 13.9x.

IPO's total size was ₹582.56 crore, which include fresh issue of 1.09 crore shares of ₹445 crore and offer for sale of 0.34 crore shares aggregating ₹137.48 crore. Net proceeds of ₹396.47 crore (net of offer related expenses of ₹48.52 crore) will be utilised towards capex for fit-outs and for security deposits of new centres (₹225.84 crore); towards repayment/prepayment/redemption of borrowings (₹114.00 crore) and remaining towards general corporate purposes (₹56.63 crore).

Presence of escrow mechanism and DSRA

The company is maintaining escrow accounts for routing lease rents of specified tenants before transferring the surplus, after paying equated monthly instalment (EMI), to current account for general usages. The company is maintaining DSRA equal to two and two and a half months of EMI in form of fixed deposits/mutual funds with lenders, which cushions the company's liquidity position.

Stable operating cash flows

SCSL has gross quarterly revenue of ₹452 crore, of which it has escrowed rental of ~20%, which is ~3x cover of EMI, against stipulated cover of ~1.5x to 2x. Excess rental revenues (pledged and unpledged) provide sufficient cover for meeting day-to-day expenses. Timely rental collection also adds comfort to stable cash flow. The company generally has pending rentals for an average of seven days.

Key weaknesses

Leveraged capital structure despite improvement in FY26

The company's capital structure stands leveraged as on March 31, 2026, despite improvement in FY26 owing to IPO and company recording net profit as per IND AS accounting for the first year. The company has reported gearing levels of 9.28x (PY: 39.89x), majorly owing to previous losses on profit after taxation (PAT) level eroding net worth. Previously the company had incurred losses on PAT levels (largely due to accounting policy of non-cancellable and renewable leases tenure per IND-AS), although the company made cash profits during those years. This apart, a substantial portion of the total debt includes lease liability, considering finance leases. The company's adjusted overall gearing without considering lease liabilities improved significantly and stood at 0.39x compared as on March 31, 2026, compared to 4.25x in the previous year. Additionally, with presence of cash and liquid balance of ₹~263 crore against outstanding gross debt of ₹~207 crore, as on March 31, 2026, the company stood at a net debt negative position.

Risk of non-renewal of lease after lock-in period

Lease agreements with tenants generally have tenure of 4-5 years with an average minimum lock-in period of three years. Hence, there is a risk pertaining to tenants exiting from the agreement after end of the minimum lock-in period. However, such risk is mitigated to a certain extent as lessees occupying spaces are renowned entities and high retention levels of tenants experienced in the past. Agreements with landlords are largely one-sided in the company's favour post lock-in period, as landlords cannot terminate the agreement prematurely before complete term of agreement (which is generally 10-15 years), as long as the company pays agreed rentals timely. However, SCSL maintains durable and predictable annuity-like revenue base marked by sufficient contracted rental revenue as on March 31, 2026 providing strong forward revenue visibility.

Sizeable expansion plans in pipeline leading to market risk

The company is exposed to market risk due to large expansion plans in the next three years. Capex is likely to be funded through a mix of debt and equity. However, proposed capex is modular in nature, which can be altered/shifted with a change in the business environment at minimal cost. Thus, it reduces the business risk to some extent. With anticipated internal cash accruals and proceeds from the planned IPO, majority capex is likely to be met without significant dependence on external borrowings. Impact of capex on profitability and capital structure will be key rating monitorable.

Exposed to macroeconomic scenario and cyclicity associated with competitive real estate industry

Lease rentals are influenced by macroeconomic factors, such as economic slowdowns, high inflation, and high interest rates, and external events, such as the COVID-19 pandemic, which can impact tenants' business risk profiles and potentially affect occupancy and rental rates for SCSL. New competing capacities nearby could reduce tenants or rental rates, and the company is also subject to the cyclical nature of the commercial real estate sector.

Liquidity: Adequate

The company's liquidity position is expected to be adequate in the near-to-medium term as projected cash inflows are expected to be sufficient to meet debt repayment obligations in FY27. Prepayment of ₹114.00 crore of term loan/bonds from IPO proceeds including accrued interests, has provided sufficient cushion to the company's cash flow.

The liquidity position also draws comfort from escrow mechanism and DSRA, covering two and half months of repayment obligations; supported by cash and cash equivalents of ₹ 263.10 crore as on March 31, 2026.

Environment, social, and governance (ESG) risks

Sustainability is integrated into the company's operations, with a focus on energy efficiency, renewable energy adoption, waste reduction, and green-certified practices. Since June 2023, the company has strengthened its ESG approach by prioritising clean energy, improved environmental performance, and technology-driven initiatives. Key measures include investment in captive solar project, deployment of IoT-enabled systems for energy optimisation, reduction of single-use plastics, and monitoring of resource consumption. Water conservation initiatives, such as installation of aerators, further support efforts to minimise environmental impact while enhancing operational efficiency.

Alongside, SCSL is also developing social programmes and strengthening risk management to ensure that positive impact extends to the communities it serve, while also helping clients meet their own sustainability targets.

Governance is another key pillar of the company's framework, driven by principles of integrity, transparency, accountability, and ethical conduct. The company follows a structured governance system supported by a Code of Conduct for Directors and Senior Management, ensuring compliance with applicable laws and ethical business practices. It adheres to the requirements of the Companies Act, 2013 and, post listing on BSE and NSE in July 2025, complies with SEBI LODR Regulations. Overall, the governance framework is aimed at maintaining regulatory compliance, ensuring transparent disclosures, and fostering stakeholder trust.

Applicable criteria

[Definition of Default](#)

[Consolidation](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Debt backed by lease rentals](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Real estate related services

SCSL was started in 2016 by NCR-based Neetish Sarma (promoter) and Harsh Binani (promoter). The company is engaged in flexible fully serviced workspace leasing business, with over 10.1 million square feet operational SBA and around 6.00 million square feet under pipeline (which includes 1.1 million square feet under fitouts and 4.9 million square feet yet to be leased) in 15 cities in India & Singapore across 66 centres with over 775 customers as on March 31, 2026. The company's day-to-day operations are managed by Harsh Binani and Neetish Sarma, supported by a team of experienced professionals.

Brief Consolidated Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (Abridged)
Total operating income	1375.27	1795.81
PBILDT*	861.07	1155.12
Profit after tax (PAT)	-63.18	10.53
Overall gearing (x)	39.89	9.28
Interest coverage (x)	2.56	3.16

A: Audited; Note: These are latest available financial results analytically adjusted under CareEdge Ratings' methodology.

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	February 2030	310.00	CARE A; Stable
Fund-based - ST-Bank Overdraft		-	-	-	50.00	CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Fund-based - LT-Term Loan	LT	310.00	CARE A; Stable	-	1)CARE A; Stable (21-Nov-25) 2)CARE A; Stable (06-Nov-25)	1)CARE BBB+; Positive (03-Jan-25) 2)CARE BBB+; Positive (11-Dec-24)	1)CARE BBB+; Stable (10-Nov-23) 2)CARE BBB+; Stable (20-Oct-23)
2	Fund-based - ST-Bank Overdraft	ST	50.00	CARE A1	-	1)CARE A1 (21-Nov-25) 2)CARE A1 (06-Nov-25)	1)CARE A2 (03-Jan-25)	-

LT: Long term; ST: Short term.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

2	Fund-based - ST-Bank Overdraft	Simple
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Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Smartworks Tech Solutions Private Limited	Full	Wholly owned subsidiary
2	Smartworks Office Services Private Limited	Full	Wholly owned subsidiary
3	Smartworks Stellar Services Private Limited	Full	Wholly owned subsidiary
4	Smartworks Space Pte. Ltd	Full	Wholly owned subsidiary

Annexure-7: List of facilities/instruments and FSRs

As required by SEBI Circular dated February 10, 2026, to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr No	Facilities/Instruments Name	Regulator of the Instruments ²
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, FIs	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutual Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

² SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), among others. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the rating reports subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned in regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026, and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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