

Company Name: : Indiqube Spaces Limited.

Management Participants :

- Vamsi Chatrathi - Marketing Head (AVP)
- Vikas Agarwal - Investor Relations Head

11th Annual Valorem Conference Highlights:

Key Highlights:

- Geographic presence has expanded to 129 centres across 17 cities, enhancing reach across key commercial hubs and emerging markets.
- Execution capabilities remain strong, with 21 new centres launched within the last 12 months, reflecting rapid and scalable expansion.
- Entry into Tier II cities such as Bhubaneswar has improved regional diversification and enabled access to new demand centres.
- Occupancy levels remain healthy, with portfolio occupancy at ~84% and mature centres sustaining 90%, indicating strong asset utilization.
- Seating capacity has increased significantly (by ~33,000 seats YoY), supporting future growth and client onboarding.
- Strong presence in South India (Bengaluru, Hyderabad, Chennai) continues to benefit from robust demand in key commercial markets.
- Cost efficiencies are improving with renewable initiatives, including a commissioned 20 MW solar plant in Karnataka and planned 4 MW addition in Latur.
- Revenue mix remains favourable, with 87% from the core “Grow” segment and 13% from Value Added Services, supporting monetization.
- Client base is well diversified, with low concentration risk and strong enterprise/GCC traction driving stable and visible revenues.
- Growth strategy remains disciplined, driven by a hub-and-spoke expansion model, in-house execution capabilities, and calibrated capex funded through internal accruals

Key Questions & Answers discussed during the Concall:

- **What is the company’s revenue growth outlook over the medium term, and what is the expected pace of incremental land parcel additions?** We expect the company to deliver a strong revenue growth trajectory of 25-30% annually, driven by sustained demand for managed workspaces. This growth is expected to be supported by consistent capacity expansion, with incremental additions of 1.5–2 million sq. ft. each year. The expansion strategy remains focused on a mix of core metro markets and emerging Tier II cities, ensuring both scale and diversification.

- What are the key differentiating factors that set the company apart from its peers in the flexible workspace segment?** We differentiate ourselves through a higher contribution from Value Added Services (VAS) at ~13% versus peers at 6–7%, driving superior monetization and stronger client stickiness. We follow a “Follow the Talent” strategy with a presence across key micro-markets—operating independent and renovated assets in Central Business District and near-Central Business District areas such as Andheri and Indiranagar, focusing on tech-park supply in Global Capability Center hubs like HITEC City, and running integrated campuses in Secondary Business Districts, while offering multiple formats in select markets like Outer Ring Road. Additionally, our renovation-led strategy (3+ million square feet across 20+ properties) upgrades Grade B assets into Grade A spaces in prime locations, enabling faster scalability and better capital efficiency.
- What are the major risks and challenges the company anticipates in the near to medium term?** One of the primary challenges lies in maintaining scalability while ensuring consistent demand, particularly as the company expands into Tier II markets. Supply-side constraints, including the availability of suitable properties and infrastructure in these regions, could impact expansion timelines. Additionally, balancing occupancy levels across new and mature centres will be critical to sustaining profitability.
- How does the company manage its interior design and fit-out capabilities—are these primarily handled in-house or through external partnerships?** We have developed strong in-house capabilities for interior design and workspace execution, supported by a dedicated team of 50 professionals, enabling better quality control, faster turnaround times, and improved cost efficiencies. This also enhances our ability to deliver customized, bespoke solutions tailored to client requirements.
- What is the planned capital expenditure over the next few years, and how will this be allocated across expansion and maintenance?** We plan to incur an annual capex of approximately INR 350 crores, primarily towards expansion and fit-outs of new centres. This investment is expected to be largely funded through internal accruals, reflecting strong operating cash flows, while our disciplined capital allocation approach supports growth and maintains balance sheet prudence.
- What level of cost savings or efficiency gains does the company expect to achieve from the 20 MW solar facility in Karnataka?** The 20 MW solar facility in Karnataka is expected to generate annual cost savings of approximately INR 15–18 crore. The power generated is largely utilized for captive consumption, particularly supporting the company’s Bengaluru operations. This initiative not only improves cost efficiency but also aligns with the company’s broader sustainability objectives.
- Which sectors are currently driving demand for the company, and how is the revenue mix expected to evolve going forward?** We are witnessing growth primarily driven by strong demand from healthcare, BFSI, and Global Capability Centres (GCCs), which continue to show robust outsourcing and workspace requirements. GCCs account for 40% of our client base while contributing 55% of revenues, reflecting higher ticket sizes and longer-tenure contracts.
- How is the company leveraging its hub-and-spoke model to optimize occupancy, reduce client costs, and expand into peripheral and Tier II markets?** We follow a hub-and-spoke strategy, establishing large office hubs in key metro cities while developing smaller spoke centres in peripheral and Tier II locations. This approach enables clients to decentralize their workforce, reduce real estate costs, and improve employee accessibility, while enhancing occupancy stability, optimizing network utilization, and supporting efficient, low-capital-intensity expansion across markets.

- **Can management elaborate on the key differences between Ind AS and IGAAP accounting treatments, particularly with respect to lease recognition, and their impact on reported profitability, EBITDA, and leverage metrics?** We follow Ind AS (particularly Ind AS 116), under which lease obligations are capitalized on the balance sheet as right-of-use (ROU) assets with corresponding lease liabilities, with expenses recognized as depreciation and finance costs. In contrast, under IGAAP, lease rentals are treated as operating expenses in the P&L. As a result, Ind AS leads to higher EBITDA but also higher depreciation and interest costs, along with a larger balance sheet, which can result in reported losses under Ind AS compared to profits under IGAAP.
- **How does the company treat lease rentals in the pre-operational phase of new centres, and are there any thresholds governing the extent of capitalization?** We capitalizes lease rentals for new properties during the initial fit-out and stabilization phase, typically for the first 45 days from the commencement of the lease. This approach aligns with the pre-operational period, where the asset is being prepared for use and revenue generation has not yet commenced .Additionally, the company follows an internal prudence cap, with total rent capitalization limited to a maximum of INR 50 crores annually. Beyond this threshold or post the initial period, lease rentals are expensed in the profit and loss statement in line with standard accounting practices.

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