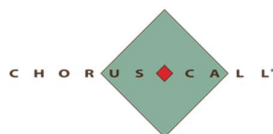




**“Wakefit Innovations Limited
Q4 FY '26 Earnings Conference Call”**

May 22, 2026

E&OE - This transcript has been edited for grammatical and other transcribing errors. In case of discrepancies, the audio recordings uploaded on the stock exchange on May 22, 2026 will prevail.



**MANAGEMENT: MR. ANKIT GARG – CHAIRMAN, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR – WAKEFIT INNOVATIONS LIMITED
MR. CHAITANYA RAMALINGEGOWDA – EXECUTIVE DIRECTOR – WAKEFIT INNOVATIONS LIMITED
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HOST: MR. HARISH ADVANI -- AXIS CAPITAL



Moderator: Ladies and gentlemen, good day, and welcome to Wakefit Q4 FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harish Advani from Axis Capital. Thank you, and over to you, Mr. Advani.

Harish Advani: Thank you, Renju. Good morning, everyone, and welcome to the Q4 FY '26 Earnings Call for Wakefit Innovations. Today from the management, we have with us Mr. Ankit Garg, Chairman, CEO and Executive Director; Mr. Chaitanya Ramalingegowda, Executive Director; and Ms. Parul Gupta, Chief Financial Officer. We'll begin the call with the opening remarks from the management, after which we will have the forum open for interactive Q&A session.

I'll now hand over the call to the management. Thank you, and over to you, Ankit.

Ankit Garg: Thank you so much for the introduction. Good morning, everybody. A warm welcome to all of you, and thanks for joining our Q4 FY '26 and full year FY '26 earnings call. On this call, we are joined by Chaitanya, who's Executive Director; Parul, who's CFO; and Strategic Growth Advisor, our Investor Relations Advisors. The results and the presentations are uploaded on the stock exchange and company websites. I hope everybody has had a chance to look at them.

Let me begin by thanking Wakefit's dedicated team whose relentless efforts, execution focus and commitment were instrumental in delivering strong performance throughout FY '26. They are truly the backbone of the organization. With 17% year-on-year growth, we delivered our highest ever annual revenue at INR14,889 million. While the company delivered a satisfactory annual performance, the second half of the FY '26 witnessed certain headwinds that impacted overall growth momentum.

Following softer discretionary spending trends in Q3 FY '26 across our categories, demand moderation continued further in the latter half of the Q4 FY '26 too amid evolving geopolitical and macroeconomic uncertainty. Our business has an inherent seasonality element and therefore, a Y-o-Y comparison a good indicator of our performance.

Our business is anchored across three core categories: mattresses, furniture and furnishings. On an annual basis, our core product categories performed as below. Sold pan India mattresses remained our largest category contributing 61.4% for FY '26 and a Y-o-Y growth of 17%. In Q4 FY '26, the mattress category continued to lead and grew by 20%, outpacing the industry growth



trends, we were able to garner this growth due to our strong omnichannel sales presence, complete product portfolio and retail conversion.

The furniture category contributed about 29.3% of revenues for FY '26. The growth of this category was approximately 24% in FY '26 and 14% in Q4 FY '26. Furniture currently operates primarily in cities where we have a physical retail presence. Furnishings category contributed 9.3% of our total revenues in FY '26.

For FY '27, we are targeting revenue growth driven by the strength of our mattress portfolio while improving the reach of our furniture and furnishing business. We are closely monitoring raw material prices to navigate the volatile environment with prudent price increases and focused cost optimization efforts. From a long-term perspective, the company continues to be committed to its vision of being a one-stop destination for home and furnishing solutions.

The customers' preferences keep evolving, thus, we are expanding into select adjacent categories that complement our core portfolio. Additional subcategories are being introduced within the same ecosystem as that of our core categories to broaden our offerings and improve customer lifetime value. For instance, within furnishings, we offer home decor items such as life plants. Under the extended scope, we can also offer essentials such as fertilizers, plant nutrients, soil conditioner to support plant care at home.

Further, a few of the proposed changes are intended to position the company for future opportunities and long-term business expansion. While we continue to prioritise our three core categories, these amendments are not anticipated to entail any meaningful financial impact in the medium term. This expansion of scope through amendment of the object clause in the MOA has been approved by the Board of Directors. The proposal is provided to the members of the company for approval.

Now with this, I would hand over to Chaitanya, Executive Director, to explain more. Thank you.

C. Ramalingegowda:

Thank you, Ankit, for the introduction. Good morning, everyone. I will start by providing certain operational highlights. The retail revenue growth for FY '26 stood at 49% on a Y-o-Y basis. We have built a truly omnichannel ecosystem across our own and external sales channels through which customers can access and engage with the Wakefit brand. We are present online, offline in company-operated company-owned stores and MBO stores.

As of March end, we had 139 active company-owned company-operated stores across 76 cities. Our total current COCO retail area would be approximately 4 lakh square feet. In FY '26, our gross additions stood at 42, and we also ended up closing only about eight stores. These closures were largely attributable to logistical inefficiencies and operational constraints rather than any underlying weakness in demand.

COCO stores remain a strategic priority for us as they enable deeper customer engagement and provide meaningful opportunities for cross-selling as well as upselling across the multiple categories that we are present. We continue to iterate our store opening plan as given by us during the IPO. The COCO stores are likely to be opened in diverse Tier 2 locations while maintaining healthy unit economics.

So in addition to larger cities, we continue to see meaningful opportunities in smaller towns and underpenetrated regions across India. It is worth noting that our COCO stores are asset-light as they mainly carry display inventory. Hence, they continue to turn profitable relatively quickly compared to the asset-heavy traditional inventory model.

The MBOs remain an important part of our strategy as they enable us to enter new markets and evaluate demand with limited upfront capital investment in that geography. It is pertinent to highlight that the MBO channel follows a cash and carry arrangement and is not operated under a credit-led distributor-led model. As of March end, we had 1,948 MBOs across 536 towns and cities.

Our own channels, which comprise our website and COCO stores contributed 67.2% of our annual sales and more than 74% of the quarterly sales. This indicates a continued growth in the brand strength. We believe we are still in the early chapters of Wakefit story of India's home and sleep solutions as the market remains very large, underpenetrated, structurally growing and with relatively few organized players.

So this leaves a lot of headroom for long-term growth. Wakefit accounts for well below 1% of the combined mattress furniture and home accessories industry, and we are committed to keep capturing market share and continue to strengthen the brand.

With that, I will now hand over to Ms. Parul Gupta, our CFO, for the detailed financial commentary. Parul, over to you.

Parul Gupta:

Thank you, Chaitanya. Let me now take you all through our financial performance for quarter 4 for FY '26 and the full year financial year '26. With respect to the quarter 4 financial year '26 performance, our revenue from operation for the quarter stands at INR344 crores, which is a Y-o-Y growth of 13.5%. Gross margin for the quarter stood at INR192 crores with a margin of 56%.

Our business has a distinct cost structure. Raw materials, which are our core like the PU foams, spring coils and the fabric account for the meaningful proportion of our COGS, and these are subject to the global commodity cycles, especially the crude. The March quarter saw sharp inflation across several input categories with select raw materials such as the chemicals which get used like the polyol, TDI, etcetera, registering price increases ranging from 30% to 150%.

These elevated costs across crude-linked materials, packaging, logistics and infrastructure also impacted the operating environment. These trends are reflective of the broader industry conditions. Though our strong vendor relationship helped us manage part of these inflationary pressure and the way we have been operating as a company, we undertook proactive stocking of key raw materials and chemicals, which helped mitigate the immediate sharp impact of these price volatility arising from the macroeconomic factors and supply side disruption.

Also, to mitigate the impact, we implemented major pricing actions in March and April. We believe that Wakefit has the brand strength and customer positioning to execute such increases responsibly. The combined impact of higher input costs and phased price pass-throughs may constrain margin expansion in the near term.

The reported EBITDA, excluding other income for the quarter was INR36 crores with a margin of 10.6%. Operating EBITDA, which is at 6.3%, remains relatively soft on a sequential basis, largely due to the better operating leverage in the quarter 3, which was the festive period with higher sales and marketing investments.

In Q4 '26, the advertising and marketing spend increased to approximately 7.3% from the range of 5.3% in the last quarter. In FY '26, we spend around 5.7% in terms of the overall marketing. As mentioned in our last call as well, we reiterate that over the medium term, we anticipate a ramp-up in our brand building efforts from the A&P spend expected to be around 7% to 8% of the sales with continuous monitoring on the success metrics.

The ESOP expense for the quarter stood at INR13.6 million. For last quarter for FY '26, profit before tax and after exceptional items stood at INR24 crores. Pursuant to the Ind AS 12, the company recorded a deferred tax charge amounting to INR98 crores as part of the tax expense during quarter 4 of the 2026.

now coming to the full year performance. For the FY '26, revenue from operation was closed at INR1,489 crores, which is a growth of around 17% over the last year. Gross margin for the FY '26 was INR830 crores at a margin of 55.8%. This marks an improvement of 18.5% Y-o-Y growth.

ESOP expenses for the FY '26 was INR33 million. However, for the next year, we anticipate these expenses to be estimated at around INR12 crores. Reported EBITDA, excluding other income for the FY '26 was INR182 crores with a margin of 12.2%. Profit before tax and after exceptional items stood at INR91 crores.

As of March 31, 2026, the company has investable cash of around INR958 crores. On a near-term basis, we do not expect any material change or dilution in the margin structure in Q1 FY '27. Having said that, from a full year perspective, we continue to closely track market conditions and are committed to maintain a disciplined approach towards cost.

With this, we can open the floor for the Q&A.

Moderator:

Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on your touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and 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.

The first question comes from the line of Rakshit Desai with IIFL Capital. Please go ahead.

Percy Panthaki:

Hi, sir. This is Percy Panthaki here. Just wanted to know for the Mattress division, at a total COGS basket level, what is the inflation that you're facing?

C. Ramalingegowda:

Hello, Percy. Between February and May, the prices have seen a lot of volatility. They have gone up between 30% to 160% at some point. However, in terms of procurement that we have done opportunistically when it fell as well as some of the old stock that has been utilized, which

was at a lower cost, we are operating at a 25% to 30% increase in some raw materials and about 15% to 20% increase in some raw materials. And lastly, in some of the other raw materials, we are using about 5% to 6%. And to pass this on, we have done two measured calibrated price increases of about 7% to 8% in March and 7% to 8% in April.

Percy Panthaki: The April was how much?

C. Ramalingegowda: 7% to 8%.

Percy Panthaki: Okay. So total about 15% price increase has been taken.

C. Ramalingegowda: Correct.

Percy Panthaki: And while the prices have been very volatile and you said that there is some benefit of old inventory, etcetera. But if one were just to measure the total COGS basket of the mattress division pre-war versus the spot prices today, that inflation would be how much?

C. Ramalingegowda: That inflation, based on our procurement price, it is somewhere around 10%.

Percy Panthaki: No. I mean what I'm trying to understand is, if, let's say, the crude prices remain at around \$100 for a longer period of time and you run out of old inventory. And then, of course, you will have to procure at whatever spot prices continue into the future. In that scenario, what kind of COGS inflation would you have on the overall mattress division COGS?

C. Ramalingegowda: Approximately 30%.

Percy Panthaki: Understood. Understood. Secondly, just wanted to understand in terms of competitive intensity and on demand in mattress because you've taken a 15% kind of inflation in prices. I think that is sort of pretty unprecedented in a couple of months of time. So how do we gauge what kind of volume impact this price increase will have? That's one question.

And a separate question is on the general competitive intensity in the market, especially amongst the organized players and some of the new D2C players, etcetera. How is the situation now versus, let's say, six months ago?

C. Ramalingegowda: On the price increases, if we were the only company to have taken a price increase, probably the impact would have been much higher just for us. However, given that it was an industry-wide impact, pretty much all of the industry has also taken price increases commensurate to the increase in raw material prices. So net-net, for the consumer, it has gone up almost uniformly within a 1% or 2%, 3% difference between the two -- between all of the major brands.

But having said that, on the -- so because of this, obviously, we do consider that there could be some slowdown in purchases until the prices normalize. But there is also a benefit of higher ASP, which means lower volumes itself provide us that revenue growth. But we do focus on volume growth, but we -- it might be an issue for the short term.

Having said that, the competition intensity has definitely gone up over the last six to nine months, where certain companies in the INR100 crores to INR300 crores annual revenue with a much

lower cost structure, although they do not have a recognized brand per se, they might be very well-respected labels on marketplaces or they might be strong in specific two or three regions.

So there, we definitely have seen increased advertising spending as well as increased matching of prices similar to Wakefit. So both of these have been accelerated over the last six to nine months.

Percy Panthaki: Understood, understood. And lastly, just wanted to get your sense, again, assuming crude prices remain where they are, given the price increases that you have taken, given the higher ad spend that you will have to do, etcetera, do you think that you will be able to hold on a full year basis, the EBITDA margin of the company, assuming that crude remains at 100?

C. Ramalingegowda: So Percy, firstly, the raw material prices for base polyol, TDI and plyboard, MDF board, while they're linked to crude, they are not directly correlated to crude. That is why I mentioned that the prices of raw materials went up even up to 160% at one point, 80% at one point for a different raw material. But when we actually are procuring it using the strength of our supplier relationships, as well as other reasons, we are able to keep it at 30% or so.

So definitely, if it continues, we will see pressure. But if we have to focus on one thing, I think we, as a company, are very focused on prudent market share protection and market share growth. So we will have to see how the rest of the industry operates, but we are very, very protective of our market share on all channels because that acquisition of market share has a compounding effect.

So the first customer that we procure comes back for a second category, third category, fourth category over two, three years. So we are very protective of that. So if we are pushed, we would probably still chase a 20% plus growth, aspire to chase for that, while EBITDA might be impacted by 1 percentage point, 2 percentage points, something to that degree.

Percy Panthaki: Got it. Got it. Very clear. I'll come back in the queue, if I have more questions. Thank you so much.

C. Ramalingegowda: Sure. Thank you.

Moderator: Thank you. A reminder to all the participants that you may press star and one to ask a question. Next question comes from the line of Siddhartha Bera with Nomura. Please go ahead.

Siddhartha Bera: Yes. Thanks for the opportunity, sir. Sir, first question is on the expansion into more adjacent categories Ankit talked about. Some color there that how big categories do you see these are? And what will be our aspiration of market share or revenues we can aspire to, say, maybe in four, five years. I ask this question because, I mean, we also have furnishings as a category, but in that, we haven't seen meaningful traction yet outside the mattresses and furniture. So some color about when we are expanding the horizon and product profile, where do you see the right to win?

And second is on the COCO stores. I mean, FY -- so as of December, we had highlighted we had about 137 stores. So we ended the year at 139. So we added probably only two stores

incrementally in a quarter or so. So have we gone slow on the store expansion plans? And what will be the net expansion plan for FY '27, if you can just highlight?

C. Ramalingegowda:

Sure. Thank you, Siddhartha. First one, to take a step back, we have always reiterated that Wakefit ultimate vision is to be an integrated home and sleep solutions company. So that would entail a lot of product categories that are adjacent to our core, core being mattress, hardcore wood and furniture and furnishing and decor. But within decor itself, it is made up of multiple subcategories.

And like Ankit gave an example of live plants, if you are supplying live plants, you also might want to supply small agricultural products such as a pick for the soil, some sand, some fertilizer, etcetera. Similarly, on decor, if we are providing certain wall hangings, we will need to have capability to source those.

Kindly think of these as things that will complete the portfolio, not take us away from our core strength. Our core strength is vertically integrated full stack R&D to delivery of mattress, furniture and furnishing. But many of the smaller categories, which we need to complete, especially in the presence of the Jumbo store that is coming up next year, which is a large 100,000 square foot plus store, it will have to have aspirational looks.

It will have to complete the product portfolio. It will have to give the complete vision of how the room or a home or a kitchen can look like. In order for that, we have to procure trade in small volumes, white label in small volumes in order to be able to give that complete look. We cannot afford to have it look bare because the ultimate destination is people should -- when they think of home, they should think of Wakefit.

Just like there are very clearly when you think of beauty, when you think of baby, when you think of fashion, clearly, a brand comes up in your mind. When you think of home, we want Wakefit to pop up in people's minds. This is a step in that direction. However, this does not require upfront capital investment for manufacturing. This does not require massive marketing investments because this is primarily sold through the stores and hence, kindly look at it as a way to complete the portfolio, not something that takes us away from our core.

Now the second question that you talked about, you're absolutely right, Siddhartha. At the end of December, we paused, recalibrated, looked at all of our retail metrics, which included SSSG, which included locations, playbook -- and during our IPO also, we had mentioned that we would be doing regular format stores ranging from 600 square feet to about 5,000 square feet and one or two jumbo stores, which are more than 100,000 square feet. So that journey is on where we - - it is our usual practice that every nine to 12 months, we pause, look back, understand all of the mistakes and then identify the road map.

You -- I can assure you, you will see a much different number in the first quarter, April, May, June, when we announce it. But the target for this full year is to deliver more than 80 stores net addition. We are working on that, but we will be able to share specifics at the first quarter results. And like I mentioned in my prepared transcript, the focus is to provide a lot more geographical

reach, which was not there for mattress and furniture, go beyond metros and Tier 1s to Tier 2 and continue to be present wherever the customer wants us to be present.

Siddhartha Bera: Understood, sir. And last question, sir, on the channel exposure. I mean our own channel exposure has probably gone up to an all-time high of 75%. And you also talked about looking at MBOs now to expand the reach. So I mean, if we have probably some normalization in the own channel store as you look for other avenues of growth as well, will that also have some drag on EBITDA margins? Or how should we look at the channel strategy from here on going ahead?

C. Ramalingegowda: Thank you. The channel strategy should be looked at directionally rather than in specific 1% gain or 1% loss kind of a reason. The primary justification for that is that depending on a sale event, some sales -- some volume might move to marketplaces. Depending on a surge in store opening, one quarter, we might see much more sales in COCO stores. So those kind of minor changes happen. But directionally, the company is committed to steadily grow the company-owned channels, which is a combination of D2C website and COCO stores.

The reason for that is step number one, we are able to acquire them at a better unit economics because we don't need to pay third-party commissions. Step number two, we are able to get the customer data using which we reactivate them using CRM so that whenever new launches happen, whenever new sale event comes, we are able to get them back for a second, third, fourth transaction.

And then this AI-enabled CRM takes over that journey to keep on saying that if you bought a mattress, you should buy this. If you bought a sofa, you should buy this. These are the new launches. This is the price drop that has happened, etcetera, etcetera. So long-term commitment is that own channel should become very, very powerful for Wakefit. But both the marketplaces as well as MBOs are strategic partners that we will continue to work with, but a lot more aggressively on our own channels.

And to answer your question about the drag, we don't foresee that drag because of the point that I mentioned earlier. Our stores are asset-light. They are not stuffed to the gills on inventory like in jewelry or apparel, where the more you stuff it into a store, the more sale happens. Ours is only display inventory. And hence, the drag will not be as pronounced because people come, browse, purchase and go home and the fulfillment happens centrally from our warehouse.

Siddhartha Bera: Understood. Thank you, sir. I will come back in the queue.

C. Ramalingegowda: Thank you.

Moderator: Thank you. Next question comes from the line of Pranay Roop Chatterjee with Burman Capital Management. Please go ahead.

Pranay Roop Chatterjee: Hi. Good morning. Am I audible?

C. Ramalingegowda: Yes.

Pranay Roop Chatterjee: Hi. So first question is with regards to the mattress business. So the channel check that I received, and I just want to confirm if it's like a sample bias or actually relevant for the industry. The feedback I received is that in the physical retail channel for mattresses due to supply chain disruptions, the smaller and unorganized players are unable to procure foam and other raw materials.

Now my understanding is this might lead to an accelerated volume growth for the larger organized players, both on the B2B foam and on the B2C mattress side in the next few quarters. Obviously, this would be counter to any volume hit because of price hikes. So if you can just confirm this or refute this, can you quantify the incremental or a net volume growth benefit, if at all? And what is the sustainability of the same?

C. Ramalingegowda: Sure. Thank you for the question. So we can take our neck out and say two, three things. Firstly, there is enough and more surplus foam manufacturing capacity in India. However, those are contract manufacturers who either manufacture for some of the smaller regional brands or they sell it in the unbranded foam market.

But the bigger problem with such unbranded foam manufacturers is that the use of adulterants is very, very prevalent where the Chhunna limestone is added, which will end up reducing the efficacy and quality of the foam. So you're absolutely right in saying two things. One, that larger brands like ours, which have an integrated manufacturing capacity due to supplier relationships and scale economies are going to be able to obtain polyol and TDI at preferential rates and when there is a scarcity, preferential allotment.

So because of that, larger brands do have a benefit in getting it procured. And once we procure it, we don't have to depend on third-party contract manufacturers. We are manufacturing in our in-house facilities with no adulterants and hence, are able to provide a 10, 15, 20-year warranty also for some of our products. So your hypothesis is correct that in this kind of a scenario, larger, well-established brands with manufacturing setups are going to gain, but it is much, much harder to quantify that.

Pranay Roop Chatterjee: Got it, sir. I understand it's difficult to quantify. But just directionally, obviously, there would be a volume shock for some time because of the price hikes. It's unprecedented. And like you said, everyone has taken it. So any volume hit will hit all players equally. Do you think any such benefit, and I'm sure you're already seeing that in the months of April and May.

Do you think any such benefit due to being -- obviously, which is beneficial in the medium to longer term, but my question is pertaining to specifically the initial quarters of FY '27. So any such benefit of being a large player and having the supply relationships, is it enough to counter or overcompensate for a volume hit from price hike that has happened? And hence, your overall revenue growth, price hike and volume growth combined can actually be faster than what you saw in, let's say, Q4 or Q3 of last year?

C. Ramalingegowda: That is right. We are seeing such positive tailwinds. We are seeing a higher growth rate also. I mean if you just look at the April number, higher growth rate compared to the fourth quarter. But it's too early to say because even last year, April, May, June was a very, very healthy quarter



for Wakefit. So I would reserve my comments for the first quarter results. But in short, April definitely has been way better than JFM.

Pranay Roop Chatterjee: Got it. And my last question is on the -- this has already been asked. It's more around the volume elasticity and the price hike that you have taken. Like you have taken 15% price hike versus pre-war and your overall COGS basket is roughly up 30%. Now broadly, it seems that there would be some pressure on gross margins, at least in Q1. Is that the right way to think about it, like Q1 could be some pressure and then Q2, if prices normalize, you could see slightly better margins? Or do you have enough stock still left at older prices so that this inflation and coupled with the price hike won't really depress your GM even in Q1?

C. Ramalingegowda: Definitely, there will be a small impact in GM. When Parul explained that we don't foresee too much of a difference, it is compared to the March numbers. Compared to March exit gross margin, we foresee that it will hopefully stay steady at that level for AMJ. But yes, if the war does ease, second quarter can become even better.

But as I was telling you, because we are present in multiple channels, our D2C website is very, very profitable. Our COCO stores have an average selling price that is 80% higher than online. So our efforts are going to be to balance the product mix to sell more premium products, to sell in better economics channels to try to keep the gross margin impact to a minimum, but there could be a minor, minor impact.

Pranay Roop Chatterjee: Got it. I understand I've gone through two, three questions. Is there scope for one more question, or I'll get back in the queue?

C. Ramalingegowda: I'm okay, we can take it.

Pranay Roop Chatterjee: Got it. This is more like an industry analysis I was doing on this segment. So what I did was I took the last 10 years revenue, EBITDA of Sleepwell, Kurlon, Duroflex, Wakefit, Sleep Company, Springwell, Peps, like the most of the organized guys whose data I found. My observations are as follows. Overall, on a growth basis, revenue on a rolling three-year CAGR basis has largely been in the 8% to 12% CAGR range, number one.

Number two, the overall gross profit pool and the EBITDA pool in margin terms has actually deteriorated like summed across players, has deteriorated sharply over the last 10 years, which is in line with the heightened competitive intensity and prevalence of newer channels, which may not be as profitable.

Number three, and final finding, the market share split, let's say, five, seven years back versus today has seen material shift. And new guys like Sleepwell company who didn't exist pre-COVID, already half your size and even versus the industry leader, they are a significant portion of the 20%, 30% of the revenue already. And this might just change like if they run out of funding, someone else gets funding, they are happy to burn cash.

My question is how -- as a top manager of one of the key brands trying to grow in this segment, how do you plan growth from a more longer-term perspective within this mattress and furnishings category? Because, look, growth is not a J-curve growth. It's 10%, 12% growth. You



see margins getting depressed and hence, you yourself are trying to shift people to your own channels, etcetera.

But there are new players who are trying the exact same thing. They are taking the same route that you have taken. They start as D2C, then they go aggressive on offline. the EBITDA pool keeps coming under pressure. So what needs to happen for -- and do you see any such thing happening, which will improve the economics of the industry as a whole?

C. Ramalingegowda:

Sure. I will not be able to comment on industry or specific companies, but two, three clarifications. As a 10-year-old company, we have been fortunate enough to get to INR1,490 crores in revenue. So our CAGR definitely has been much, much higher. And the last three years CAGR is also about 20% for us. And if you notice some of the decline in the industry's growth rate has also coincided with Wakefit and other D2C companies rise.

But having said that, like you rightly said, the barrier to entry to this industry might be low because of the aforementioned abundant supply of manufacturers who can make you mattress. However, the barriers to scale come in when the company hits about INR30 crores, INR40 crores, INR50 crores of annual revenue because that is when -- whether you have your own supply chain, whether you have your own R&D, whether you have your own manufacturing, whether you have the capability to process the returned mattresses in the 100-day trial, whether you're able to have the balance sheet strength to handle warranty returns, all of these come into play when you want to scale.

So to re-summarize, barrier to entry is pretty low, barrier to scale is pretty high when you take a stand-alone mattress category. However, when you add second and third and fourth categories like Wakefit has, first, it was bed linen and bedding. Second, it was furniture. Third, it was furnishing and decor. The company ends up kickstarting a flywheel where your LTV is not based on one infrequent purchase category like a mattress, but multiple frequent purchase categories that go into the home.

This is exactly the problem we foresaw in 2020. And hence, steadily every two to three years, we expand into a new category, learn, make mistakes and then add that to the flywheel. So I don't -- I cannot comment on what should happen for industry's profit pool to improve. I can only comment on Wakefit profit pool hopefully getting more stable and more defensible because we are able to have multi-category, multichannel presence that the customer would want.

That's the reason one obsessively tracked metric for Wakefit is repeat revenue percentage every month and cross-category sale percentage every month. So we don't obsess about other things. We obsess about these two things. So that means we don't treat a customer as one and done. We want them to keep purchasing the Wakefit.

Pranay Roop Chatterjee:

Thank you for the insight, sir and I wish you all the best.

C. Ramalingegowda:

Thank you so much.

Moderator:

Thank you. Next question comes from the line of Pritesh Chheda with Lucky. Please go ahead.



- Pritesh Chheda:** Yes. Actually, my question is answered. I was wanted to ask you about in a typically inflationary scenario, what...
- Moderator:** Mr. Chheda, your voice is not audible.
- Pritesh Chheda:** Wait a second.
- Moderator:** And your voice was breaking also. Please come to the range and talk. Thank you.
- Pritesh Chheda:** Is it clear?
- Moderator:** Yes, please go ahead.
- Pritesh Chheda:** I said my question was in usually such a high inflationary scenario where material prices are so significantly higher, what is the usual behavior of the industry by these smaller players or local organized -- local large-sized players or unorganized players? Usually, what has been the experience in the past?
- C. Ramalingegowda:** Sure. Local unorganized players who get their foam manufactured by contract manufacturers end up in this inflationary environment end up cutting more corners to try and add more adulterants or to provide lower density of foam because it is very hard to make use of or identify how much adulterants is there in year one of usage because year one, usually it behaves decently. And the poor quality products end up deteriorating later on beyond the year one.
- So we have seen that some short-term shortcuts are taken by some of these regional brands, which -- just to protect their margin, which ultimately comes back to harm them. So for us, we would never compromise on quality or purity of the manufactured products because we are a brand and we provide a 100-day trial and we provide a 10-, 15-, 20-year warranty. So given these reasons, all well-organized branded goods -- branded companies in this space hope to benefit during this period.
- Pritesh Chheda:** But doesn't it widen the pricing gap between organized and the unorganized players?
- C. Ramalingegowda:** That is correct. And -- but even during the non-inflationary period, an unorganized player has certain structural advantages of handling in cash, avoiding GST, handling no PF or ESI for their employees. So that gap always remains even in a non-inflationary environment. However, now the consumer behavior has evolved over the last 10 years, 11 years since Wakefit has come into existence.
- Back then, people who used to start searching in the local MBO mattress market, every city would have a street where 10 mattress stores are present side by side, and they sell all brands together in the same stores. However, today, if you notice your own behavior, your people around you, the search starts on Google, YouTube, Amazon.
- And then once you see that the unbranded products have no warranty, no 100-day trial and you're still paying them about INR2,000, INR3,000 less than an organized brand as opposed to a brand where all of these facilities are provided, the consumer behavior is slightly more evolved where they say 10 years life, this is not such a big deal.

So that is the overall benefit, which is structural movement from unorganized to organized. We cannot take any credit for that.

Pritesh Chheda: But in the near term, does the relative pricing gap expand? So what was the pricing gap between us and, let's say, the organized and the unorganized, that gap expands further because you guys have to go through price increases. Those guys have and backdoor channel or adulterating . So does the gap increases further?

C. Ramalingegowda: Yes, in theory, it can increase and the...

Pritesh Chheda: If that's the case, then how does it fall back to a better volume growth scenario or a better scenario?

C. Ramalingegowda: So if you remember the previous question also, we were saying that volume growth might be impacted in the short term, while ASP increases should tide us over, especially in the premium products range and premium channels such as retail. We were not saying that despite all of these volume will grow at a very, very fast pace. We said we will put in efforts to grow value -- volume, but value growth will help us in the near term to mitigate those impacts.

Pritesh Chheda: Okay. Okay. So in our case, what was the volume CAGR for the last four, five years? And what is the volume that you would see -- volume growth that you would see in FY '27? Or what kind of changes that you would see between what was the CAGR and what should be in '27, considering the higher price scenario?

C. Ramalingegowda: We don't have a policy. It's not -- volume growth is not a KPI, and hence, we don't have it handy. We primarily track ASP, ASP increase, cross-category sales and repeat rates. So unfortunately, we don't have that handy.

Pritesh Chheda: Okay. Okay, sir. Thank you.

C. Ramalingegowda: Thank you.

Moderator: Thank you. The next question comes from the line of Ritesh Shah with Investec. Please go ahead.

Ritesh Shah: Yes. Hi. Thanks for the opportunity. I have a quick 10 questions. First is, Parul, I think rental outgo, we have indicated INR20 crores in Q4, INR80 crores in FY '26. How should we look at this number for '27 and '28?

Parul Gupta: So, as Chaitanyaalso mentioned, Ritesh, that we are targeting to open store at least 80 plus. So you should be estimating the almost -- we did almost 40 stores in this year, so approximately doubling of that.

Ritesh Shah: I didn't hear you. You said we added 40 stores this year?

Parul Gupta: Yes. The new stores, which have been added is close to 40 in this year, in FY '26. And next year, we are targeting 40, 80 stores, which is double of the current count. So the number would be similarly in line with that.



- C. Ramalingegowda:** Slightly lower than double because the average square foot of the stores is reduced. But yes.
- Ritesh Shah:** Okay. Just a related question over here. Given the store count has increased, how should we look into ROU, which has actually declined on a year-on-year basis?
- Parul Gupta:** So ROU, basically, what has happened also, there are some of the components under the change because it's a lease accounting and ROU is something which will keep on depreciating. Since the addition in the current year has been lower than what has been -- we were carrying for, that's why you are seeing a reduction.
- Plus there are -- if there are change in the terms of the lease, then also you will see that impact, and that's why we clearly call it out the rent component separately for you all to just have a better view around it. But it's not going to be -- again, it's going to be the similar the way the accounting will happen and the new incremental addition will add on to the ROU and it will keep on depreciating the whatever we are carrying on the balance sheet.
- Ritesh Shah:** Probably I'll call you for this. If you could help us with some breakup, it would be great. My third question is on capex. How should we look at it for '27 and '28 given we have a Jumbo store coming up? I think for this year, it was INR29 crores for '27, '28, any broad ballpark numbers?
- Parul Gupta:** I believe you're asking for FY '26, '27 now, not '27 '28?
- C. Ramalingegowda:** '27 -- '26, '27?
- Parul Gupta:** '26, '27, you're asking, right?
- Ritesh Shah:** Yes, Yes, Yes.
- Parul Gupta:** Yes. So we are still in the process of concluding on that number. But with the Jumbo store coming in and the new stores we are talking about, we should be somewhere around INR120 crores to INR140 crores of the capex we will be spending in this year.
- C. Ramalingegowda:** And just to clarify, most of this capex is going to be in retail, not for any manufacturing capacity increase. And this will include nearly 60%, 70% of the jumbos initial capex to have been done in this year. Not all of it will come in this year, but that will be one big component. Second big component is the planned opening of about 80 stores.
- Ritesh Shah:** That's useful. There is other non-operating expenses of INR40 crores in Q4 and INR63 crores in FY '26. What is this pertaining to? How should one read into it?
- Parul Gupta:** So Ritesh, this is all kind of a non-operating expense or income like the in the mutual funds, the MTM gains on the mutual fund, which is an unrealized gain, unrealized gain or loss on the foreign exchange. So that is very much visible in the financial as a separate line item. So these are the only incomes and the gains which have been netted off from the operating profit. These are the non-operating, which is an unrealized gain.



- Ritesh Shah:** Perfect. If you could explain the cash flow bridge from March '26 until now, I think our presentation indicates around INR958 crores of investable cash. How should we read into this number and some clarification around the bridge would be great.
- Parul Gupta:** Okay. So INR958 crores comprises of the cash what we carry in a different mediums and the amounts in our books. So we had our internal accrual cash which we carried before we came into the IPO. And after the IPO proceeds came in, we are still -- we have only utilized INR4.5 crores out of the IPO proceeds what we raised in December. So that is what contributing to the increase in the cash component. And we -- before the IPO, we were carrying INR450 crores and internal accruals since we are profitable, internal accruals are increasing. So that's what we are currently standing at.
- Ritesh Shah:** How much would be internal accrual contribution over here? So I think pre-IPO, you indicated INR450 crores. Then there was IPO proceeds, I would presume it's a INR300 crores, INR350 crores something, right?
- C. Ramalingegowda:** INR377 crores, I think.
- Parul Gupta:** Yes. So INR377...
- Ritesh Shah:** INR377...
- Parul Gupta:** Yes, pre-IPO INR417 crores net of the -- to be around INR400 crores, you can take up IPO proceed net of the expenses. Rest everything is internal accrual.
- Ritesh Shah:** Okay. And other financial assets has increased from INR89 crores to INR356 crores. How should we look into this?
- Parul Gupta:** This again is a component of the same number what we have just spoken about, which is whatever we have invested in the fixed deposits, that will be falling part of the financial assets, if the maturity is more than three months and less than 12 months.
- Ritesh Shah:** Wonderful. Chaitanya, you did indicate in the prior question that...
- Moderator:** Sorry for interrupting.
- Ritesh Shah:** Last question. Last, last question.
- Moderator:** Please go ahead.
- Ritesh Shah:** Last question, sorry. Yes, Yes. Chaitanya, you indicated like we follow three variables. You indicated cross-category sales and other two variables. If you could please detail it and if you have some quantification or how you review it, your thought process would be great. Thank you so much.
- C. Ramalingegowda:** The way we review it is three things. One is of every INR100 that we make in a month, how much of that comes from repeat customers? And this number is underreported primarily because in two or three channels, we don't get customer data. So using a smaller set of channels where

we get the customer data, we are able to determine a certain number, and that is what we improve.

Second number is every time a purchase happens in category B, we look at whether they have made any purchase in category A. So that number is way more healthy for mattress, which means people who have purchased mattress in the first purchase, come back and purchase other furniture products with a way higher level of frequency compared to people who have bought furniture in the first transaction and then they come back for other products.

This is natural because mattress is a 11-year-old category for us. Furniture is 4.5 years old and Bed linen is about six years old. So it reflects the age and maturity of that category. Both of these is what we track on the limited data where we get the customer information.

And also one ROU, while we'll be happy to quantify separately on a call, the way we handle any new stores is because we are very, very frugal. We always start with an 11-month or 12-month lease as we spend three, four, five months in that location and see that it is working, then we go in for an extended two-year, three-year locking or we -- if it's not doing well, we wrap it up in 11 months and find a location in the same micro market, 400 meters away, 500 meters away, but in a better footfall area. So I think a lot of those are playing into that accounting. We'll be happy to clarify separately.

- Ritesh Shah:** Thank you so much. Thank you. Thanks, Chaitanya. Thanks, Parul.
- Parul Gupta:** Thank you.
- Moderator:** Thank you. Next question comes from the line of Pallavi Deshpande with Sameeksha. Please go ahead.
- Pallavi Deshpande:** Yes, I just wanted to understand if there is on the mattress side, is there a revenue guidance that you can give out for this year?
- C. Ramalingegowda:** We don't have a habit of providing guidance, especially in a normal behavior time itself, we worry about how to provide something that is sustainable and achievable. In an inflationary environment and geopolitical headwinds, we don't -- it will be very hard to provide it. But like I said, at a company level, given all these variables of multi-channel and multi-category, we aspire to grow at least about 20%. We will do our best to achieve that.
- Pallavi Deshpande:** So would it be like you hinted earlier about the increased competitive intensity. So this previous three-year CAGR of 19%, would that be slowing down because of this competitive intensity as we look to protect margins?
- C. Ramalingegowda:** No. Like I said, we are a very market share-driven company. While we don't say that grow at any cost, I don't care about the margin. That's not who we are. But we prudently manage product mix and channel mix to try and keep protecting the margin, but we always protect market share a lot more because the dream is very big, the journey is very long.

And more importantly, one lost customer in the first transaction means a lot of lost downstream revenue because that whole thing will go away. So losing one mattress customer is not losing one mattress customer. It is losing the same customer who would come back for a sofa, coffee table, book rack. So hence, we ensure that we fight it out in the marketplace. But Yes.

Pallavi Deshpande: My last one would be on this 100-day return. What percentage of sales have we seen the returns coming in? And does the customer have to pay for the cost of the transportation on the return side?

C. Ramalingegowda: No, we were the pioneers of launching this 100-day return policy in India, which was a game changer for the whole mattress industry about nine, 10 years back. The way we defined it is that till that point in time, even if there was a warranty claim, the customer was made to run pillar to post to have a physical bill to prove that they bought the product from this particular store, then deal with a complex mathematical calculation on how much refund they will get, even for a warranty claim where there is a defect.

So the way we changed the industry was to say that it is a no questions ask 100-day trial policy, which means you take it, try it in the privacy of your home, both left side, right side, sleepers are both having a different type of body and both will react differently to the product. The 99th day also, if you don't like it, you should be able to return and claim the full refund with no conditions other than that the mattress cannot be damaged. You cannot have liquid spills, you cannot have a cigarette burn, etcetera, etcetera. But other than that, we would have no questions asked. So that's how it changed.

To answer your question on the returns percentage, I can tell you that it has always remained in the same stable percentage range, most of the 10, 11 years that we had this policy, and that number is stable at -- it's below double digits. I don't think it's a KPI, so we don't disclose it every quarter, but it is below double digits. And we have a very capable and established supply chain to bring it back, reprocess and then figure out what to do. Customer does not have to bear any costs.

Pallavi Deshpande: Thank you, sir. I'll get back in the queue.

Moderator: Thank you. Next question comes from the line of Nishita with Sapphire Capital. Please go ahead.

Nishita: Yes, hello. So most of my questions have been answered. I just wanted to understand from the 80 stores that we are planning to open in FY '27, how much of that is going to be the Jumbo stores you mentioned? And how many will be the small stores, if you can give that bifurcation?

C. Ramalingegowda: Sure. All of the stores that you mentioned as 80 are the regular format between 600, 800 square feet all the way to 5,500 square feet. All of the 80 are that only. Jumbo the first store will come up only in early FY '28, which is April, May of next year as per our today's projection where the construction is going on. We only hope to open smaller number of stores, be very frugal with that, test out the hypothesis of Jumbo store providing this full home destination in one place and then only scale it. That is not included in the 80. Only one is coming up early next year and second one later next year.



- Nishita:** Okay, okay. So two jumbo stores in FY '28?
- C. Ramalingegowda:** Yes.
- Nishita:** And the additional like products that you mentioned, like live plants and everything, that is -- that offering is only going to be in the Jumbo stores, right, not our regular stores?
- C. Ramalingegowda:** Even some of the regular stores, which have 5,000, 8,000 square feet flagship stores in those cities have space for them. So we will -- wherever there is place to display those merchandise, we will do that. And even website, B2C website also, it will be present. But Jumbo store, like you rightly said, will be the lion's share of that. So it's a way to complete the portfolio in a very cost-efficient manner where we don't need to get into R&D and set up a factory, etcetera. We can source white label, we do R&D, but we source it from somewhere else.
- Nishita:** Okay. And if we have these projections, how far the Jumbo store can break even?
- C. Ramalingegowda:** So as per our initial thesis, it is in about 18 months. that, again, we are doing it in a very frugal, very low-cost manner. So in about 18 months or so, we should aspire to breakeven. And think of it as a standard asset-heavy retail company, which would break even in 18, 24, 36 months. So we are trying to beat that benchmark by doing it in 18 to 24 months.
- Nishita:** Right. Okay. Yah. That is it from my end. Thank you.
- C. Ramalingegowda:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I now like to hand the conference over to the management for closing comments.
- C. Ramalingegowda:** Thank you all for attending this conference call. We are happy to share the growth numbers. We are happy to share our strategy. Although despite geographical headwinds and macroeconomic headwinds, the company has managed to deliver. We will be very calibrated on our cost while being very aggressive in protecting our turf on the market share side. We will hope to continue to see all of you next quarter also and engage with all of you as and when needed. Thanks for investing the time in learning about Wakefit. If you have any further queries, please contact SGA, who is our Investor Relations advisor. Thank you.
- Moderator:** Thank you.
- Parul Gupta:** Thank you.
- Moderator:** On behalf of Wakefit, that concludes this conference. Thank you for joining us. You may now disconnect your line.