



Date: February 17, 2026

BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai- 400001,  
Maharashtra, India

National Stock Exchange of India Limited,  
Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 051

BSE Scrip Code: 544642

NSE Scrip Symbol: WAKEFIT

Dear Sir/ Madam,

**Subject: Transcript of the earnings conference call held on February 11, 2026**

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a copy of transcript of the earnings conference call held on Wednesday, February 11, 2026, at 09:00 a.m. (IST) to discuss the unaudited financial results of the Company for the quarter and nine months ended December 31, 2025.

The said transcript is also available on the Company's website at [www.wakefit.co/investor-relations](http://www.wakefit.co/investor-relations).

You are requested to kindly take the same on record.

Thanking you.

Yours faithfully,  
**For Wakefit Innovations Limited**  
*(formerly known as Wakefit Innovations Private Limited)*

Surbhi Sharma  
Company Secretary and Compliance Officer  
Membership Number: A57349

**Encl: As above**



Wakefit Innovations Limited

Q3 FY '26 Conference Call

February 11, 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 11th February 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**  
**MS. PARUL GUPTA – CHIEF FINANCIAL OFFICER – WAKEFIT INNOVATIONS LIMITED**

**MODERATOR:** **MR. PERCY PANTHAKI – IIFL CAPITAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Wakefit Q3 FY '26 Conference Call hosted by IIFL Capital. Before we begin, a brief disclaimer. 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 the date of this call. These statements are not the guarantee of future performance of the company, and it may 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Percy Panthaki from IIFL Capital for the opening remarks. Thank you, and over to you, sir.

**Percy Panthaki:** Hi. Good morning, everyone. It is my pleasure to host the maiden results call for Wakefit. With me from the management, we have Mr. Ankit Garg, Chairman, CEO and Executive Director; Mr. Chaitanya Ramalingegowda, Executive Director; and Ms. Parul Gupta, CFO. I'll hand over the call to the management for their initial comments, and then we will open up for Q&A. Over to you.

**Ankit Garg:** Hi, this is Ankit. Thank you so much for the introduction. Good morning, everybody. A warm welcome to all of you, and thanks for joining our first earnings call after listening. On this call, we are joined by Chaitanya Ramalingegowda, who is an Executive Director here; and Parul Gupta, CFO; and Strategic Growth Advisors, our Investor Relations Advisors too.

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. Firstly, I would like to take this opportunity to thank all the shareholders for their faith in us. We welcome our new shareholders and thank every stakeholder of the company, that is employees, customers, business partners, bankers, lawyers who made our IP listing successful. So thank you very much.

During the quarter, the company has shown solid performance across all metrics. Our revenue registered a Y-o-Y growth of 9.4% at INR4,213 million and reported EBITDA almost doubled to INR592 million due to operating leverages kicking in.

In including the improved capacity utilization, particularly at our furniture facility, our operating EBITDA, which represents EBITDA before Ind AS lease adjustments, ESOP charges and onetime costs stood at INR416 million with 9.9% margin. This performance was delivered

despite Diwali-related demand advancing to September 2025 compared to October 2024. Y-o-Y sales growth for the last 4 months of the calendar year, that is September to December '25 period stood at 14%.

The new GST reforms covered a lot of discretionary product categories. However, our major product categories remained unchanged at 18%. This led to shifts in consumer wallet towards other categories, which benefited due to this change. However, we believe that it was a temporary shift and the demand is coming back to normalcy. So far, the quarter is shaping up strong than Q3 across key operating metrics.

Since this is our first earnings call, I would like to take a step back to establish who we are, what we do and also give you a bird's eye view of our industry. Wakefit began in 2016 as a sleep solutions player. After achieving strong traction in our mattress business, we saw that pain points which we wish to solve for in the mattress market also existed in the furniture market.

What made this even more interesting is that the market is much bigger as compared to that of our mattresses and we had an opportunity to tap our existing customer base via channels. Today, we have evolved into a one-stop destination, offering home and furnishing solutions to meet customers' evolving needs with products tailored to cater to the mass, masstige and the premium segments.

From day one, we embraced a direct-to-consumer ethos, D2C, with vertical integration, online distribution and deep customer feedback. Wakefit operates across three core product categories: mattresses, which are predominant contributor to our revenue at about 61.3% for the first 9 months of the fiscal. Furniture category that includes beds, sofa, wardrobes, dining tables, chairs, seating, this contributed about 29% of our revenues for the first 9 months. The growth rate of this category was 27.5% on a year-on-year basis. The growth is much faster, albeit on a smaller base.

Our third category is furnishings category, where we offer pillows, cushions, towels, mats, rugs, carpets, comforters, runners, curtains, etcetera. This contributed about 9.7% of our total revenue in 9 months of the first fiscal. Wakefit today represents well under 1% of combined mattress furniture and home accessories market. Our growth will come from gaining market share through a superior value execution and customer experience, and there's a big headroom for this. Interestingly, the furniture market is nearly 10x the size of the mattress market.

Given this, we expect our revenue mix to evolve meaningfully over the next few years, resulting in a more balanced business mix. We invested early in what we call the pillars, which essentially represent a full-stack vertically-integrated model that represent -- that reflects our cohesive business approach, maintaining control over every stage of the product life cycle.

Our strength lies in our research and development-driven product designs and our commitment to continuously enhancing products based on customer feedback. Our integrated approach spans the entire value chain, encompassing supply chain management as well as distribution. Currently, we operate five manufacturing facilities.

Our highly automated quality-driven operations supported by advanced imported machinery enable consistent output, scalability and a lean just-in-time inventory model. Our automated processes enable us to operate our furniture business on a catalog basis, where production begins only after confirmed orders. This limits inventory buildup, reduces working capital requirements and improves cash flow visibility.

Our logistics infrastructure comprises of a central mother warehouse, supported by multiple inventory holding points and delivery points, which enable efficient and cost-effective logistics. On the back of our highly automated operations, we run our business with very low inventory and just-in-time operations.

We focus on environmental, social and governance principles, which are integral to our business operations. We are committed to promoting a circular economy by repurposing waste materials such as sawdust into fuel briquettes and foam scrapping, the rebounded foam. Before I hand over, I would like to share that our Board has approved the appointment of Ms. Parul Gupta as CFO. She has been a part of our company from August 2025.

With her strong track record, she is well positioned to meaningfully contribute to our growth journey and further strengthen our financial stewardship. Ms. Parul Gupta will be replacing our prior CFO, Mr. Navesh Gupta, who resigned from the company due to his personal and professional plans with last working day as 31st December 2025. Appropriate disclosures pertaining to his resignation as CFO were made in the Red Herring prospectus and the prospectus filed at the time of IPO.

We welcome her on our team. We are proud to be building one of the India's largest furniture manufacturing ecosystems and serve the growing domestic demand for our products. A strong platform play under a single brand enables us to cross-sell complementary products and upsell higher-end products. Now with this, I would hand over to Chaitanya Ramalingegowda, Executive Director, to explain more.

**C. Ramalingegowda:**

Thank you, Ankit, for the introduction, and good morning, everyone. Building on what Ankit spoke, let me give some more color on a few aspects which differentiate our business. While our roots are digital, we entered offline retail to foster a deeper customer connection. We opened our first company-owned company-operated store in 2022 in Gomti Nagar, Lucknow. Around the same time, we also commenced our multi-brand operations, which means MBO stores.

As of December 2025 end, we had 137 active company-owned company-operated stores across 76 cities and nearly 1,700 MBOs across 453 cities. Today, we sell our products through a comprehensive omnichannel strategy that enables us to reach customers in more than 700 districts across 28 states and 6 union territories.

The omnichannel facet is part of both our own and external sales channels. Our own channels comprise our website and our company-owned company-operated stores, together, which contributed nearly 64.7% of our 9-month sales. While external channels comprise various marketplaces such as major e-commerce platforms, quick commerce platforms and MBOs, they contributed the rest of the amount.

With our omnichannel network, we ensure that customers have multiple touch points to discover, research and engage with our brand, ultimately supporting our long-term growth and profitability. More importantly, our own channels provide us control over the products and the complete customer experience.

And they also enable us to increase brand loyalty through CRM programs, repeat purchases, cross-selling, increase in average order value and overall lifetime value of the customers through insights into consumer behavior and direct feedback every single day from them. The continued growth in the sale of our products from our own channels is a pivotal factor influencing our efficiencies as our channels typically command higher margins due to the elimination of third-party costs. With healthy unit economics of our company-owned company-operated stores, the portion of the IPO proceeds is allocated towards accelerating store expansion in high-potential markets.

In select geographical areas, we intend to continue opening more COCO stores of various sizes tailored to specific catchment area requirements and specific product categories on display, whether it is a combination of mattress furniture and furnishing products. We are also making strides to open stores in a way that will help us to tap into smaller cities and towns and underserved pockets of India.

We focus on maximizing customer LTV, lifetime value through omnichannel presence, and this is shown resulting in a 35% repeat customer ratio and strong customer ratings across major e-commerce platforms. While profitability has been a cornerstone of our complete existence over 10 years, since the beginning, in the last few years, we are also focusing on investments in capabilities such as manufacturing, channel expansion and infrastructure and supply chain. A key milestone during this fiscal year has been our return to profitability.

As we see Wakefit becoming a comprehensive destination for home where multiple categories reinforce each other's growth and create a flywheel, we aim to focus more on brand building and sweating our existing assets better to bring out higher operating leverage in the coming years.

On a near-term basis, based on the prevailing market environment, we expect to close the year with mid- to high-teen growth -- revenue growth with continued improvement in operating EBITDA margin. I now invite Parul to walk you through our financial performance.

**Parul Gupta:**

Thank you, Chaitanya. Good morning, everyone. So let me give a very quick background in terms of how the financial performance during Q3 FY '26 has gone. Our revenue from operations rose by 9.4% to INR4,213 million. We delivered our highest-ever quarterly revenue.

We achieved this performance despite a shift in festive demand. Notwithstanding this, Y-o-Y demand across last 4 months of the calendar year has improved by 14%. As mentioned earlier, the Q4 trends remain positive. The GP margin for Q3 FY '26 was impacted due to seasonal offers and discounts, although it showed a 230 bps improvement compared to the last quarter of -- the quarter of the last year, which is Q3 FY '25. For the quarter, reported EBITDA, excluding non-operating income stood at INR591.8 million, reflecting a margin of 14%, which is up by 196% Y-o-Y.

Given our rental-heavy cost structure, we also track operating EBITDA as per IGAAP, and we have provided a complete detailed walk around the EBITDA for the quarter and 9 months ending December 2025 for your reference on the Slide 10, which is uploaded on the website. Operating EBITDA for the quarter stood at INR416.4 million, which -- at a margin of 9.9%, while the last year same quarter stood at INR79.7 million at 2.1% margin.

PAT for the quarter totaled INR319 million, resulting in a PAT margin of 7.6%, which includes onetime impact of the -- on account of the changes in the Labour Code and IPO-related expenses amounting to INR39.3 million and INR10.1 million, respectively, for the quarter. Now coming to the 9 months financial year 2026 performance. The revenue from operation is at INR11,453 million, resulting -- translating to a Y-o-Y growth of 17.9%.

Reported EBITDA stands at INR1,454 million with a Y-o-Y growth of 174% with a margin at 12.7%. Operating EBITDA for the same period of 9 months stood at INR933 million, which is 8.1% of the revenue and while versus the 2.2% in the last year of the 9 months of FY '25. PAT reported at INR674 million at 5.9% margin. Including IPO proceeds as of December 31, 2025, the company has investable cash of around INR8,892 million. So this is broadly in terms of how our performance has gone by.

Looking into some of the factors which are coming in and broader guidance in terms of how our financial year 2026 will go by, we anticipate that our total ESOP expenses for the FY '26 will be around INR50 million and the next year will be around INR120 million. Lease component in the depreciation and amortization for this particular financial year is expected to close at INR665 million.

In the recent past, we have seen some competitive intensity in the category. And hence, we expect that in the medium term, we anticipate some ramp-up in our brand building efforts with the advertisement and promotion, which may be expected to be around that 8% to 9% of the sales as per our historical trends. With this, I open the floor for Q&A. Over to you.

**Moderator:** Thank you maam. Our first question comes from the line of Siddhartha Bera from Nomura Holdings. Please go ahead.

**Siddhartha Bera:** Congrats on a good set of numbers. Sir, first question is on the revenue side, how should we look at the same-store sales growth for you, whatever it is like quarter 3 or 4 months, whichever you think is more representative, first on that? And also, segment-wise, how will it be? Probably it will be slightly lower in the mattress and stronger in the furniture is what I would assume. So some trends there?

And given that we are now sort of looking at entering another year, so how do you see some of these trends playing out? Do you expect any acceleration given your ambitions of market share gain? Or how should we think about some of the industry-wide and your trends probably for mattress and furniture, if you can spell out separately for the next year as well?

**C. Ramalingegowda:** Sure. On the SSSG side of it, we are in the -- are greater than 20% in terms of average currently. Different stores at different maturity are contributing at different levels. However, the average is definitely above 20% for the stores that have completed at least 1 year. This is not a number that has come just now.

This has been hovering in the same range consistently and some stores going up even more after maturing over 18 to 24 months. Coming to segment-wise growth rates, we have been growing mattress in the mid-teen levels and furniture at -- on the early 20s percentage levels in the past. And we foresee that the demand is back to those levels in the Q4 of FY '26 despite the aberration of Q3 because of the timing issues that Parul outlined.

So demand definitely is back, at least 200 to 250 bps higher than what we saw in Q3 as per the trends that we have seen from January 1 till now in fourth quarter. In terms of growth rates for the future, we see this holding at least in the mid-teens level at a company level across the three categories, while furniture, given the smaller base effect, will continue to be growing at a higher growth rate than mattresses in early to mid-20s.

**Siddhartha Bera:** Got it, sir. This SSSG of more than 20%, this is for quarter 3, you mentioned, of more than 20% or if you can just clarify the time lines?

**C. Ramalingegowda:** That is correct. I mean that is the -- even if you look at the 9 months average, it is in the same range. And if you look at the Q3, it is a little bit more healthy because offline transactions were very healthy during the festive period, but it is consistently above 20%.

**Siddhartha Bera:** Got it. And some color on the segment-wise profitability as well. At an operating level, you mentioned we touched close to 10% operating EBITDA margins. How should we look at the segment-wise margins? And going ahead, where do you see more levers in terms of improvement? And any guidance if you have for the next few years?

**C. Ramalingegowda:** Sure. While we don't disclose the margin profiles by category, mattress continues to be very, very profitable, the most profitable of the three categories that we have. And margin profile will continue to improve, but incrementally. Furniture is where we believe there is a lot of leverage pending and juice to be extracted from the complete value chain from research and development optimization, as our catalogue completion comes to a good stage. Manufacturing efficiency as the same factory assets churn out more number of quantity every single day as the demand goes up. And number three, utilization of our middle-mile trucks from the mother warehouse to the inventory holding points as the demand goes up steadily.

So given all of these three things, most of the nonlinear growth improvement in margin will come from the furniture category in the coming years. And these two trends are not going to change drastically, mattress steadily half a percentage point, one percentage point a year, while furniture generating a lot more of the contribution to company-level margin improvement.

**Siddhartha Bera:** Understood, sir. Last question is on the store additions. If you can give some color when does the mega store come on stream? And how much store additions are we looking to add next year across both small format and regular format?

**C. Ramalingegowda:** Sure. I think if I have to stick to the analogy of the terminology used in DRHP and RHP, our COCO regular stores that are currently there, which are anywhere between 600 square feet to about 5,000 square feet, that is where most of the quantity addition will come over the next year or so. We plan to continue to open a steady number of stores every single quarter. We're happy to provide a little bit more color to that in the next call. But currently, we are at about 137 active stores compared to 125 active stores at the end of September 2025.

Approximately 11 stores or so have been added net. In terms of the forward-looking, this number is going to be definitely higher than this number, maybe to the extent of 50% higher store opening than what we have delivered in this quarter starting from the next fiscal, which is starting on April 1.

**Moderator:** The next question comes from the line of Ritesh Shah from Investec India.

**Ritesh Shah:** First, congratulations to the team for the IPO. A few questions. First one is probably for Parul. I think, ma'am, you indicated 8% to 9% for A&P. Just want to understand what all variables does it include and exclude? That's the first one. Secondly, you also indicated around INR66 crores

towards depre and amortization. That number is for FY '26. Could you give us some headline numbers for '27 and '28? Those are the first two questions for you, please.

**Parul Gupta:**

Thanks, Ritesh, for the question. So Ritesh, in terms of the A&P, this includes all kind of marketing and advertisement what we do, offline, online, digital. So those -- everything is included as part of it, which is in the same line in which we have reported the numbers in the financial as well as in the RHP. And that is what we are looking into the medium term, not immediate. So that's one point.

The second question in terms of the -- your -- guidance in terms of the lease component. As we are in the process of evaluating the store count and everything, these numbers may undergo a bit of a change. So it is not possible for us to comment on the exact number on this, but it will be in the similar trend. The increase is going to be in a similar trend as it is how the store increase has happened over the years and the lease component has happened.

**Ritesh Shah:**

Okay. If I can just have a follow-up over here. Ma'am, if we have to understand the element of CAC, would it fall under A&P? Or is it a separate line item that one should look at?

**C. Ramalinggowda:**

Customer acquisition cost in our industry, given that we are a multichannel company, it is very hard to calculate, primarily because even when you're a purely online company, you can at least come to some degree of approximation because the same identity or Google ID in the back end, Google or Facebook will provide us some kind of unique identifiers to come to a proxy.

There also, there are gaps such as people browsing on one device and purchasing on another device, but at least you get to a fair degree of confirmation. But given that we have two, three channels such as e-commerce marketplaces, which do not provide consumer data; quick commerce, which do not provide consumer data; MBOs, where, again, we don't get any data and online and offline, where consumers may browse with different IDs and devices and browsers and purchase in our store or somewhere else.

We do not track CAC. The proxy -- two strong proxies that we use to keep the cost under control is advertising and promotion, which is the marketing cost as a percentage of net revenue. And secondly, the repeat rate that has to be healthy, which means customers are coming back for more purchases. So unfortunately, we don't have a clean way to calculate CAC.

**Ritesh Shah:**

So this is a variable, CAC could be beyond A&P. If I have to conclude, would that be a fair assessment?

**C. Ramalinggowda:**

You're absolutely...

**Ritesh Shah:**

It could be in one of the -- sure, sure.

**C. Ramalingegowda:** It's not like -- what I'm trying to say is store, retail expenses can also be CAC. And hence, you can consider some portion of the incentives, et cetera, will go there.

**Ritesh Shah:** Sure. And Parul, just a follow-up. I think we -- as part of primary issuance, we had indicated a number of INR161 crores. This was towards lease, sublease rent and license fee payments. This would be spread over how many years, if you could help on that, given you indicated we are in process for '27 and '28 corresponding to INR66 crores?

**Parul Gupta:** Ritesh, can you help me, and just can you please repeat the question? I couldn't get the numbers that you mentioned.

**Ritesh Shah:** Yes. Ma'am, as part of primary issuance of INR377 crores, INR161 crores was earmarked towards expenditure of lease, sublease, rent. So I just wanted to get a sense of this is spread over how many years?

**Parul Gupta:** Yes. This is spread over 3 years.

**Ritesh Shah:** This is spread over -- cool. I'll just move to the third question. Broader numbers on spread of revenues, South and non-South, that's one. Tier 1 versus ex Tier 1, if you can help us with that, that would be great. Third is basically the revenue mix when we say COCO and incrementally, we have spoken about MBO, how do you see the revenue pie between COCO and MBO? So three questions over here. And I have a last bucket. If you permit, I'll go to the last bucket then?

**C. Ramalingegowda:** Sure, Ritesh. The South versus non-South, Tier 1 versus Tier 2, all of them vary differently by categories. For mattress, which is the oldest category, and we are present largely online pretty much everywhere across India. In such that category, South is still significant, maybe contributing more than 50% and the North contributing the rest. Our strong suit is the bottom five states in the Southern Peninsula of India.

But in furniture, it has no South versus North split. It has much more of a Tier 1 versus metro split because by definition, furniture is not present pan-India. It is only present in the cities where we have stores. So furniture is very, very concentrated in the x number of cities that we are currently present in with our store presence and mattress is present pan-India. So that is how the split is.

In terms of roughly metro, Tier 1 versus Tier 2, mattress has a more even distribution given the reasons that I told you, which means less than 35%, 40% would probably be in these metro and Tier 1 for mattress and the rest is spread across the country. While in furniture, large part, lion's share of all furniture revenue will come from only metro and Tier 1 where our stores are present. In terms of COCO and MBO, MBOs are a very small presence. They are our strategic partners. They're important to our growth.

But if you look at it at a company level, this would be in low single-digit percentage of revenue contribution. It is a great way to enter new markets, service underserved parts of India without putting our own capex. So while they are important to us, they are not going to be as sizable as company-owned company-operated stores, which are contributing significant amount of revenue to the company.

**Moderator:** The next question comes from the line of Rachna from SiMPL PMS.

**Rachna:** On a good set of numbers and on getting listed. I have two questions. Our annual realizations for mattress has been improving. What are the key drivers behind this improvement? And how do mattress realization compare across our own online channel and the e-com channels like Amazon? I understand that third-party cost eliminations contribute, but what other factors are supporting the trend in realizations?

**C. Ramalingegowda:** Sure. In terms of annual realization of mattress, yes, you're right, it is steadily going up. There are a few specific factors that contribute. Number one is the introduction of the premiumization portfolio in our own company. We started this about 2 to 2.5 years ago.

And we now have a bunch of ranges such as plus range, Infiniti range where they are at a higher premium to the classic and essential range that we always had. So that is factor number one. Factor number two is our ability to upsell to customers who walk into our stores, meaning when they do come in, they don't have a clear view of which SKU they want to buy, but they have shortlisted some.

But once they lie down on it, test it, ask questions from our staff and get clarity, they are able to upsell and purchase a product INR5,000, INR7,000, INR10,000 higher. This is also borne out in the fact that average order value in our company-owned company-operated stores is nearly 60%, 65% higher than the online average order value.

So this is a second factor. The third factor is the fact that Wakefit has brought up innovative SKUs, which are not just on the same variety but a premium price point, but also innovative materials of higher-quality latex, higher-quality grade, higher-quality spring, where the benefits that are provided are also very different.

These are the major factors because of which realization is higher steadily. But how does this split across our website versus marketplaces versus stores? Largely in terms of average order value or ticket size, irrespective of whether it is our website or marketplaces, it is approximately similar and lower compared to the offline channel, which is higher.

But by the time it comes back into the company in terms of contribution margin, et cetera, the e-commerce marketplaces would definitely be a few percentage points lower than our own D2C website.

**Rachna:** Okay. Understood. My second question is, what were the key drivers of gross margin improvement this quarter? And to what extent was this led by the mattress segment? Additionally, if you could please provide some color, ballpark figures into gross margin across our three product categories, specifically which categories generate high gross margins and EBITDA margins relative to the company level?

**C. Ramalingegowda:** Sure. Just to clarify, our gross margin in Q3 has been worse off compared to the H1 of FY '26. Like Parul mentioned, the main reason was that it is the standard festive quarter where all brands provide discounts to drive higher volumes. However, your question was also right that compared to Q3 of FY '25, there is a 230 bps improvement in this quarter. So that has not been because of any short-term step that we have done now or this quarter.

This has been the result of the work done in the factories and the production facilities in terms of utilizing higher degree of machines and manpower and reducing the wastage. So it's not a onetime short reason. It's better than last year Q3, but worse than the H1 because of the reason. What was the second -- can you repeat the second question, please?

**Rachna:** Yes...

**C. Ramalingegowda:** Yes, you're right. Segment-wise, we don't disclose the margins, unfortunately. But like I outlined earlier, mattress is higher than the company-level gross margins.

**Moderator:** The next question comes from the line of Percy Panthaki from IIFL Capital.

**Percy Panthaki:** A few questions from my side. So first one is on the GST-led shift of buying by customers. Why has this affected only mattress? Based on the data in your presentation, you have given, I think, 26% of furniture going to 29% as a salience, so which means roughly 20%-plus kind of growth has happened in furniture this quarter. So why is this GST-led shift not affected furniture?

**C. Ramalingegowda:** Good question, Percy. So in mattresses, we see a much, much higher level of spike during the festive season, which did not happen this year. To give you some sense, mattresses see on sale events, 8 to 10x growth over BAU during the festive time. And during the second and third wave of the sale can see as much as 5x, 4x of BAU numbers, while that didn't happen this year. Festive for furniture has always been a smaller spike.

And as a company also, we are able to service a smaller spike given that it involves more moving parts of production, manufacturing, et cetera. So the idea is very simple that furniture grew as much as usually it grows, 30%, 40% over normal numbers, but mattresses, just the pent-up demand that was there just didn't happen this time around.

**Percy Panthaki:** So doesn't that mean it gets shifted to next Diwali or it comes back sooner in your view?

**C. Ramalingegowda:** Customers don't wait for a year. Usually, what we see is the Republic Day sale that happens in January, the March sale that happens around Sleep Day, those end up contributing and growing. And the next big spike that you'll also see is in June -- is in July during certain e-commerce events as well as our own proprietary sale event.

So customers don't wait for a year. January, March and July, they come back and it makes up for it. That's what we saw even in the Republic Day sale, where Y-o-Y, we grew in our mid-20s for the same 7-day Republic sale -- Republic Day sale compared to last year Republic Day sale.

**Percy Panthaki:** Got it. Next question, just wanted some kind of thoughts, if not guidance, on medium-term margins, let's say, over a 2-, 3-year kind of a period. You have done 9.5%, 10% this quarter. There is already significant operating leverage playing out. Your other expenses are in absolute terms down Y-o-Y for the quarter, for 9-month basis also, I think they are marginally down only. So one is, where do you see -- these margins, 9.5%, 10%, where do you see them going over a 2-, 3-year period? And what would be the drivers for that movement?

**C. Ramalingegowda:** Sure. We, as a company, don't provide guidance, especially because the industry is very, very dynamic. And we, as a single company, operate in three -- in categories, each of which is a separate industry altogether. The mattress industry has separate dynamics, separate competition and separate pressures. The furniture industry has very different growth levers and very different pressures on utilization of assets.

And similarly, furnishing is a much smaller ticket size item, which is purchased more on impulse or as an add-on to the existing cart. Since each of them is separate, we are unable to provide a very tight, controlled guidance. However, the revenue growth remaining at a healthy number that we outlined earlier and margin improvements coming from operating leverage, those are in our control.

But we foresee that given the increase in competitive intensity in mattress, we will go back to increasing our advertising and promotion expenses to historical average of somewhere around 8% or so, given how the industry has shaped up. While in furniture, the investments will come a lot more in stores, meaning if the stores are continuing to deliver the amazing unit economics and payback periods that we currently have, we might accelerate the pace of opening those stores.

So given those, the margin payback, some of the investments taking up some of our EBITDA for the short term might happen. But as we get clarity on that strategy, we will come back. But the only point I'm outlining and reiterating is revenue, operating leverage will be continued

**Percy Panthaki:** Got it. Got it. And lastly, just wanted to understand your thoughts on the mattress segment growth, the industry growth overall organized versus unorganized. And within organized also,

roughly what is your current share? And what kind of share you are gunning and therefore, what kind of growth in the mattress segment can we expect?

Because unlike furniture, where you are a very, very tiny part of the overall sort of market, in mattress, it's relatively a little more organized. And within the organized guys, I think you are the second largest now. So just wanted your thoughts on mattress growth?

**C. Ramalingegowda:** Okay. I was just saying that on the mattress side, in the absence of any industry reports, which give us quarter-on-quarter updates on how growth has happened or share has changed, unlike in FMCG or mobile phones, we only have an estimate. Our estimate is that we must be in the early double digits in terms of market share in the overall organized mattress market. We don't take a market share target, but we do take growth rate targets internally when we do our annual operating plan.

So we just want to focus on that growth rate to be at least in the mid- to late teens, given the size of the mattress market and given how large we play. And this itself is going to be double or so of the traditional legacy companies from what we can get in the private market data.

**Moderator:** The next question comes from the line of Harsh Dhanuka from Ncube Capital Partners.

**Harsh Dhanuka:** Extending to the question of the last participant, how do you see this mattress market divided between online, offline? And do you see a shift happening between the two? And how do you see your prominence in terms of market shares if you want to divide it between online, offline also?

**C. Ramalingegowda:** We believe that a lot of the transition from offline unorganized buying will move to online organized buying because the consumer behavior itself has changed in these last 10 years. If 10 years ago, the mattress research process would start by going to three stores near your house, today, the mattress research process starts by either searching on Google or searching on one of the two large marketplaces, e-commerce marketplaces.

Hence, the natural consolidation or growth rate will come online, especially for this segment that is converting from unorganized retail to organized will happen online, especially for the entry-level price points. So these would be mattress in the range of INR6,000 to INR8,000 all the way to INR12,000, INR13,000. We believe this is going to grow rapidly online as it has shown in the last 4 to 5 years.

However, on the premium range, as long as the product is innovative, as long as the product has something new to offer, not just customers overpaying because of the MBO cost structure, dealer distributor cost structure, et cetera, we believe that the premiumization will happen mainly in company-owned company-operated stores where the sales staff is very consultative, where the

sales staff is able to provide a very good view of the innovation rather than just expensive mattresses sold through MBOs.

**Harsh Dhanuka:** And how would be your market share between the two, online versus offline? As you said, it is more early teens in terms of overall market share, but does that differ when you look at from the online versus offline?

**C. Ramalingegowda:** Yes, that changes drastically when we look at it online versus offline. When we look at pure online companies, we would be much larger than what I said. It would be -- from whatever we know or we can estimate, it will be more than a quarter of the market belonging to Wakefit, although we don't have an exact number given the absence of industry reports. But overall organized space, we would be in the early double digits.

**Harsh Dhanuka:** And with respect to growth, how do you see -- as you said, within mattress, you're looking at 18%. Does this number also vary between online and offline overall from the mattress perspective?

**C. Ramalingegowda:** The growth rate has been solid for both places. But like I said, the product mix changes. In the online space, the growth rate is way higher. And in the offline space, its growth is very high for premium only. However, even now that becomes more and more blurred because a lot of the online-only companies have started opening company-owned company-operated stores. So it is now -- unlike 10 years ago, it is very hard to call a company online company or offline company because they're opening stores also and sales is moving offline, although the discovery happens online.

**Moderator:** The next question comes from the line of Deepak from Unifi Capital.

**Deepak:** Congrats on a good set of numbers. Sir, first question is on the revenue growth in mattress. It seems to be on the lower side. So if you can provide some insights as to despite giving the discounts this quarter, why is the growth rate lower? And what have we done in Q4 that we see these revenue growth trends improving? I'm talking about the mattress segment in particular?

**C. Ramalingegowda:** Sure. Good question. I think Parul answered it to some degree in her opening comments, but I will add more flavor to that. Last year, in calendar year 2024, the Diwali sale started on the last day of September, which means most of the sales spike was shown and revenue recognized in the OND quarter. And hence, it showed up in Q3.

However, this year, both the GST-based waiting that happened between September 5 and September 26 that happened there. And the sales spike started on September 21 or 22, which means a large part of the spike from the first wave of the sale got recognized in the second quarter, which is July, August, September quarter. And hence, the H1 got some of the credit for

that spike. And the second and third waves of sale got recognized in QND. So it was more of a timing difference.

To give you how it looks like when you take it 4 months, which is September to December, mattress growth rate has been closer to 11.5%, which is similar to what we have grown in the - - a little bit lower than what we had grown in H1, but it is not as bad as it looks in only QND. However, like we mentioned, in Jan, Feb, March of this year, the demand and growth rates have come back to mid-teens, given back -- consumer demand coming back, the Republic Day sale event, store opening coming back to its original cadence, all of those slowly coming back to normal.

**Deepak:**

Understood. Yes, that was helpful. Sir, second question, you mentioned that -- see, actually, you've controlled your opex cost really well, the other expenses line item that I'm talking about. But given that you're going to increase ads from here on, you're going to increase the number of stores from here on, this is bound to go up. So how are we going to -- when you talk about operating leverage, how are we going to benefit from operating leverage when the spends are going to go up? If you can mention any levers that you have?

**C. Ramalingegowda:**

Sure. So we believe that the operating leverage is going to come from two sources, which are not related to advertising and promotion. One source is the manufacturing and supply chain operations and the second source is the central cost control, which comes below the contribution margin. On the manufacturing and supply chain, we take targets and optimization goals every single quarter.

And that is a very, very slow grind where we're able to free up half percentage point or so every quarter of hard work, while the central cost, which is keeping the office cost, Internet cost, utilities cost, the fixed cost that is there in the central team, that is a constant push and pull that happens where the teams request more resources while we always go deep into understanding whether we should take on that additional cost or not.

So those are the two sources that come. Advertising and promotion, in our case, is much, much more of a variable cost, meaning we are able to turn on and turn off the tap of performance marketing and brand marketing because we are -- largely the spends are digital. So when we run experiments and they pan out, we double down. When we run experiments and they don't work out, we kill them very quickly.

So these spikes where it will not result in revenue will come and go, but the spikes where they will generate consistent revenue will happen steadily because that takes time to discover, especially given the digital marketing methods keep evolving so fast with generative AI, people searching on OpenAI, people searching on YouTube instead of Google, people looking inside Instagram, hashtags.

So it changes very, very fast, and we have to be on top through constant experimentation and constant spends. So there is no getting away from that, unfortunately.

**Deepak:** Sure. Understood. Sir, can you share what the ad spend were in this quarter as a percentage of sales?

**C. Ramalingegowda:** Similar to the first 6 months, which is about mid-5% or so.

**Deepak:** Okay. And lastly, on the furniture segment, we understand that we are working at a very low profitability there. So with the manufacturing and the logistics-led changes that you're making, are we in the path to be EBITDA positive in the furniture segment next year? Or will it be the year later, say, FY '28?

**C. Ramalingegowda:** It would be incorrect to look at the complete furniture category as a monolithic single category. Within that also, there are subcategories related to the best-selling SKUs, best-selling subcategories like our bed frames and our wardrobes and our sofas are very, very big contributors to revenue. In some of these categories, we are already EBITDA positive.

In the long tail, where we are still building the SKUs, completing the catalog, there, some of the investments are continuing to happen. So that is the reason furniture as a whole is a wrong way to look. The Pareto where huge volumes are happening, they are already EBITDA positive in our estimation of central costs below contribution margin.

**Moderator:** Ladies and gentlemen, in the interest of time, we would take that as the last question for today. I would now like to hand the conference over to the management for their closing remarks.

**C. Ramalingegowda:** Thank you so much for all of you to invest the time and try to understand our business. We appreciate your time. We hope to continue to give you updates about the business every quarter and take you along on the journey of building Wakefit together. Thanks a lot for your time.

**Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of IIFL Capital, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.