

Wakefit Innovations Ltd. - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
8 December 2025	10 December 2025	₹185 to 195	NEUTRAL

Investment Summary

Wakefit Innovations is a scaled digital-first home solutions company with a leading position among pure-play D2C peers in mattresses and home furniture. The company has delivered strong revenue growth, supported by a high degree of vertical integration and a predominantly proprietary-channel model that offers better control over product, pricing and customer experience. At the same time, Wakefit operates in a discretionary, highly competitive category where sustained brand spending, input cost volatility and customer acquisition costs can weigh on profitability. Critically, most sales are driven through proprietary channels, such as its dedicated website and exclusive retail stores, maximizing control over branding and enhancing profit capture. This strategic structure enables seamless cross-category expansion, successfully scaling its key offerings, including mattresses, household furniture, and decor accessories. It's expansion into new categories and offline formats provides a long growth runway but also introduces execution and capital allocation risks.

Company Overview

Wakefit Innovations Ltd. (WIL) is a leading Indian direct-to-consumer (D2C) home and furnishings company, offering a comprehensive portfolio across three key categories: mattresses, furniture and furnishings/décor. Incorporated in 2016 and promoted by Ankit Garg and Chaitanya Ramalingegowda, WIL has emerged as the largest D2C home and furnishings player in India by revenue in FY24 and is the only D2C brand to have scaled all three categories to over ₹100 crore in annual revenue each. The company operates a full-stack, vertically integrated model, controlling the value chain from product conceptualization and design to manufacturing and last-mile delivery. Sales are driven through an omnichannel strategy that combines its own website and company-owned, company-operated (COCO) stores with leading external marketplaces, with a significant share of revenue generated from its own channels. As of September 2024, WIL's distribution is supported by a central mother warehouse, seven inventory holding points and 18 points of delivery, strategically located to optimize logistics efficiency and service levels.

Business Model

The company operates a highly controlled and efficient business model underpinned by its comprehensive vertical integration. This full-stack approach involves overseeing every operational detail, from initial product conceptualization and detailed engineering to final distribution and customer service. They utilize sophisticated tools, such as Computer-Aided Design (CAD) and Computer-Aided Manufacturing (CAM), to ensure precision and quality across all manufacturing facilities. This level of operational control enhances manufacturing efficiency and enables rapid research and development cycles, allowing the company to quickly introduce new designs and innovative products to the market.

The go-to-market strategy is executed through a robust omnichannel network that prioritizes proprietary sales channels for maximizing revenue and direct customer interaction. Sales generated through their own website and exclusive, company-owned retail stores (COCO Stores) yield higher profit margins due to the elimination of third-party costs. The physical stores operate strategically as experience centres, especially for bulky items like furniture, which helps preserve capital efficiency by minimizing in-store inventory holdings. This channel strategy is supported by an optimized logistical infrastructure, incorporating a central mother warehouse, inventory holding points, and local delivery hubs.

Sustained expansion is driven by leveraging a comprehensive customer data and engagement strategy, often described as a self-reinforcing growth cycle. The company collects and analyses various data points, including customer website activity and direct feedback, to generate insights into consumer preferences and buying patterns. This intelligence informs the development of complementary product lines, enabling significant cross-selling and up-selling opportunities across categories like mattresses, furniture, and furnishings. This multi-category expansion increases the customer's lifetime value and maximizes the share of the consumer's wallet, ensuring continuous profitable growth.

Industry Outlook

The Indian home and furnishings market is currently estimated at approximately ₹ 2.8 to ₹ 3.0 trillion (U.S.\$ 34 to 36 billion) as of Calendar Year 2024. This sector is projected for substantial growth, expected to reach between ₹ 5.2 to ₹ 5.9 trillion by Calendar Year 2030, reflecting a healthy Compound Annual Growth Rate of 11% to 13%. Key drivers supporting this outlook include rising disposable incomes, accelerated urbanization, and increased homeownership across the country. The market is also being transformed by a strong focus on products enhancing comfort, functionality, and wellness. This has fueled rapid formalization, with the organized market segment projected to account for approximately 35% of the total value by 2030. Significantly, the online segment is outpacing offline channels, expected to increase its penetration to approximately 13% by value within the same period. Furthermore, the broader interior design market is anticipated to grow at a CAGR exceeding 15% through 2030, showcasing increased consumer investment in home aesthetics. This overall trend reinforces a market defined by premiumization and technology-driven efficiency.

Investment Rationale

Largest and Fastest Growing D2C Home Solutions Provider

The company is the largest D2C home and furnishings provider in India in terms of revenue from operations in Fiscal 2024. It is recognized as the fastest homegrown player among organized peers to achieve a total income exceeding ₹10,000 million by March 31, 2024. This rapid expansion is validated by its revenue from operations growth (CAGR of 24.87% from Fiscal 2022 to 2024), which is approximately 1.64 times higher than the average growth of its organized competitors. A significant portion of its sales is channeled through its own ecosystem (website and COCO Stores), accounting for 64.91% of revenue in the six months ended September 30, 2025, which enhances profit margins by eliminating external distribution costs.

Comprehensive Home and Furnishing Solutions Brand with a core focus on innovation

The company serves as a unified, one-stop destination, offering integrated solutions across mattresses, furniture, and furnishings to meet various customer life stages. It holds the unique position of being the only D2C player in India that has successfully scaled all three of these major product categories, with each category generating over ₹1,000 million in revenue during Fiscal 2024. This wide product portfolio, known as a "strong platform play," facilitates cross-selling and up-selling, encouraging greater customer value. Product development is driven by extensive research and development (R&D), utilizing a rigorous five-step process that includes conceptualization, engineering, and pilot testing to ensure products meet evolving market demands.

Vertically Integrated Operations with Differentiated Processes and Technical Capabilities

The company employs a full-stack vertical integration model, giving it controls over every aspect of operations, from product design and engineering to manufacturing, distribution, and customer engagement. This control maximizes efficiency and precision using advanced tools like Computer-Aided Design (CAD) and Computer-Aided Manufacturing (CAM), which link seamlessly across all five manufacturing facilities. Logistics are streamlined using a network of one central mother warehouse, seven Inventory Holding Points (INHPs), and 18 Points of Delivery (PODs). Innovative processes such as roll-pack technology for mattresses and flat-pack designs for furniture optimize storage and transportation costs.

Omnichannel Sales Presence and Strategically Located Store Network

The sales strategy effectively integrates proprietary channels, specifically its website and company-owned and company-operated (COCO) retail stores, with external channels such as online marketplaces and Multi-Branded Outlets (MBOs). The physical COCO Stores function as crucial experience centers, especially important for bulky items like furniture, allowing customers hands-on interaction without the need to stock large inventories, thus preserving capital efficiency. The physical store presence has expanded significantly, growing from 23 stores in March 2023 to 125 stores by September 2025. Store expansion is managed through a data-driven approach that targets high-potential markets based on demographics and demand.

Multi-Faceted Marketing Approach

The company focuses its marketing efforts on strengthening brand image and building loyalty through a blend of community engagement, targeted strategic marketing, celebrity endorsements, and cultural integration. Noteworthy

community initiatives, such as the 'Sleep Internship, generate widespread attention and reinforce brand values. Despite continuous brand building and running impactful campaigns, the company maintains a disciplined spending approach, with advertising and business promotion expenses standing at 5.10% of revenue from operations in the six months ended September 30, 2025. This effective engagement strategy results in strong customer loyalty, with repeat customers contributing 35.45% of it's revenue in the recent period.

Key Risks

Significant Dependence on the "Wakefit" Brand Reputation

The business and operational outcomes are highly dependent on the strength and positive perception of the "Wakefit" brand, under which all products—mattresses, furniture, and furnishings—are sold. Factors such as failing to consistently deliver quality products, ineffective marketing, poor management of customer complaints, or negative publicity (including that arising from social media collaborations) could severely diminish the brand's reputation and consumer trust. Damage to the brand, especially from external issues like counterfeiting, could adversely affect market position, sales volume, and overall cash flows.

High Revenue Concentration in the Mattress Category

A substantial portion of the company's revenue is derived specifically from the sale of mattresses, which accounted for approximately 60.65% of revenue from operations in the six months ended September 30, 2025, and high percentages in previous fiscal years. This concentration exposes the business to risks related to shifts in consumer preferences, supply chain disruptions, or intense competition specific to the mattress segment. If the company fails to anticipate or adapt to evolving customer demands quickly, its mattress inventory could become obsolete, leading to lost customers and financial pressure.

Vulnerability Due to Reliance on Own Sales Channels

The company relies heavily on its own proprietary channels—its website and COCO (Company-Owned and Company-Operated) Stores—for sales, generating 64.91% of revenue in the recent six-month period. Any disruption to the website, such as technical issues or cyber-attacks, could directly hinder customer transactions and result in immediate loss of sales and customer confidence. Furthermore, risks related to the physical stores, including the inability to renew leases on acceptable terms or generate sufficient revenue from expanding store locations, could adversely affect sales and increase operational costs significantly.

History of Financial Losses

The company has incurred losses in its operations in the past, including Fiscal 2023, 2024, and 2025, and forecasts that it may continue to incur losses in the future. These losses were largely attributed to total expenses, especially increased spending on advertising, business promotion, depreciation, and amortization related to its rapid expansion of manufacturing facilities and retail stores. If future revenue growth is insufficient to keep pace with these high investments and operational costs, the company may be prevented from achieving or maintaining profitability and positive cash flow.

Involvement in Legal and Regulatory Proceedings

The company, along with its Directors, Promoters, Key Managerial Personnel, and Senior Management, is currently involved in various legal and regulatory proceedings, including criminal and tax cases. As of the reporting date, the company faces 30 tax proceedings and 1 statutory/regulatory proceeding, totaling an aggregate amount involved of ₹369.64 million. Any adverse ruling in these ongoing proceedings, whether individually or collectively, could severely damage the company's reputation, disrupt the continuity of its management, and negatively impact its financial condition and operational results.

Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	813	986	1274
EBITDA (₹ Cr)	-85.75	65.84	90.83
Net Profit (₹ Cr)	-145.68	-15.05	-35
EBITDA Margin (%)	- 10.54	6.67	7.13
PAT Margin (%)	-17.91	-1.52	-2.75
EPS (₹)	-5.62	-0.5	-1.15

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Wakefit Solutions Ltd.
IPO Structure	Fresh Capital-cum-Offer for Sale
Issue Size	Total Issue Size- 6,60,96,866 shares (aggregating up to ₹1,288.89 Cr) Fresh Issue - 1,93,42,461 shares (aggregating up to ₹377.18 Cr) Offer for Sale - 4,67,54,405 shares of ₹1 (aggregating up to ₹911.71 Cr)
Price Band	₹185 to ₹195 per share
Face Value	₹1 per share
Post-Issue Market Cap	₹6,373.16 Cr
IPO Opening Date	December 8, 2025
IPO Closing Date	December 10, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	43.7%/37.4%
Book Running Lead Manager(s)	Axis Capital Ltd.
Use of Proceeds	- Rs. 30.84 Cr - Capital expenditure to be incurred by our Company for setting up of 117 new COCO – Regular Stores - Rs. 161.47 Cr - Expenditure for lease, sub-lease rent and license fee payments for our existing COCO – Regular Stores - Rs. 15.41Cr - Capital expenditure to be incurred by our Company for purchase of new equipment and machinery - Rs. 108.40 Cr - Marketing and advertising expenses - General Corporate Purposes

Valuation and Recommendation

Wakefit Innovations Ltd. is India's leading one-stop D2C home and furnishings solutions provider, present across mattresses, furniture and furnishings, having initially started with mattresses and subsequently extended into adjacent categories. Over the last three years, the company has delivered a healthy revenue CAGR of ~25%, while turning EBITDA positive in FY24 and PAT positive in 1HFY26, indicating improving operating leverage and scale benefits. At the upper price band of ₹195, the issue is **valued at an EV/Sales multiple of ~4.7x** (post-issue) and a **market cap/sales multiple of 5x**, which is at a premium to its listed peer and appears rich given the relatively short track record of profitability and modest return ratios. While the long-term growth opportunity in the organized D2C home and furnishings space remains attractive, a meaningful portion of this optimism seems embedded in current valuations. Accordingly, **we assign a NEUTRAL** until further due diligence post listing.

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Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst
Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

TEL: 022 61907900