

CMP: INR 674

Rating: BUY

Target Price: INR 1,349

Stock Info

BSE	540203
NSE	SFL
Bloomberg	SFL:IN
Reuters	SHEF.NS
Sector	Furniture, Home Furnishing
Face Value (INR)	5
Equity Capital (INR cr)	54.36
Mkt Cap (INR cr)	7,326
52w H/L (INR)	1,059/614
Avg Daily Vol (in 000')	1,051

Shareholding Pattern %

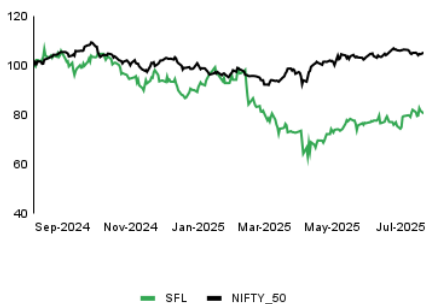
(As on June 2025)

Promoters	65.69
DII	21.12
FII	4.62
Public & Others	8.57

Stock Performance (%) 1m 3m 12m

SFL	(2.5)	2.7	(29.6)
NIFTY 50	(3.5)	0.8	2.42

Sheela Foam Price Chart



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Sheela Foam Ltd reported a robust Q1FY26 performance, surpassing EBITDA and margin estimates despite a PAT decline, driven by strong volume-led growth, Kurlon integration, and digital traction. Revenue grew 7.5% YoY to INR 8,214.1 Mn but missed estimates of INR 8,664.4 Mn, with a -3.3% QoQ decline. EBITDA rose 26.1% YoY and 129.0% QoQ to INR 754.5 Mn, beating estimates by +2.4%, while the EBITDA margin expanded to 9.19% (+179bps YoY, +531bps QoQ), surpassing the 8.5% estimate. PAT fell -84.6% YoY and -67.8% QoQ to INR 70 Mn, impacted by INR 120 Mn MTM losses and INR 100 Mn forex hedging losses, though normalized PAT was INR 300 Mn. Key drivers included 10% YoY mattress volume growth (Sleepwell +22%, Kurlon +6%), a 66% YoY e-commerce surge, 59% YoY growth in the affordable 'Tarang & Aaram' segment, and retail expansion with ~400 new showrooms, reaching 6,000 EBOs and 16,000 MBOs.

India Business: Revenue stood at INR 644 Cr, reflecting a +5.2% YoY growth from INR 612 Cr in Q1FY25.

Consolidated: Consolidated revenue reached INR 821 Cr, up +1.4% YoY from INR 810 Cr in Q1FY25. The modest topline growth was impacted by lower raw material prices (TDI price drop, Polyol: INR 117/kg to INR 110/kg), which led to pass-through pricing, partially offsetting volume gains. On a like-for-like raw material price basis, topline growth would have been approximately 8-9%.

Furlenco Turns Profitable, Sets Ambitious Growth Targets: Furlenco turned profitable with a PAT of INR 4 Cr in Q1FY26, exceeding its FY25 full-year performance, driven by a 60% YoY rise in subscribers and expanding presence across 29 cities. With plans to raise INR 100-125 Cr in equity, the company is targeting rapid growth, aiming to achieve INR 370 Cr in FY26 and INR 500-550 Cr in revenue by FY27.

Outlook and Valuation: We maintain our BUY rating on the company, with a target price of INR 1,349 based on FY27E EV/EBITDA multiple of 30. The company expects steady profitability improvement in FY26, supported by festive season demand, ongoing cost optimization, and full benefits from Kurlon integration. Key focus areas include margin stability, debt reduction, and effective execution of synergy gains. Over the medium term, the company is targeting a 15% revenue CAGR and EBITDA margins of 13-14%.

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	29,823	34,392	38,209	43,315	49,658
YoY	3.8%	15.3%	11.1%	13.4%	14.6%
Gross Profit Margin	41.3%	41.7%	42.9%	43.9%	44.8%
EBITDA Margin	10.1%	7.3%	10.0%	12.2%	14.3%
Adj. Net Profit	1,612	661	1,566	2,948	4,878
YoY	-20%	-59%	137%	88%	43%
Adj EPS (INR)	17.7	8.8	14.4	27.1	44.9
YoY	-13%	-50%	63%	88%	43%
P/E	38.16	76.24	46.77	24.85	14.53
P/B	2.34	2.37	2.25	2.07	1.72
Debt / Equity	0.50	0.47	0.35	0.33	0.36
Net Debt (includes lease liabilities and excludes investments)	14,491	14,211	13,480	11,293	6,447
ROE	6.2%	3.1%	4.8%	8.3%	11.9%
ROCE	3.0%	1.2%	3.1%	5.0%	7.5%

Source: Company Filings & Arihant Capital Research

India Business: Core EBITDA was INR 75 Cr, up +47.1% YoY from INR 51 Cr in Q1FY25. EBITDA margins improved significantly to 11.7% from 8.4% in Q1FY25, a +330bps expansion, driven by cost optimization and Kurlon integration synergies.

Consolidated: Core EBITDA stood at INR 85 Cr, a +41.7% YoY increase from INR 60 Cr in Q1FY25. Consolidated EBITDA margins rose to 10.4% from 7.4% in Q1FY25, reflecting operational efficiencies. Note that EBITDA was impacted by an INR 10 Cr forex loss on hedges.

Consolidated net profit was INR 7 Cr, impacted by a high base in Q1FY25 due to INR 31 Cr in claims received last year. Profitability was further affected by lower other income (INR 9 Cr vs. INR 30 Cr YoY), primarily due to reduced returns from gilt fund investments caused by market fluctuations.

Strong Volume Growth in Mattress Segment Aided by Value Brands: The mattress segment posted a healthy 10% YoY volume growth in Q1FY26, led by strong performance from Sleepwell (+22%) and Kurlon (+6%), though revenue growth was impacted by lower realizations due to raw material price pass-through and a higher mix of value brands. Tarang and Aram, targeting the sub-INR 10,000 segment, continued to scale rapidly with ~60% YoY volume growth, contributing INR 17–18 Cr in Q1 and expected to surpass INR 100 Cr in FY26, significantly enhancing reach in rural and Tier 3 markets through 7,000+ dealers across 4,500+ towns.

Distribution Network Expansion Strengthens Market Reach: In Q1FY26, the company added 392 new showrooms—mainly Kurlon outlets in North and West India—with 234 becoming operational, expanding its footprint to ~6,000 exclusive brand outlets and 20,000+ touchpoints. With plans to add over 1,000 new touchpoints in FY26 and ongoing dealer and distributor engagement initiatives, the company is reinforcing its distribution strength and deepening market penetration.

International Business Scales Up with Focus on Middle East: The international business continued its growth trajectory, with strong brand traction in Dubai driving expansion via online and franchise channels—now operating 6 exclusive and 7 multi-brand outlets. The company remains focused on cost-efficient expansion across other Middle Eastern markets.

B2B Business Grows Steadily, Expands in Aviation Segment: The B2B segment recorded high single-digit volume growth across foam furniture, cushioning, and technical applications, though value growth remained muted due to soft raw material prices. The company further solidified its leadership in technical foam, becoming the sole domestic supplier for aviation and actively pursuing Tier 2 supplier certification for Boeing.

Kurlon Integration Drives Significant Cost Efficiencies: The 18-month integration of Kurlon delivered INR 190 Cr in cost savings through network optimization, facility consolidation, bulk procurement, and logistics improvements. A streamlined team structure further reduced overheads, and the company expects to unlock an additional INR 60 Cr in savings by FY26-end.

The monetization of three manufacturing facilities (Dabaspet, Rajpura, Roorkee) is planned to streamline operations.

Key Challenges: Topline growth remained subdued due to lower raw material prices and corresponding pass-through pricing. Mattress realizations were impacted by a higher mix of value-focused Tarang and Aram brands and increased e-commerce contribution. Profitability was also affected by an INR 10 Cr forex loss and volatility in other income from gilt fund performance.

Q1FY26 Result Update | Sheela Foam Ltd

	FY24	FY25	FY26E	FY27E	FY28E
Income statement (INR Mn)*					
Revenue from Operations	29,823	34,392	38,209	43,315	49,658
YoY	4%	15%	11%	13%	15%
COGS	17,502	20,056	21,810	24,319	27,404
YoY	-2%	15%	9%	12%	13%
Personnel/ Employee benefit expenses	3,441	4,321	4,574	4,954	5,417
YoY	22%	26%	6%	8%	9%
Manufacturing & Other Expenses	5,875	7,515	8,014	8,778	9,711
YoY	16%	28%	7%	10%	11%
EBITDA	3,005	2,499	3,811	5,265	7,126
YoY	1%	-17%	52%	38%	35%
EBITDA Margin (%)	10.08%	7.27%	9.97%	12.15%	14.35%
Depreciation	1,158	1,826	1,910	2,030	2,030
% of Gross Block	6	8	8	8	8
EBIT	1,848	673	1,900	3,235	5,096
EBIT Margin (%)	6%	2%	5%	7%	10%
Interest Expenses	686	1,205	1,108	1,065	1,386
Non-operating/ Other income	1,171	1,309	1,297	1,733	1,986
Extraordinary expense	-227	-306	-	-	-
Share of associates	-106	12	16	21	29
PBT	2,454	1,095	2,105	3,923	6,494
Tax-Total	614	128	539	976	1,616
PAT	1,839	967	1,566	2,948	4,878
Adj. Net Profit	1,612	661	1,566	2,948	4,878
PAT Margin	6.17%	2.81%	4.10%	6.81%	9.21%
Adj EPS (INR)	18	9	14	27	45
Balance sheet (INR Mn)					
Sources of Funds					
Equity Share Capital	544	544	544	544	544
Reserves & Surplus/ Other Equity	29,263	30,412	31,964	34,883	40,568
Networth	29,807	30,956	32,507	35,427	41,111
Borrowings	14,931	14,624	11,376	11,688	11,688
Other non-current liabilities	1,111	1,359	1,359	1,359	1,359
Total Funds Employed	45,849	46,938	45,243	48,474	57,357
Application of Funds					
Gross block	20,960	22,616	23,929	25,141	26,253
Less: accumulated depreciation	7,068	8,894	10,804	12,834	14,864
Net Fixed Assets	13,892	13,722	13,124	12,307	11,389
Capital WIP	1,656	1,312	1,212	1,112	1,012
Investments	9,339	5,037	6,137	7,237	8,337
Goodwill	16,889	17,244	17,244	17,244	17,244
Other non-current assets	2,871	2,888	3,387	3,887	4,387
Current assets	8,748	14,373	12,248	15,322	24,642
Inventory	3,394	3,499	3,715	4,043	4,443
Days	71	64	62	61	59
Debtors	3,638	3,457	3,631	3,879	4,175
Days	45	37	35	33	31
Other Current Assets	1,227	6,942	6,942	6,942	6,942
Bank	49	62	62	62	62
Cash	440	413	-2,103	395	8,440
Current Liabilities	7,546	7,733	8,109	8,634	9,281
Creditors	3,875	3,610	3,985	4,510	5,157
Days	81	66	67	68	69
Other current liabilities	3,380	3,835	3,835	3,835	3,835
Provisions	290	289	289	289	289
Net Working Capital	1,202	6,639	4,139	6,688	15,011
Total Liabilities and Capital	45,849	46,938	45,243	48,474	57,357
Total Assets	53,395	54,575	53,351	57,108	66,989
Cash Flow Statement (INR Mn)					
Profit Before Tax	2,332	777	2,089	3,902	6,465
Depreciation & Ammortization	1,158	1,826	1,910	2,030	2,030
Interest Expense	686	1,205	1,108	1,065	1,386
Interest Income	1,171	1,309	1,297	1,733	1,986
Tax	614	128	539	976	1,616
Extraordinary and Other items	-333	-294	16	21	29
OCF before WC changes	2,058	2,078	3,288	4,310	6,175
WC changes	-8,312	5,465	15	50	49
OCF	10,371	-3,387	3,273	4,260	6,131
Capex	9,674	1,753	1,216	1,212	1,112
FCF	696	-5,140	2,057	3,048	5,019
Change in other Assets	23,129	-4,581	1,499	1,500	1,500
Change in Equity	11,881	182	-15	-28	-47
Change in Debt & other financing activities	10,568	350	-3,058	979	732
Net change in cash	17	-27	-2,515	2,498	4,204
Opening Cash Balance	423	440	413	-2,103	395
Ending Cash balance	440	413	-2,103	395	8,440

Source: Annual Report, Arihant Capital Research

Key Ratios					
Solvency Ratios (X)	FY24	FY25	FY26E	FY27E	FY28E
Debt / Equity	0.5	0.5	0.3	0.3	0.4
Net Debt / Equity	0.5	0.5	0.4	0.3	0.2
Debt / EBITDA	5.0	5.9	3.0	2.2	1.6
Net Debt / EBITDA	4.8	5.7	3.5	2.1	0.8
Debt/ Asset	0.3	0.3	0.2	0.2	0.2
Liquidity Ratios (x)	FY24	FY25	FY26E	FY27E	FY28E
Current Ratio	1.2	1.9	1.5	1.8	2.6
Quick Ratio	0.7	1.4	1.1	1.3	2.1
Important Metrics	FY24	FY25	FY26E	FY27E	FY28E
Net Debt (includes lease liabilities and excludes investments)	14,491	14,211	13,480	11,293	6,447
FCF	696	(5,140)	2,057	3,048	5,019
EV	87,755	87,475	86,743	84,557	77,320
DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Sales/Assets (X)	0.56	0.63	0.72	0.76	0.79
Assets/Equity (X)	1.79	1.77	1.64	1.61	1.63
Net Profit Margin	6.17%	2.81%	4.10%	6.81%	9.21%
RoE	6.17%	3.12%	4.82%	8.32%	11.86%
Per share ratios (INR)	FY24	FY25	FY26E	FY27E	FY28E
Reported EPS	17.7	8.8	14.4	27.1	44.9
Adjusted EPS	17.7	8.8	14.3	26.9	44.6
Dividend	0.0	0.0	0.0	0.0	0.0
BV	288.6	284.8	299.1	325.9	378.2
Cash	4.3	3.8	-19.3	3.6	77.6
Revenue	288.7	316.4	351.5	398.5	456.8
Profitability ratios	FY24	FY25	FY26E	FY27E	FY28E
Net Profit Margin	6.17%	2.81%	4.10%	6.81%	9.21%
Gross Profit Margin	41.32%	41.68%	42.92%	43.86%	44.82%
EBITDA Margin	10.08%	7.27%	9.97%	12.15%	14.35%
EBIT Margin	6.19%	1.96%	4.97%	7.47%	10.26%
PAT Margin	6.17%	2.81%	4.10%	6.81%	9.21%
ROE	6.17%	3.12%	4.82%	8.32%	11.86%
ROCE	2.97%	1.20%	3.12%	5.00%	7.50%
ROIC	2.57%	1.04%	2.54%	4.28%	7.34%
ROA	3.44%	1.77%	2.94%	5.16%	7.28%
Activity ratios	FY24	FY25	FY26E	FY27E	FY28E
Inventory Days	71	64	62	61	59
Debtor Days	45	37	35	33	31
Creditor Days	81	66	67	68	69
Valuation ratios (X)	FY24	FY25	FY26E	FY27E	FY28E
EV / EBITDA	29.2	35.0	22.8	16.1	10.0
EV / EBIT	47.5	130.0	45.6	26.1	13.5
EV / Net Sales	2.9	2.5	2.3	2.0	1.5
EPS (INR)	17.7	8.8	14.4	27.1	44.9
Adj EPS (INR)	17.7	8.8	14.3	26.9	44.6
CMP	674.0	674.0	674.0	674.0	674.0
P/E	38.2	76.2	46.8	24.9	14.5
P/B	2.3	2.4	2.3	2.1	1.7

Source: Annual Report, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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