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Q2FY26 Result Update
06th Nov 2025

Sheela Foam Ltd

CMP: INR 671

Rating: BUY

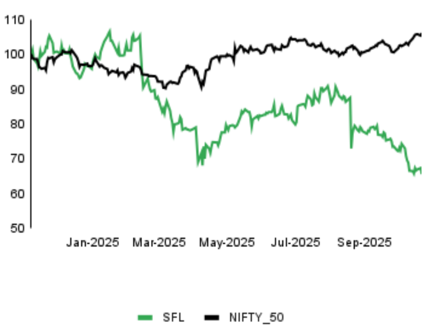
Target Price: INR 1,446

Stock Info	
BSE	540203
NSE	SFL
Bloomberg	SFL:IN
Reuters	SHEF.NS
Sector	Furniture, Home Furnishing
Face Value (INR)	5
Equity Capital (INR cr)	54.6
Mkt Cap (INR cr)	7,299
52w H/L (INR)	1,059/614
Avg Daily Vol (in 000')	1,212

Shareholding Pattern % *(As on Sept 2025)*	
Promoters	65.69
DII	21.11
FII	4.07
Public & Others	9.13

Stock Performance (%)	1m	6m	12m
SFL	(0.03)	3.04	(21.3)
NIFTY 50	1.76	4.68	4.23

Sheela Foam Price Chart



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Sheela Foam Ltd delivered robust Q2FY26 performance with revenue up 7.66% YoY to INR 8749.4 Mn (in line with our estimate of INR 8,818.8 Mn), driven by strong volume growth in mattresses (+13% YoY to 814K units) and foam (+9% YoY to 12,909 Tn), bolstered by festive sales and surging e-commerce contributions through enhanced dealer programs and platform campaigns. Despite a 15bps YoY gross margin contraction to 40.60% (still beating estimate of 39%), EBITDA surged 25.77% YoY to INR 871.3 Mn with margin expansion of 143bps to 9.96% (vs estimate 9.5%), while adjusted PAT soared 90.67% YoY to INR 154.5 Mn; Kurlon integration fueled new product launches and reinforced leadership in organized mattresses, while international operations shone with Australia (Joyce) EBITDA on recovery path and margins at 53.6% (vs 48.4% prior), and Spain (Interplasp) gross margin at 33.6% (vs 32.0%).

Strategic Shift towards High-Growth Indian B2C Market: The company's strategic direction emphasizes increasing the Indian contribution to the business. The India business currently accounts for 75% of the total turnover, and its growth rate is anticipated to be "much higher" compared to overseas businesses. Crucially, the B2C mattress business is growing much faster than the foam business and is expected to continue this trend. The B2C segment presently constitutes 55% of the turnover, marking an increase of almost 5% from the previous half-year.

Synergy Realization Supporting Sustainable Margin Improvement: The company committed to a total synergy benefit of INR 250 cr from the Kurlon acquisition, out of which INR 190 cr were achieved at the end of Q1 FY26. The remaining incremental synergies of around INR 60 cr are expected to be realized through new technologies by Q4FY26. Furthermore, profitability at the EBITDA level will primarily increase from an increase in the scale of the business, with growth above 10% flowing to the bottom line.

Outlook and Valuation: We maintain our BUY rating on the company, with a target price of INR 1,446 based on FY27E EV/EBITDA multiple of 30. The company anticipates India-led growth outpacing overseas (currently 75% of turnover), with mattress volumes targeting 15%+ via 800 showroom additions by FY26-end, premiumization, and sustaining >10% EBITDA margins as RM prices (TDI/Polyol) rise within 2-3 months from multi-year lows. Deleveraging to debt-free India operations in 1.5-3 years via INR 150 Cr monetization and INR 100-150 Cr annual FCF will unlock interest savings, while Furlenco scales to INR 500 Cr turnover next year. Overseas units (Australia/Spain) near double-digit EBITDA with positive Q3 momentum, supporting overall double-digit profitability and 15% topline intent in the near term.

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	29,823	34,392	38,233	43,146	49,492
YoY	3.8%	15.3%	11.2%	12.9%	14.7%
Gross Profit Margin	41.3%	41.7%	43.2%	44.4%	45.4%
EBITDA Margin	10.1%	7.3%	10.4%	13.0%	15.2%
Adj. Net Profit	1,612	661	1,514	3,205	4,878
YoY	-20%	-59%	129%	112%	43%
Adj EPS (INR)	17.7	8.8	13.2	29.5	44.9
YoY	-13%	-50%	49%	123%	43%
P/E	38.16	76.24	51.04	22.86	14.53
P/B	2.34	2.37	2.26	2.06	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	13,600	11,147	6,447
ROE	6.2%	3.1%	4.4%	9.0%	11.9%
ROCE	3.0%	1.2%	3.4%	5.5%	7.5%

\	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Net Revenue	8749.4	8214.1	8127.2	***6.52%***	***7.66%***
Raw Material Costs	5197	4549.6	4815.6	*14.23%*	*7.92%*
Gross Profit	3552.40	3664.50	3311.60	*-3.06%*	*7.27%*
Gross Margin	*40.60%*	*44.61%*	*40.75%*	*-401bps*	*-15bps*
Employee costs	1126.6	1152.1	1113.9	*-2.21%*	*1.14%*
Other Expenses	1554.5	1757.9	1504.9	*-11.57%*	*3.30%*
EBITDA	**871.30**	**754.50**	**692.80**	***15.48%***	***25.77%***
EBITDA margin	*9.96%*	*9.19%*	*8.52%*	*77bps*	*143bps*
Other Non-Operating Income	105.3	97.4	317.8	*8.11%*	*-66.87%*
Depreciation	495.2	461.2	478.7	*7.37%*	*3.45%*
EBIT	**481.40**	**390.70**	**531.90**	***23.21%***	***-9.49%***
Finance costs	280.7	291.7	282.8	*-3.77%*	*-0.74%*
PBT	**200.70**	**99.00**	**249.10**	***102.73%***	***-19.43%***
Exceptional Items	78.4	0	0		
Tax Expense	46.2	44.6	156.8	*3.59%*	*-70.54%*
Effective tax rate	*23.02%*	*45.05%*	*62.95%*	*-2203bps*	*-3993bps*
PAT	**76.10**	**54.40**	**92.30**	***39.89%***	***-17.55%***
Share of Associates	23.2	17.2	0.9	*34.88%*	*2477.78%*
Profit for the Period	**99.30**	**71.60**	**93.20**	***38.69%***	***6.55%***
PAT margin	*1.12%*	*0.86%*	*1.10%*	*26bps*	*2bps*
EPS (INR)	**0.88**	**0.68**	**0.90**	***29.41%***	***-2.22%***

Robust Network Expansion to Drive Sales and ASP: The company is aggressively expanding its EBO network, having opened 420 new net showrooms in H1 FY26, with a similar number expected in the second half, totaling 800 by year-end. This expansion is specifically designed to further increase the growth rate of the mattress business. Showroom expansion is expected not only to maintain but also to marginally increase the ASP going forward, as showroom ASPs are generally higher than the rest of the network. The long-term plan targets 10,000 EBOs (across various formats) in the next three to four years.

Strong Debt Reduction Strategy Leading to Net Cash Target: The company has a clear plan to improve the balance sheet structure. The goal for achieving a debt-free status in India is within one and a half to three years. This reduction is supported by two sources: asset monetization (with another INR 150 crores yet to happen in the current year) and internally generated cash flow, which is expected to grow by around 10% to 15% per annum. The company anticipates the company will turn net cash in FY28.

Furleno's High Growth Trajectory and Potential IPO Catalyst: The furniture and appliance rental venture remains on a growth trajectory, adding over 34,000 customers in H1 FY26. It is currently running at a revenue run rate above INR 350 Cr per annum and achieved a PAT level of 9 crores in H1 FY26. Will reach INR 500 Cr plus turnover in the next year. They foresee taking the company into the market (IPO) once turnover crosses INR 500 crores to 700 crores, with profitability around 13% to 14% PBT.

Targeting 30% Share in Organized E-commerce Market: The e-commerce business registered a strong volume growth of 73% YoY in H1 FY26. The company is guiding for e-commerce revenue between INR 200 crores to 275 crores this year. The long-term goal is to achieve a 30% market share in the organized e-commerce market (estimated at INR 2,000 crores) in the coming years. They are also strategically shifting more business to the brand, where profitability is more in line with the offline channel.

Kurlon Integration and Accelerated Volume Growth: The final merger order for Kurlon has been received. Kurlon volumes grew by 13% in Q2 FY26 and 10% in H1 FY26, signaling that the brand is now growing faster than ever before and is effectively helping the overall growth of the mattress business. The company plans to maximize Kurlon's equity by concentrating on opening more brand showrooms, particularly in the western and northern parts of India, where presence has been lacking.

Overseas Operations Turnaround and Product Diversification: Overseas subsidiaries in both Australia and Spain are returning to historical profitability and are very close to double-digit EBITDA levels. In Australia, where the company holds a 40% market share in foam for mattresses, (H1FY26 at 8%+, up 250-300bps YoY from 4-5%) despite low RM prices, driven by cheaper China sourcing, cost cuts post-Adelaide plant, and internal restructuring; with limited core growth due to market dominance, the strategy is shifting towards introducing new product segments like cushioning for furniture and certain technical foam grades (automobiles, soundproofing) to increase the business base. Furthermore, the company is progressing with expansion in the UAE, with plans to progressively increase its current seven outlets and look for expansion across the entire GCC region.

Income statement (INR Mn)*	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	**29,823**	**34,392**	**38,233**	**43,146**	**49,492**
YoY	4%	15%	11%	13%	15%
COGS	17,502	20,056	21,724	23,993	27,042
YoY	-2%	15%	8%	10%	13%
Personnel/ Employee benefit expenses	3,441	4,321	4,486	4,807	5,250
YoY	22%	26%	4%	7%	9%
Manufacturing & Other Expenses	5,875	7,515	8,033	8,737	9,671
YoY	16%	28%	7%	9%	11%
EBITDA	**3,005**	**2,499**	**3,990**	**5,610**	**7,529**
YoY	1%	-17%	60%	41%	34%
EBITDA Margin (%)	10.08%	7.27%	10.44%	13.00%	15.21%
Depreciation	1,158	1,826	1,922	2,030	2,030
% of Gross Block	6	8	8	8	8
EBIT	**1,848**	**673**	**2,067**	**3,580**	**5,499**
EBIT Margin (%)	6%	2%	5%	8%	11%
Interest Expenses	686	1,205	1,108	1,061	1,386
Non-operating/ Other income	1,171	1,309	1,053	1,726	1,980
Extraordinary expense	-227	-306	78	-	-
Share of associates	-106	12	16	21	29
PBT	**2,454**	**1,095**	**1,950**	**4,266**	**6,494**
Tax-Total	614	128	514	1,061	1,616
PAT	**1,839**	**967**	**1,435**	**3,205**	**4,878**
Adj. Net Profit	**1,612**	**661**	**1,514**	**3,205**	**4,878**
PAT Margin	6.17%	2.81%	3.75%	7.43%	9.21%
Adj EPS (INR)	18	9	14	29	45

Balance sheet (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Equity Share Capital	544	544	544	544	544
Reserves & Surplus/ Other Equity	29,263	30,412	31,834	35,008	40,568
Networth	**29,807**	**30,956**	**32,378**	**35,552**	**41,111**
Borrowings	14,931	14,624	11,376	11,642	11,642
Other non-current liabilities	1,111	1,359	1,359	1,359	1,359
Total Funds Employed	**45,849**	**46,938**	**45,113**	**48,552**	**57,357**
Application of Funds					
Gross block	20,960	22,616	23,929	25,141	26,253
Less: accumulated depreciation	7,068	8,894	10,816	12,846	14,876
Net Fixed Assets	**13,892**	**13,722**	**13,112**	**12,295**	**11,377**
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**	**12,114**	**15,352**	**24,642**
Inventory	3,394	3,499	3,701	3,989	4,384
Days	*71*	*64*	*62*	*61*	*59*
Debtors	3,638	3,457	3,633	3,864	4,161
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	-2,224	495	8,440
Current Liabilities	**7,546**	**7,733**	**8,093**	**8,573**	**9,213**
Creditors	3,875	3,610	3,969	4,450	5,089
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**	**4,021**	**6,778**	**15,011**
Total Liabilities and Capital	**45,849**	**46,938**	**45,113**	**48,552**	**57,357**
Total Assets	**53,395**	**54,575**	**53,206**	**57,125**	**66,989**

Cash Flow Statement (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit Before Tax	2,332	777	2,013	4,245	6,465
Depreciation & Ammortization	1,158	1,826	1,922	2,030	2,030
Interest Expense	686	1,205	1,108	1,061	1,386
Interest Income	1,171	1,309	1,053	1,726	1,980
Tax	614	128	514	1,061	1,616
Extraordinary and Other items	-333	-294	94	21	29
OCF before WC changes	2,058	2,078	3,570	4,570	6,175
WC changes	-8,312	5,465	19	38	53
OCF	10,371	-3,387	3,551	4,532	6,131
Capex	9,674	1,753	1,216	1,212	1,112
FCF	696	-5,140	2,335	3,320	5,019
Change in other Assets	23,129	-4,581	1,577	1,500	1,500
Change in Equity	11,881	182	-14	-31	-47
Change in Debt & other financing activities	10,568	350	-3,380	930	732
Net change in cash	**17**	**-27**	**-2,636**	**2,719**	**4,204**
Opening Cash Balance	**423**	**440**	**413**	**-2,224**	**495**
Ending Cash balance	**440**	**413**	**-2,224**	**495**	**8,440**

Source: Annual Report, Arihant Capital Research

Key Ratios					
Solvency Ratios (X)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Debt / Equity	0.5	0.5	0.4	0.3	0.4
Net Debt / Equity	0.5	0.5	0.4	0.3	0.2
Debt / EBITDA	5.0	5.9	2.9	2.1	1.5
Net Debt / EBITDA	4.8	5.7	3.4	2.0	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	1.0	1.3	2.1
Important Metrics	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Net Debt (includes lease liabilities and excludes investments)	14,491	14,211	13,600	11,147	6,447
FCF	696	(5,140)	2,335	3,320	5,019
EV	87,755	87,475	86,864	84,411	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%	3.75%	7.43%	9.21%
RoE	**6.17%**	**3.12%**	**4.43%**	**9.02%**	**11.86%**
Per share ratios (INR)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Reported EPS	17.7	8.8	13.2	29.5	44.9
Adjusted EPS	17.7	8.8	13.8	29.3	44.6
Dividend	0.0	0.0	0.0	0.0	0.0
BV	288.6	284.8	297.9	327.1	378.2
Cash	4.3	3.8	-20.5	4.6	77.6
Revenue	288.7	316.4	351.7	396.9	455.3
Profitability ratios	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Net Profit Margin	6.17%	2.81%	3.75%	7.43%	9.21%
Gross Profit Margin	41.32%	41.68%	43.18%	44.39%	45.36%
EBITDA Margin	10.08%	7.27%	10.44%	13.00%	15.21%
EBIT Margin	6.19%	1.96%	5.41%	8.30%	11.11%
PAT Margin	6.17%	2.81%	3.75%	7.43%	9.21%
ROE	6.17%	3.12%	4.43%	9.02%	11.86%
ROCE	2.97%	1.20%	3.41%	5.53%	7.50%
ROIC	2.57%	1.04%	2.78%	4.74%	7.34%
ROA	3.44%	1.77%	2.70%	5.61%	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	21.8	15.0	10.0
EV / EBIT	47.5	130.0	42.0	23.6	13.5
EV / Net Sales	2.9	2.5	2.3	2.0	1.5
EPS (INR)	17.7	8.8	13.2	29.5	44.9
Adj EPS (INR)	17.7	8.8	13.8	29.3	44.6
CMP	674.0	674.0	674.0	674.0	674.0
P/E	38.2	76.2	51.0	22.9	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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