ArihantCapital
Generating Wealth

Q1FY27 Result Update
06th Aug 2026

Sheela Foam Ltd

CMP: INR 772

Rating: BUY

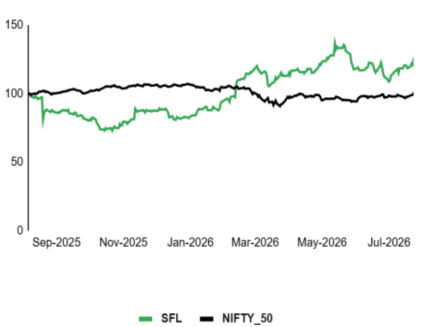
Target Price: INR 1,527

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)	8,427
52w H/L (INR)	832/457
Avg Daily Vol (in 000')	1,459

Shareholding Pattern % *(As on June 2026)*	
Promoters	65.39
DII	18.52
FII	4.17
Public & Others	11.92

Stock Performance (%)	1m	6m	12m
SFL	2.25	30.7	14.1
NIFTY 50	0.8	(4.16)	0.21

Sheela Foam Price Chart



Abhishek Jain
abhishek.jain@arihantcapital.com
022 4225 4871

Deepali Kumari
deepali.kumari@arihantcapital.com
022 4225 4873

Sheela Foam reported a strong Q1 FY27 performance, with consolidated revenue increasing 25.6% YoY to INR 10,319.4 Mn (down 1.7% QoQ), surpassing our estimate of INR 9,199 Mn. EBITDA grew 44.3% YoY to INR 1,089 Mn despite a 6.6% QoQ decline, beating our estimate of INR 1,025 Mn, while EBITDA margin expanded 137 bps YoY to 10.55%, though it remained below our estimate of 11.14%. PAT surged nearly 10x YoY to INR 592.3 Mn, aided by a low base, and exceeded our estimate of INR 479.6 Mn despite a 23.5% sequential decline. Operationally, mattress volumes grew 6% YoY and foam volumes increased 4%, while value growth was stronger at 15% for mattresses and 26% for foam. E-commerce remained a key growth driver, with sales rising 19% across online platforms and 69% on Brand.com. International subsidiaries continued to deliver healthy profitability, with EBITDA margins of 12.8% in Australia and 14.7% in Spain.

Exceptional Performance and Margin Expansion in International Subsidiaries: The company's foreign operations in Australia and Spain delivered exceptional results during the quarter. In Australia, revenue grew by 31% to INR 120 crores with EBITDA margins doubling to 12.8% from 6.8% YoY. Spain showed even stronger momentum with a 54% revenue increase to INR 133 crores and margins expanding to 14.7% from 5.7% YoY. Management attributes this to strategic yield improvement programs and supply chain restructuring.

Dominant Growth in the Unorganized to Organized Segment: A critical growth lever for the company is its U2O business, which has expanded its network to nearly 10,000 dealers across India. This segment achieved an 81% YoY revenue growth with volumes increasing by 19%. This performance is being driven by the introduction of value-conscious 5-inch and 6-inch mattress categories that are successfully migrating consumers toward organized brands.

Outlook and Valuation: We maintain our BUY rating on the company, with a target price of INR 1,527 based on FY29E EV/EBITDA multiple of 20. The company targets consolidated revenue growth of over 15% with EBITDA margins of 11–12% for FY27. The company anticipates a volume recovery starting in the Q3 festive season, supported by the full realization of the remaining INR 40 crores in synergies by Q2 FY27. The company plans to repay its Indian debt within 12 months and aims for a 20–25% ROCE within three years. Despite expected raw material volatility through November 2026, long-term growth will be driven by strategic expansions into furniture and bedding accessories.

Particulars (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue from Operations	34,392	38,208	43,697	50,418	58,530
YoY	15.3%	11.1%	14.4%	15.4%	16.1%
Gross Profit Margin	41.7%	43.7%	42.9%	43.5%	44.0%
EBITDA Margin	7.1%	10.3%	11.6%	12.9%	14.2%
Adj. Net Profit	595	1,529	2,678	4,112	5,659
YoY	-63%	157%	75%	54%	38%
Adj EPS (INR)	8.2	14.8	25.2	37.8	52.1
YoY	-51%	80%	70%	50%	38%
P/E	90.64	50.35	29.54	19.69	14.31
P/B	2.62	2.48	2.32	2.09	1.85
Debt / Equity	0.47	0.28	0.22	0.16	0.10
Net Debt (includes lease liabilities and excludes investments)	14,211	8,749	6,586	3,899	10
ROE	2.9%	4.9%	7.8%	10.6%	12.9%
ROCE	1.1%	3.8%	5.6%	7.6%	9.7%

Source: Company Filings & Arihant Capital Research

INR Mn (Consolidated)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Net Revenue	**10319.40**	**10500.60**	**8214.10**	***-1.73%***	***25.63%***
Raw Material Costs	6502.50	6241.30	4916.60	*4.19%*	*32.26%*
Gross Profit	3816.90	4259.30	3297.50	*-10.39%*	*15.75%*
Gross Margin	*36.99%*	*40.56%*	*40.14%*	*-357bps*	*-316bps*
Employee costs	1247.10	1477.80	1152.10	*-15.61%*	*8.25%*
Other Expenses	1480.80	1615.30	1390.90	*-8.33%*	*6.46%*
EBITDA	**1089.00**	**1166.20**	**754.50**	***-6.62%***	***44.33%***
EBITDA margin	*10.55%*	*11.11%*	*9.19%*	*-55bps*	*137bps*
Other Non Operating Income	161.30	183.40	97.40	*-33.28%*	*25.63%*
Depreciation	338.80	356.00	461.20	*-4.83%*	*-26.54%*
EBIT	**911.50**	**993.60**	**390.70**	***-8.26%***	***133.30%***
Finance costs	178.20	208.80	291.70	*-14.66%*	*-38.91%*
Exceptional Items	-62.60	-157.70	-	*-60.30%*	*#DIV/0!*
PBT	**795.90**	**942.50**	**99.00**	***-15.55%***	***703.94%***
Tax Expense	203.60	168.00	44.60	*21.19%*	*356.50%*
Effective tax rate	*25.58%*	*17.82%*	*45.05%*	*776bps*	*-1947bps*
PAT	**592.30**	**774.50**	**54.40**	***-23.52%***	***988.79%***
Share of Associates	31	143	17	*-78.28%*	*80.81%*
Profit for the Period	**623.40**	**917.70**	**71.60**	***-32.07%***	***770.67%***
PAT margin	*6.04%*	*8.74%*	*0.87%*	*-270bps*	*517bps*
EPS (INR)	**5.63**	**8.36**	**0.68**	***-32.66%***	***727.94%***

Realization of M&A Synergies and Integration Efficiency: The integration of the Kurl-on acquisition is nearly complete, estimated at 96–97% across back-end operations, HR, and IT. The company has already realized approximately 75–80% of targeted synergies, including the consolidation of operating units from 21 down to 12. The company indicates that a remaining INR 40 crores of synergy benefits are pending, with full impact expected in Q2 FY27 following the installation of new machinery.

Robust Omni-channel and E-commerce Momentum: The company's digital strategy is yielding high returns, with the e-commerce category registering overall YoY growth of 30% in Q1. Notably, sales on the company’s own websites (brand.com) grew by 69% YoY, outperforming third-party platforms, which grew by 19%. This online growth is being complemented by a physical footprint expansion, including a target of 50 flagship COCO.

Strategic Diversification into the Furniture Segment: The company is leveraging its existing manufacturing and design capabilities to enter the furniture market under its flagship brands. By synergizing with Furlenco’s logistics and design strengths, the company has launched sofa beds as a natural extension of its core mattress business. This entry is being executed in a capital-efficient manner by utilizing the existing extensive EBO network to minimize incremental investment.

High-Margin Growth in IT and Digital business: The company's proprietary IT business continues to scale rapidly, recording a 67% revenue growth in Q1 FY27. This segment maintains a healthy EBITDA run rate of 28% to 30%. Its flagship ERP product, Presence 360, has gained significant market traction, surpassing 3.2 lakh users.

Commitment to Deleveraging and Improving Return Ratios: The company has outlined a clear path for balance sheet strengthening, aiming to utilize free cash flow to repay Indian debt within the next year. While the current ROCE is approximately 10%, the company is targeting a significant improvement to the 20–25% range within the next three years through increased profitability and optimized capital utilization.

Income statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue from Operations	**34,392**	**38,208**	**43,697**	**50,418**	**58,530**
YoY	15%	11%	14%	15%	16%
COGS	20,056	21,493	24,931	28,504	32,766
YoY	15%	7%	16%	14%	15%
Personnel/ Employee benefit expenses	4,321	4,951	5,315	6,107	7,089
YoY	26%	15%	7%	15%	16%
Manufacturing & Other Expenses	7,565	7,831	8,389	9,289	10,373
YoY	29%	4%	7%	11%	12%
EBITDA	**2,450**	**3,934**	**5,063**	**6,518**	**8,301**
YoY	-18%	61%	29%	29%	27%
EBITDA Margin (%)	7.12%	10.30%	11.59%	12.93%	14%
Depreciation	1,826	1,786	1,693	1,842	1,892
% of Gross Block	8	7	7	7	7
EBIT	**624**	**2,148**	**3,369**	**4,677**	**6,409**
EBIT Margin (%)	2%	6%	8%	9%	11%
Interest Expenses	1,206	952	756	411	346
Non-operating/ Other income	1,309	543	658	714	829
Extraordinary expense	-306	-79	-63	-	-
Share of associates	12	214	300	390	507
PBT	**1,045**	**2,032**	**3,634**	**5,369**	**7,399**
Tax-Total	144	424	892	1,257	1,740
PAT	**901**	**1,609**	**2,741**	**4,112**	**5,659**
Adj. Net Profit	**595**	**1,529**	**2,678**	**4,112**	**5,659**
PAT Margin	2.62%	4.21%	6.27%	8.16%	10%
Adj EPS (INR)	8	12	22	34	52

Balance sheet (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Sources of Funds					
Equity Share Capital	544	546	546	546	546
Reserves & Surplus/ Other Equity	30,412	32,057	34,435	38,157	43,309
Networth	**30,956**	**32,603**	**34,981**	**38,703**	**43,855**
Borrowings	14,624	9,080	7,580	6,080	4,580
Other non-current liabilites	1,359	1,145	1,031	928	835
Total Funds Employed	**46,938**	**42,828**	**43,592**	**45,711**	**49,270**
Application of Funds					
Gross block	22,616	23,929	24,202	24,676	25,350
Less: accumulated depreciation	8,894	10,680	12,373	14,215	16,107
Net Fixed Assets	**13,722**	**13,249**	**11,829**	**10,461**	**9,243**
Capital WIP	1,312	274	474	674	874
Investments	5,037	5,554	6,654	7,754	8,854
Goodwill	17,244	17,716	17,716	17,716	17,716
Other non-current assets	2,888	2,489	2,989	3,489	3,989
Current assets	**14,373**	**11,295**	**13,033**	**15,405**	**19,192**
Inventory	3,499	3,926	4,508	5,076	5,745
Days	*64*	*67*	*66*	*65*	*64*
Debtors	3,457	4,415	4,908	5,525	6,254
Days	*37*	*42*	*41*	*40*	*39*
Other Current Assets	6,942	2,590	2,590	2,590	2,590
Bank	62	33	33	33	33
Cash	413	331	994	2,181	4,570
Current Liabilities	**7,733**	**8,340**	**9,103**	**9,788**	**10,597**
Creditors	3,610	4,565	5,328	6,013	6,823
Days	*66*	*78*	*78*	*77*	*76*
Other current liabilities	3,835	3,311	3,311	3,311	3,311
Provisions	289	464	464	464	464
Net Working Capital	**6,639**	**2,955**	**3,930**	**5,617**	**8,594**
Total Liabilities and Capital	**46,938**	**42,828**	**43,592**	**45,711**	**49,270**
Total Assets	**54,575**	**50,576**	**52,694**	**55,499**	**59,867**

Source: Annual Report, Arihant Capital Research

Cash Flow Statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Profit Before Tax	727	1,739	3,271	4,979	6,892
Depreciation & Ammortization	1,826	1,786	1,693	1,842	1,892
Interest Expense	1,206	952	756	411	346
Interest Income	1,309	543	658	714	829
Tax	144	424	892	1,257	1,740
Extraordinary and Other items	-294	135	237	390	507
OCF before WC changes	2,011	3,645	4,408	5,651	7,067
WC changes	5,465	-3,603	313	499	588
OCF	-3,453	7,248	4,095	5,151	6,479
Capex	1,753	1,807	-318	474	674
FCF	-5,206	5,440	4,413	4,678	5,805
Change in other Assets	-4,581	-527	1,737	1,800	1,800
Change in Equity	248	38	-363	-390	-507
Change in Debt & other financing activities	349	-6,087	-1,650	-1,300	-1,109
Net change in cash	**-27**	**-81**	**663**	**1,188**	**2,389**
Opening Cash Balance	**440**	**413**	**331**	**994**	**2,181**
Ending Cash balance	**413**	**331**	**994**	**2,181**	**4,570**

Key Ratios					
Solvency Ratios (X)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Debt / Equity	0.5	0.3	0.2	0.2	0.1
Net Debt / Equity	0.5	0.3	0.2	0.1	0.0
Debt / EBITDA	6.0	2.3	1.5	0.9	0.6
Net Debt / EBITDA	5.8	2.2	1.3	0.6	0.0
Debt/ Asset	0.3	0.2	0.1	0.1	0.1
Liquidity Ratios (x)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Current Ratio	1.9	1.4	1.4	1.6	1.8
Quick Ratio	1.4	0.9	0.9	1.1	1.3
Important Metrics	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Net Debt (includes lease liabilities and excludes investments)	14,211	8,749	6,586	3,899	10
FCF	-5,206	5,440	4,413	4,678	5,805
EV	95,193	89,730	87,568	84,880	80,991
DuPont Analysis	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Sales/Assets (X)	0.63	0.75	0.83	0.91	0.98
Assets/Equity (X)	1.77	1.57	1.51	1.43	1.37
Net Profit Margin	2.62%	4.21%	6.27%	8.16%	9.67%
RoE	**2.91%**	**4.93%**	**7.84%**	**10.62%**	**12.90%**
Per share ratios (INR)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Reported EPS	8.2	14.8	25.2	37.8	52.1
Adjusted EPS	8.2	12.1	21.9	34.2	47.4
Dividend	0.0	0.0	0.0	0.0	0.0
BV	284.8	299.9	321.8	356.1	403.5
Cash	3.8	3.0	9.1	20.1	42.0
Revenue	316.4	351.5	402.0	463.8	538.5
Profitability ratios	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Net Profit Margin	2.62%	4.21%	6.27%	8.16%	9.67%
Gross Profit Margin	41.68%	43.75%	42.95%	43.46%	44.02%
EBITDA Margin	7.12%	10.30%	11.59%	12.93%	14.18%
EBIT Margin	1.81%	5.62%	7.71%	9.28%	10.95%
PAT Margin	2.62%	4.21%	6.27%	8.16%	9.67%
ROE	2.91%	4.93%	7.84%	10.62%	12.90%
ROCE	1.07%	3.79%	5.62%	7.65%	9.72%
ROIC	0.92%	3.20%	4.74%	6.56%	8.66%
ROA	1.65%	3.14%	5.20%	7.41%	9.45%
Activity ratios	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Inventory Days	64	67	66	65	64
Debtor Days	37	42	41	40	39
Creditor Days	66	78	78	77	76
Valuation ratios (X)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
EV / EBITDA	38.9	22.8	17.3	13.0	9.8
EV / EBIT	152.7	41.8	26.0	18.2	12.6
EV / Net Sales	2.8	2.3	2.0	1.7	1.4
EPS (INR)	8.2	14.8	25.2	37.8	52.1
Adj EPS (INR)	8.2	12.1	21.9	34.2	47.4
CMP	745.0	745.0	745.0	745.0	745.0
P/E	90.6	50.3	29.5	19.7	14.3
P/B	2.6	2.5	2.3	2.1	1.8

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Abhishek Jain
Head of Research
Abhishek.jain@arihantcapital.com

Abhishek Chhajed Jain

Digitally signed by Abhishek Chhajed Jain
Date: 2026.08.13 10:44:49 +05'30'