

CMP: INR 601

Rating: BUY

Target Price: INR 1,565

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)	6,531
52w H/L (INR)	910/498
Avg Daily Vol (in 000')	1,313

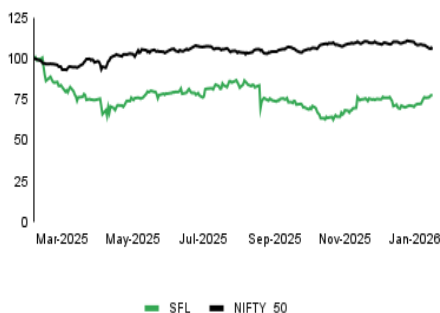
Shareholding Pattern %

(As on Dec 2025)

Promoters	65.69
DII	20.39
FII	4.18
Public & Others	9.74

Stock Performance (%)	1m	6m	12m
SFL	1.60	(15.5)	(31.8)
NIFTY 50	(1.81)	4.26	8.58

Sheela Foam Price Chart



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

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

Sheela Foam delivered a solid consolidated performance with revenue rising 11.1% YoY to INR 1,074.43 Cr (up 22.8% QoQ), though slightly missing our estimate of INR 1,083 Cr. EBITDA showed stronger momentum, growing 29.89% YoY to INR 114.39 Cr (31.29% QoQ) and surpassing our forecast of INR 112.18 Cr, while the EBITDA margin expanded 154 bps YoY to 10.65% (up 69 bps QoQ), beating our 10.36% expectation. PAT surged dramatically by 212.92% YoY to INR 52.57 Cr (up 195.34% QoQ), significantly outperforming our estimate of INR 28.17 Cr. Operationally, the mattress segment posted 11% YoY volume growth in Q3 and 9M FY26, led by Kurlon at 14% and Sleepwell at 11% for the nine months, while international subsidiaries turned meaningfully profitable, achieving EBITDA margins of 9.8% in Australia and 9.7% in Spain (driven by improved cost controls, waste reduction, and better realizations).

Successful Kurlon Integration and Synergy Realization: The merger with Kurlon has been completed, transforming it into a significant turnaround story for the group. The company has successfully improved Kurlon's EBITDA from mid-single digits at the time of acquisition to a consolidated core EBITDA of 10% for the combined Indian operations, aligning it with pre-acquisition margins. Furthermore, the company has realized approximately INR 200 crores in synergies, with additional benefits from new machinery expected to fully manifest by Q1 of the next financial year.

Progressive Margin Expansion Trajectory: The company has demonstrated consistent margin improvement, with consolidated core EBITDA reaching 10.9% in Q3 FY26, a 220-bps expansion YoY. This improvement is driven by a refined cost structure and top-line growth. The company maintains a clear roadmap to reach 14–15% EBITDA margins by FY28, supported by pricing discipline and operational efficiencies.

Outlook and Valuation: We maintain our BUY rating on the company, with a target price of INR 1,565 based on FY28E EV/EBITDA multiple of 25. The company maintains a strong medium-term outlook, targeting a 15% revenue growth rate and the expansion of consolidated EBITDA margins to 14–15% by FY28. The company expects to drive this performance through continued premiumization in the offline segment, the rapid scaling of the Unorganized to Organized business, and a strategic omni-channel expansion leveraging Furlenco's digital-first brand across the group's physical retail network. Profitability is poised for further improvement as the final synergy benefits from the Kurlon acquisition are expected to fully manifest by Q1 of the next financial year, complemented by declining interest costs following aggressive debt repayment and the sustained operational turnaround of international segments in Australia, Spain, and the GCC.

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	29,823	34,392	37,926	42,388	48,363
YoY	3.8%	15.3%	10.3%	11.8%	14.1%
Gross Profit Margin	41.3%	41.7%	42.9%	44.1%	45.1%
EBITDA Margin	10.1%	7.3%	10.0%	12.5%	14.7%
Adj. Net Profit	1,612	661	1,170	3,001	4,326
YoY	-20%	-59%	77%	156%	44%
Adj EPS (INR)	16.8	8.8	10.0	27.6	39.8
YoY	-8%	-47%	14%	175%	44%
P/E	35.63	67.65	59.53	21.66	15.03
P/B	2.18	2.10	2.03	1.86	1.65
Debt / Equity	0.50	0.47	0.34	0.31	0.28
Net Debt (includes lease liabilities and excludes investments)	14,491	14,211	13,922	11,637	7,968
ROE	6.2%	3.1%	3.4%	8.6%	11.0%
ROCE	3.0%	1.2%	3.1%	5.2%	7.4%

Source: Company Filings & Arihant Capital Research

INR Cr (Consolidated)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Net Revenue	10744.3	8749.4	9671.1	22.80%	11.10%
Raw Material Costs	6634.4	5197	6184.7	27.66%	7.27%
Gross Profit	4109.90	3552.40	3486.40	15.69%	17.88%
<i>Gross Margin</i>	38.25%	40.60%	36.05%	-235bps	220bps
Employee costs	1194.8	1126.6	1055.7	6.05%	13.18%
Other Expenses	1771.2	1554.5	1550	13.94%	14.27%
EBITDA	1143.90	871.30	880.70	31.29%	29.89%
<i>EBITDA margin</i>	10.65%	9.96%	9.11%	69bps	154bps
Other Non Operating Income	156.6	105.3	80.3	48.72%	95.02%
Depreciation	473.4	495.2	453.5	-4.40%	4.39%
EBIT	827.10	481.40	507.50	71.81%	62.98%
Finance costs	170.3	280.7	287.6	-39.33%	-40.79%
PBT	656.80	200.70	219.90	227.25%	198.68%
Exceptional Items		78.40	-		
Tax Expense	161.1	46.2	54.8	248.70%	193.98%
<i>Effective tax rate</i>	25.00%	23.02%	24.92%	198bps	8bps
PAT	495.70	76.10	165.10	551.38%	200.24%
Share of Associates	30	23.5	2.9	27.66%	934.48%
Profit for the Period	525.70	99.60	168.00	427.81%	212.92%
<i>PAT margin</i>	4.82%	1.12%	1.72%	370bps	310bps
EPS (INR)	4.77	0.88	1.73	442.05%	175.72%

Capturing the "Unorganized to Organized" Market: The company's U2O segment is a high-growth engine, expanding by nearly 100% over the last nine months to reach a turnover of INR 75 crores by December 2025. Operating through over 8,000 dealers across 5,000 towns, this segment focuses on mass-value and economy products, positioning the company to capture significant market share from unorganized players.

International Business Turnaround and GCC Expansion: The international segments in Australia and Spain have delivered a marked turnaround, achieving Q3 EBITDA margins of approximately 12% through disciplined execution and waste reduction. Simultaneously, the company is deepening its presence in the GCC region by commencing local manufacturing through partnerships and expanding into leading large-format retail chains across the Emirates.

Strengthened Balance Sheet and Asset Monetization: Sheela Foam has aggressively pursued deleveraging, reducing its net debt through consistent cash generation and asset monetization. The company recently garnered INR 100 to 125 crores from the sale of land parcels in Gujarat and Bangalore, applying the proceeds directly to debt reduction. Consequently, interest costs are declining, which is expected to bolster reported PAT in future quarters.

Aggressive Distribution Network Expansion: The company continues to scale its physical footprint, having added approximately 600 net new showrooms over the last nine months, with a target of 700 by the end of the financial year. This expansion is particularly strong for the Kurlon brand in Northern India. Furthermore, the total network now includes approximately 3,800 showroom-format stores (Exclusive Brand Outlets), providing a robust foundation for continued market penetration.

Strategic Omni-channel and Furlenco Integration: Furlenco achieved a PAT of INR 18 crores and generated 68 crores in cash profits during the first nine months of the fiscal year, which were reinvested back into the business to drive further growth. The brand currently operates at an annualized revenue run rate of INR 400 crores, with the company expecting a recent capital infusion to eventually propel its topline toward a target of INR 500 to 550 crores. To enhance profitability and scale in a capital efficient manner, Furlenco is implementing an omni-channel strategy by integrating its digital-first model with Sheela Foam's extensive physical Sleepwell and Kurlon retail networks.

Robust Volume Growth Across Key Segments: The company is experiencing strong demand, evidenced by an 11% YoY volume growth in mattresses over the last nine months. The foam segment showed even more substantial growth, with volumes increasing 20% in Q3 FY26 alone. The company targets a consistent 15% revenue growth rate over the medium term, supported by product innovation and premiumization efforts.

Q3FY26 Result Update | Sheela Foam Ltd

Income statement (INR Mn)*	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	29,823	34,392	37,926	42,388	48,363
YoY	4%	15%	10%	12%	14%
COGS	17,502	20,056	21,648	23,676	26,544
YoY	-2%	15%	8%	9%	12%
Personnel/ Employee benefit expenses	3,441	4,321	4,588	4,883	5,319
YoY	22%	26%	6%	6%	9%
Manufacturing & Other Expenses	5,875	7,515	7,911	8,518	9,375
YoY	16%	28%	5%	8%	10%
EBITDA	3,005	2,499	3,779	5,310	7,125
YoY	1%	-17%	51%	41%	34%
EBITDA Margin (%)	10.08%	7.27%	9.96%	12.53%	14.73%
Depreciation	1,158	1,826	1,913	2,030	2,030
% of Gross Block	6	8	8	8	8
EBIT	1,848	673	1,866	3,280	5,095
EBIT Margin (%)	6%	2%	5%	8%	11%
Interest Expenses	686	1,205	1,060	1,003	1,299
Non-operating/ Other income	1,171	1,309	768	1,696	1,935
Extraordinary expense	-227	-306	78	-	-
Share of associates	-106	12	16	21	29
PBT	2,454	1,095	1,511	3,994	5,759
Tax-Total	614	128	419	993	1,432
PAT	1,839	967	1,092	3,001	4,326
Adj. Net Profit	1,612	661	1,170	3,001	4,326
PAT Margin	6.17%	2.81%	2.88%	7.08%	8.95%
Adj EPS (INR)	17	9	11	27	40
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	31,494	34,466	38,750
Networth	29,807	30,956	32,037	35,009	39,294
Borrowings	14,931	14,624	10,884	11,010	11,010
Other non-current liabilities	1,111	1,359	1,359	1,359	1,359
Total Funds Employed	45,849	46,938	44,280	47,378	51,662
Application of Funds					
Gross block	20,960	22,616	23,929	25,141	26,253
Less: accumulated depreciation	7,068	8,894	10,807	12,837	14,867
Net Fixed Assets	13,892	13,722	13,122	12,304	11,387
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	11,259	14,109	18,416
Inventory	3,394	3,499	3,688	3,936	4,304
Days	71	64	62	61	59
Debtors	3,638	3,457	3,604	3,796	4,066
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	-3,038	-627	3,042
Current Liabilities	7,546	7,733	8,079	8,515	9,119
Creditors	3,875	3,610	3,956	4,391	4,996
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	3,179	5,594	9,296
Total Liabilities and Capital	45,849	46,938	44,280	47,378	51,662
Total Assets	53,395	54,575	52,360	55,893	60,782
Cash Flow Statement (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit Before Tax	2,332	777	1,574	3,973	5,730
Depreciation & Ammortization	1,158	1,826	1,913	2,030	2,030
Interest Expense	686	1,205	1,060	1,003	1,299
Interest Income	1,171	1,309	768	1,696	1,935
Tax	614	128	419	993	1,432
Extraordinary and Other items	-333	-294	94	21	29
OCF before WC changes	2,058	2,078	3,454	4,339	5,721
WC changes	-8,312	5,465	-10	4	33
OCF	10,371	-3,387	3,464	4,334	5,688
Capex	9,674	1,753	1,216	1,212	1,112
FCF	696	-5,140	2,248	3,122	4,576
Change in other Assets	23,129	-4,581	1,577	1,500	1,500
Change in Equity	11,881	182	-11	-29	-42
Change in Debt & other financing activities	10,568	350	-4,110	818	635
Net change in cash	17	-27	-3,450	2,410	3,669
Opening Cash Balance	423	440	413	-3,038	-627
Ending Cash balance	440	413	-3,038	-627	3,042

Source: Annual Report, Arianth Capital Research

Key Ratios					
Solvency Ratios (X)	FY24	FY25	FY26E	FY27E	FY28E
Debt / Equity	0.5	0.5	0.3	0.3	0.3
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	3.7	2.2	1.1
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	1.4	1.7	2.0
Quick Ratio	0.7	1.4	0.9	1.2	1.5
Important Metrics	FY24	FY25	FY26E	FY27E	FY28E
Net Debt (includes lease liabilities and excludes investments)	14,491	14,211	13,922	11,637	7,968
FCF	696	-5,140	2,248	3,122	4,576
EV	79,494	79,214	78,925	76,640	72,971
DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Sales/Assets (X)	0.56	0.63	0.72	0.76	0.80
Assets/Equity (X)	1.79	1.77	1.63	1.60	1.55
Net Profit Margin	6.17%	2.81%	2.88%	7.08%	8.95%
RoE	6.17%	3.12%	3.41%	8.57%	11.01%
Per share ratios (INR)	FY24	FY25	FY26E	FY27E	FY28E
Reported EPS	16.8	8.8	10.0	27.6	39.8
Adjusted EPS	16.8	8.8	10.6	27.4	39.5
Dividend	0.0	0.0	0.0	0.0	0.0
BV	274.2	284.8	294.7	322.1	361.5
Cash	4.0	3.8	-27.9	-5.8	28.0
Revenue	274.4	316.4	348.9	390.0	444.9
Profitability ratios	FY24	FY25	FY26E	FY27E	FY28E
Net Profit Margin	6.17%	2.81%	2.88%	7.08%	8.95%
Gross Profit Margin	41.32%	41.68%	42.92%	44.14%	45.12%
EBITDA Margin	10.08%	7.27%	9.96%	12.53%	14.73%
EBIT Margin	6.19%	1.96%	4.92%	7.74%	10.53%
PAT Margin	6.17%	2.81%	2.88%	7.08%	8.95%
ROE	6.17%	3.12%	3.41%	8.57%	11.01%
ROCE	2.97%	1.20%	3.09%	5.19%	7.40%
ROIC	2.57%	1.04%	2.47%	4.35%	6.62%
ROA	3.44%	1.77%	2.09%	5.37%	7.12%
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	26.5	31.7	20.9	14.4	10.2
EV / EBIT	43.0	117.7	42.3	23.4	14.3
EV / Net Sales	2.7	2.3	2.1	1.8	1.5
EPS (INR)	16.8	8.8	10.0	27.6	39.8
Adj EPS (INR)	16.8	8.8	10.6	27.4	39.5
CMP	598.0	598.0	598.0	598.0	598.0
P/E	35.6	67.6	59.5	21.7	15.0
P/B	2.2	2.1	2.0	1.9	1.7

Source: Annual Report, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
 Y.N. Road,
 Indore - 452003, (M.P.)
 Tel: (91-731) 4217100/101
 CIN: L66120MP1992PLC007182

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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

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Arihant Capital Markets Ltd.

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