

**CMP: INR 605**

**Rating: BUY**

**Target Price: INR 1,696**

**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)	6,613
52w H/L (INR)	769/461
Avg Daily Vol (in 000')	1,212

**Shareholding Pattern %**

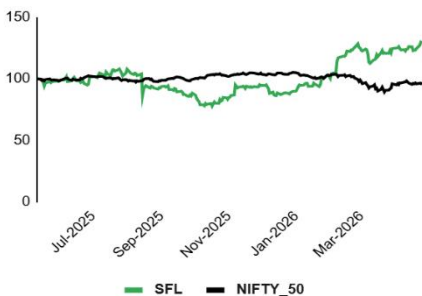
(As on March 2026)

Promoters	65.69
DII	20.55
FII	4.15
Public & Others	9.61

**Stock Performance (%)** 1m 6m 12m

SFL	11.2	(4.5)	(6.8)
NIFTY 50	(2.92)	(9.11)	(5.5)

**Sheela Foam Price Chart**



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Sheela Foam Ltd reported a strong Q4FY26 performance, delivering a beat across revenue, margins, and profitability. Consolidated revenue grew 15.5% YoY to INR 10,500 Mn (vs estimate of INR 9,813 Mn), while gross margin expanded 220 bps YoY to 38.25%. EBITDA surged 336.3% YoY to INR 1,166 Mn, with EBITDA margin improving sharply by 796 bps YoY to 7.74%, ahead of estimates. PAT rose 589% YoY to INR 917.7 Mn, supported by strong operating leverage and improved product mix. Operationally, the mattress segment delivered 13% volume growth in Q4 (12% for FY26), while foam volumes remained robust with 34% YoY growth in Q4 (18% for FY26), reflecting healthy demand across key categories.

**Successful Synergy Realization and Kurlon Integration:** The company has successfully transitioned from the integration phase of the Kurlon acquisition to a period of active implementation, where benefits are now visibly contributing to group performance. The company has realized approximately INR 1,900–INR 2,000 Mn in synergies to date, with an additional INR 400 Mn expected following the installation of new specialized machinery. This integration has bolstered both the Sleepwell and Kurlon brands, driving broad-based growth across revenue and profitability.

**Robust Volume Growth and Market Share Capture:** The company demonstrated significant volume momentum in FY26, with mattress volumes increasing by 12% for the full year and Indian operations recording a 15% volume growth. The company is strategically targeting the transition from the unorganized to the organized sector through its U2O initiative, which delivered a massive 111% value growth and 65% volume growth by reaching over 5,000 towns. This aggressive penetration into traditional markets is a key driver for long-term leadership.

**Outlook and Valuation:** We maintain our BUY rating on the company, with a target price of INR 1,696 based on FY29E EV/EBITDA multiple of 20. The company is positioned for a sustained multi-year growth trajectory as the Kurlon acquisition transitions from an integration phase to a significant driver of group operating performance. The company is targeting a revenue growth rate of 15%+ for the upcoming fiscal year, supported by a 111% value growth in the high-potential Unorganized to Organized segment and a 136% surge in brand.com e-commerce sales. With consolidated core EBITDA margins expanding to 11.5% in Q4 FY26, the company expects to maintain or exceed the 11–12% margin bracket through strong operating leverage and the effective pass-through of raw material volatility to consumers. This outlook is further reinforced by the turnaround of international operations in Australia and Spain, the profitability of Furlenco (targeted at INR 5,000 Mn revenue next year), and a disciplined de-leveraging strategy aimed at liquidating all Indian debt within 1.5 years.

Particulars (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue from Operations	34,392	38,208	43,393	50,337	58,751
YoY	15.3%	11.1%	13.6%	16.0%	16.7%
Gross Profit Margin	41.7%	43.7%	45.0%	45.5%	46.1%
EBITDA Margin	7.1%	10.3%	12.9%	14.1%	15.3%
Adj. Net Profit	595	1,529	2,955	4,369	6,080
YoY	-63%	157%	93%	48%	39%
Adj EPS (INR)	8.2	14.8	27.2	40.2	55.9
YoY	-51%	80%	84%	48%	39%
P/E	73.61	40.88	22.25	15.05	10.82
P/B	2.12	2.02	1.87	1.68	1.47
Debt / Equity	0.47	0.28	0.24	0.21	0.17
Net Debt (includes lease liabilities and excludes investments)	14,211	8,749	5,596	1,642	-4,026
ROE	2.9%	4.9%	8.4%	11.1%	13.6%
ROCE	1.1%	3.8%	6.3%	8.2%	10.1%

Source: Company Filings & Arihant Capital Research

<b>INR Mn (Consolidated)</b>	<b>Q4FY26</b>	<b>Q3FY26</b>	<b>Q4FY25</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
<b>Net Revenue</b>	<b>10500.60</b>	10744.3	<b>8496.10</b>	<b>-2.27%</b>	<b>15.50%</b>
Raw Material Costs	5842.40	6634.4	5156.40	-11.94%	13.30%
Gross Profit	4658.20	4109.90	3339.70	13.34%	39.48%
<i>Gross Margin</i>	<i>44.36%</i>	<i>38.25%</i>	<i>39.31%</i>	<i>611bps</i>	<i>505bps</i>
Employee costs	1477.80	1194.8	1096.20	23.69%	34.81%
Other Expenses	2014.20	1771.2	1976.20	13.72%	1.92%
<b>EBITDA</b>	<b>1166.20</b>	<b>1143.90</b>	<b>267.30</b>	<b>1.95%</b>	<b>336.29%</b>
<i>EBITDA margin</i>	<i>11.11%</i>	<i>10.65%</i>	<i>3.15%</i>	<i>46bps</i>	<i>796bps</i>
Other Non Operating Income	183.40	156.6	605.60	17.11%	-69.72%
Depreciation	356.00	473.4	498.80	-24.80%	-28.63%
<b>EBIT</b>	<b>993.60</b>	<b>827.10</b>	<b>374.10</b>	<b>20.13%</b>	<b>165.60%</b>
Finance costs	208.80	170.3	352.80	22.61%	-40.82%
<b>PBT</b>	<b>784.80</b>	<b>656.80</b>	<b>21.30</b>	<b>19.49%</b>	<b>3584.51%</b>
Exceptional Items	-157.70	-	0.30		
Tax Expense	168.00	161.1	-104.10	4.28%	-261.38%
<i>Effective tax rate</i>	<i>21.41%</i>	<i>24.53%</i>	<i>-488.73%</i>	<i>-312bps</i>	<i>51014bps</i>
<b>PAT</b>	<b>774.50</b>	<b>495.70</b>	<b>125.40</b>	<b>56.24%</b>	<b>517.62%</b>
Share of Associates	143	30	8	377.33%	1759.74%
<b>Profit for the Period</b>	<b>917.70</b>	<b>525.70</b>	<b>133.10</b>	<b>74.57%</b>	<b>589.48%</b>
<i>PAT margin</i>	<i>8.59%</i>	<i>4.82%</i>	<i>1.46%</i>	<i>377bps</i>	<i>713bps</i>
<b>EPS (INR)</b>	<b>8.36</b>	<b>4.77</b>	<b>1.20</b>	<b>75.26%</b>	<b>596.67%</b>

**Digital Transformation and E-commerce Velocity:** A focused digital strategy has resulted in explosive growth within the e-commerce segment. Sales via brand.com grew by 136% YoY, while sales on third-party platforms increased by 39%. By leveraging its own websites and a sharper online portfolio, the company is strengthening direct consumer engagement and scaling its digital footprint as a core growth pillar.

**Turnaround and Profitability in International Operations:** Both the Australian and Spanish business units delivered stellar performance in FY26. In Australia, EBITDA margins improved by 400 bps to 10% through strategic yield improvement programs and price renegotiations. Similarly, the Spanish operations saw margins rise to 10.4%, up from 8.4% the previous year. The company intends to maintain these international margins in the 10–12% range, emphasizing stability and cost control.

**Supply Chain Resilience Amid Volatility:** Despite geopolitical tensions in the Middle East and extreme volatility in key raw materials like TDI and Polyol, the company has maintained serviceability without material disruption. The company successfully utilized its long-standing supplier relationships and diversified its sourcing network including new partners in Japan and Korea to hedge risks and navigate stockout situations while passing through cost increases across various segments.

**Strategic Asset Optimization: Furlenco and Staqo:** The integration of Furlenco is yielding high returns, with the business reporting a 60% revenue growth and a significantly improved PAT of INR 600 Mn. The company is also leveraging Staqo as a strategic digital asset for automation and artificial intelligence to enhance group-wide enterprise efficiency. The potential IPO of Furlenco within the next year represents a future value-unlocking milestone for shareholders.

**Strong De-leveraging and Improved Shareholder Returns:** The company has demonstrated disciplined balance sheet management by reducing debt by INR 1,560 Mn in FY26. The company anticipates that the remaining Indian debt of approximately INR 3,000 Mn could be liquidated within 1 to 1.5 years through internal cash flows. This strengthened cash generation profile allowed the board to recommend a 20% dividend, the first in the company's history since listing.

**Expansion into High-Growth Adjacent Categories:** To become a full home comfort player, the company is aggressively expanding into adjacent categories such as pillows, treating it as a standalone category rather than just a promotional add-on. Additionally, the expansion of integrated stores (combining Furlenco and Sheela Foam offerings) is expected to grow from 40 to over 100 stores in the current year, deepening consumer engagement across the comfort portfolio.

Income statement (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
<b>Revenue from Operations</b>	<b>34,392</b>	<b>38,208</b>	<b>43,393</b>	<b>50,337</b>	<b>58,751</b>
YoY	15%	11%	14%	16%	17%
COGS	20,056	21,493	23,864	27,429	31,681
YoY	15%	7%	11%	15%	16%
Personnel/ Employee benefit expenses	4,321	4,951	5,389	6,251	7,296
YoY	26%	15%	9%	16%	17%
Manufacturing & Other Expenses	7,565	7,831	8,556	9,571	10,757
YoY	29%	4%	9%	12%	12%
<b>EBITDA</b>	<b>2,450</b>	<b>3,934</b>	<b>5,584</b>	<b>7,087</b>	<b>9,017</b>
YoY	-18%	61%	42%	27%	27%
<b>EBITDA Margin (%)</b>	<b>7.12%</b>	<b>10.30%</b>	<b>12.87%</b>	<b>14.08%</b>	<b>15%</b>
Depreciation	1,826	1,786	1,806	1,819	1,825
% of Gross Block	8	7	7	7	7
<b>EBIT</b>	<b>624</b>	<b>2,148</b>	<b>3,778</b>	<b>5,267</b>	<b>7,193</b>
<b>EBIT Margin (%)</b>	<b>2%</b>	<b>6%</b>	<b>9%</b>	<b>10%</b>	<b>12%</b>
Interest Expenses	1,206	952	856	681	600
Non-operating/ Other income	1,309	543	619	718	839
Extraordinary expense	-306	-79	-	-	-
Share of associates	12	214	300	390	507
<b>PBT</b>	<b>1,045</b>	<b>2,032</b>	<b>3,841</b>	<b>5,695</b>	<b>7,938</b>
Tax-Total	144	424	885	1,326	1,858
<b>PAT</b>	<b>901</b>	<b>1,609</b>	<b>2,955</b>	<b>4,369</b>	<b>6,080</b>
<b>Adj. Net Profit</b>	<b>595</b>	<b>1,529</b>	<b>2,955</b>	<b>4,369</b>	<b>6,080</b>
<b>PAT Margin</b>	<b>2.62%</b>	<b>4.21%</b>	<b>6.81%</b>	<b>8.68%</b>	<b>10%</b>
Adj EPS (INR)	8	12	24	37	56
Balance sheet (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
<b>Sources of Funds</b>					
Equity Share Capital	544	546	546	546	546
Reserves & Surplus/ Other Equity	30,412	32,057	34,712	38,691	44,264
<b>Networth</b>	<b>30,956</b>	<b>32,603</b>	<b>35,258</b>	<b>39,237</b>	<b>44,810</b>
Borrowings	14,624	9,080	8,580	8,080	7,580
Other non current liabilities	1,359	1,145	1,145	1,145	1,145
<b>Total Funds Employed</b>	<b>46,938</b>	<b>42,828</b>	<b>44,983</b>	<b>48,462</b>	<b>53,535</b>
<b>Application of Funds</b>					
Gross block	22,616	23,929	24,202	24,376	24,450
Less: accumulated depreciation	8,894	10,680	12,486	14,305	16,130
<b>Net Fixed Assets</b>	<b>13,722</b>	<b>13,249</b>	<b>11,716</b>	<b>10,071</b>	<b>8,320</b>
Capital WIP	1,312	274	174	74	-26
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
<b>Current assets</b>	<b>14,373</b>	<b>11,295</b>	<b>14,644</b>	<b>19,110</b>	<b>25,448</b>
Inventory	3,499	3,926	4,261	4,785	5,396
Days	64	67	65	64	62
Debtors	3,457	4,415	4,777	5,265	5,823
Days	37	42	40	38	36
Other Current Assets	6,942	2,590	2,590	2,590	2,590
Bank	62	33	33	33	33
Cash	413	331	2,983	6,437	11,605
<b>Current Liabilities</b>	<b>7,733</b>	<b>8,340</b>	<b>8,909</b>	<b>9,751</b>	<b>10,765</b>
Creditors	3,610	4,565	5,134	5,976	6,990
Days	66	78	79	80	81
Other current liabilities	3,835	3,311	3,311	3,311	3,311
Provisions	289	464	464	464	464
<b>Net Working Capital</b>	<b>6,639</b>	<b>2,955</b>	<b>5,735</b>	<b>9,359</b>	<b>14,683</b>
<b>Total Liabilities and Capital</b>	<b>46,938</b>	<b>42,828</b>	<b>44,983</b>	<b>48,462</b>	<b>53,535</b>
<b>Total Assets</b>	<b>54,575</b>	<b>50,576</b>	<b>53,892</b>	<b>58,213</b>	<b>64,300</b>

Source: Annual Report, Arianth Capital Research

<b>Cash Flow Statement (INR Mn)</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
Profit Before Tax	727	1,739	3,541	5,305	7,431
Depreciation & Ammortization	1,826	1,786	1,806	1,819	1,825
Interest Expense	1,206	952	856	681	600
Interest Income	1,309	543	619	718	839
Tax	144	424	885	1,326	1,858
Extraordinary and Other items	-294	135	300	390	507
OCF before WC changes	2,011	3,645	4,999	6,150	7,667
WC changes	5,465	-3,603	127	170	156
OCF	-3,453	7,248	4,872	5,980	7,510
Capex	1,753	1,807	-318	174	74
FCF	-5,206	5,440	5,189	5,806	7,436
Change in other Assets	-4,581	-527	1,500	1,500	1,500
Change in Equity	248	38	-300	-390	-507
Change in Debt & other financing activities	349	-6,087	-737	-462	-261
<b>Net change in cash</b>	<b>-27</b>	<b>-81</b>	<b>2,652</b>	<b>3,454</b>	<b>5,168</b>
<b>Opening Cash Balance</b>	<b>440</b>	<b>413</b>	<b>331</b>	<b>2,983</b>	<b>6,437</b>
<b>Ending Cash balance</b>	<b>413</b>	<b>331</b>	<b>2,983</b>	<b>6,437</b>	<b>11,605</b>

<b>Key Ratios</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>
<b>Solvency Ratios (X)</b>					
Debt / Equity	0.5	0.3	0.2	0.2	0.2
Net Debt / Equity	0.5	0.3	0.2	0.0	-0.1
Debt / EBITDA	6.0	2.3	1.5	1.1	0.8
Net Debt / EBITDA	5.8	2.2	1.0	0.2	-0.4
Debt/ Asset	0.3	0.2	0.2	0.1	0.1
<b>Liquidity Ratios (x)</b>					
Current Ratio	1.9	1.4	1.6	2.0	2.4
Quick Ratio	1.4	0.9	1.2	1.5	1.9
<b>Important Metrics</b>					
Net Debt (includes lease liabilities and excludes investments)	14,211	8,749	5,596	1,642	(4,026)
FCF	-5,206	5,440	5,189	5,806	7,436
EV	79,975	74,512	71,360	67,406	61,738
<b>DuPont Analysis</b>					
Sales/Assets (X)	0.63	0.75	0.81	0.86	0.91
Assets/Equity (X)	1.77	1.57	1.53	1.48	1.43
Net Profit Margin	2.62%	4.21%	6.81%	8.68%	10.35%
<b>RoE</b>	<b>2.91%</b>	<b>4.93%</b>	<b>8.38%</b>	<b>11.13%</b>	<b>13.57%</b>
<b>Per share ratios (INR)</b>					
Reported EPS	8.2	14.8	27.2	40.2	55.9
Adjusted EPS	8.2	12.1	24.4	36.6	51.3
Dividend	0.0	0.0	0.0	0.0	0.0
BV	284.8	299.9	324.4	361.0	412.2
Cash	3.8	3.0	27.4	59.2	106.8
Revenue	316.4	351.5	399.2	463.1	540.5
<b>Profitability ratios</b>					
Net Profit Margin	2.62%	4.21%	6.81%	8.68%	10.35%
Gross Profit Margin	41.68%	43.75%	45.01%	45.51%	46.08%
EBITDA Margin	7.12%	10.30%	12.87%	14.08%	15.35%
EBIT Margin	1.81%	5.62%	8.71%	10.46%	12.24%
PAT Margin	2.62%	4.21%	6.81%	8.68%	10.35%
ROE	2.91%	4.93%	8.38%	11.13%	13.57%
ROCE	1.07%	3.79%	6.30%	8.15%	10.08%
ROIC	0.92%	3.20%	5.57%	7.63%	10.24%
ROA	1.65%	3.14%	5.48%	7.50%	9.46%
<b>Activity ratios</b>					
Inventory Days	64	67	65	64	62
Debtor Days	37	42	40	38	36
Creditor Days	66	78	79	80	81
<b>Valuation ratios (X)</b>					
EV / EBITDA	32.6	18.9	12.8	9.5	6.8
EV / EBIT	128.2	34.7	18.9	12.8	8.6
EV / Net Sales	2.3	2.0	1.6	1.3	1.1
EPS (INR)	8.2	14.8	27.2	40.2	55.9
Adj EPS (INR)	8.2	12.1	24.4	36.6	51.3
CMP	605.0	605.0	605.0	605.0	605.0
P/E	73.6	40.9	22.3	15.1	10.8
P/B	2.1	2.0	1.9	1.7	1.5

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### 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.

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