

## Company overview

Sheela Foam Limited is India's largest polyurethane (PU) foam manufacturer and a leading player in the branded mattress industry. The company operates across mattresses, comfort foam, technical foam, furniture, and home comfort solutions, catering to both retail and institutional customers. Its portfolio includes well-established brands such as Sleepwell, Kurlon, Feather Foam, Starlite, Tarang, and Aaram, enabling the company to address multiple consumer segments ranging from value-focused to premium categories. The company manufactures and markets a wide range of products including mattresses, pillows, mattress protectors, furniture cushioning solutions, and technical foam products used across various end-user industries. Through its extensive distribution network comprising over 8,500 dealers, 125 distributors, and a growing omnichannel presence, Sheela Foam has established a strong pan-India footprint. The company has also strengthened its market leadership through the acquisition of Kurlon, significantly expanding its scale, brand portfolio, and geographic reach. In addition to its domestic operations, Sheela Foam has an international presence through businesses in Australia and Spain. The company also holds a strategic 43% stake in Furlenco, a furniture and appliance rental platform, providing exposure to the growing home lifestyle and furniture solutions market. Backed by strong brand equity, manufacturing capabilities, distribution reach, and significant capacity headroom, Sheela Foam is well-positioned to benefit from increasing mattress penetration, premiumization trends, rising replacement demand, and the ongoing shift from the unorganized to the organized segment within the Indian bedding industry.

## Industry Overview:

The mattress industry continues to benefit from favourable structural and demographic trends, both globally and in India. Globally, demand remains supported by replacement cycles in developed markets, increasing household formation, urbanization, and expanding demand from hospitality and healthcare segments. The growing adoption of premium and technology-enabled mattresses, coupled with rising consumer focus on sleep quality and wellness, is expected to support steady value growth over the coming years. In India, the industry is witnessing a structural shift from the unorganized to the organized segment, driven by rising disposable incomes, increasing urbanization, growing health awareness, and changing consumer preferences. Mattresses are increasingly being viewed as lifestyle and wellness products rather than merely functional household items, leading to higher demand for branded, durable, and ergonomically designed offerings. The industry is also benefiting from improving mattress penetration levels, the expansion of nuclear households, greater availability of consumer financing, and increasing replacement demand. Furthermore, the rapid growth of e-commerce and direct-to-consumer channels is enhancing accessibility and accelerating the adoption of branded products across Tier II and Tier III markets. Looking ahead, the Indian mattress industry is expected to maintain a healthy growth trajectory, supported by continued premiumization, formalization of the market, expanding organized distribution networks, and deeper digital penetration. Organized players with strong brands, extensive distribution reach, diversified product portfolios, and omni-channel capabilities are expected to be key beneficiaries of these long-term industry trends. As consumer spending on home comfort and sleep solutions continues to increase, the industry remains well positioned for sustained volume growth, market share consolidation, and improved value realization over the medium term.

## Sector Outlook

Positive

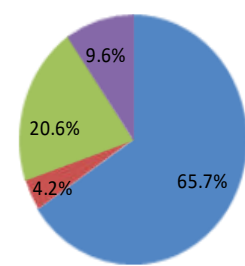
## Stock

CMP (Rs.)	741
NSE Symbol	SFL
BSE Code	540203
Bloomberg	SFL IN
Reuters	SHEF.BO
<b>Key Data</b>	
Nifty	23,946
52WeekH/L(Rs.)	764 / 457
O/s Shares (Cr.)	10.9
Market Cap (Rs. Cr.)	1,256
Face Value (INR)	5

## Average volume

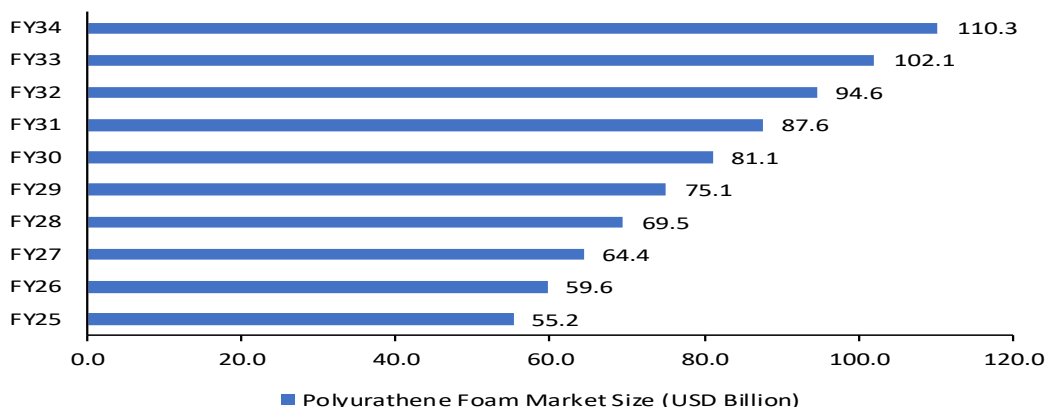
3 months	3,97,009
6 months	2,88,815
1 year	2,29,621

## Share Holding Pattern (%)



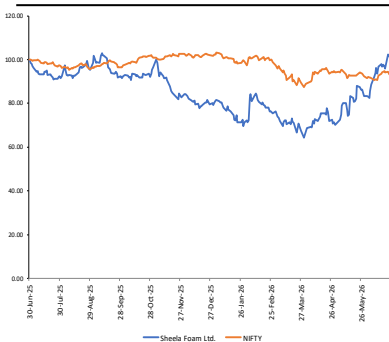
■ Promoters ■ FII ■ DII ■ Public

## Polyurethane Foam Market size



Source: Company Reports, BP Equities Research

## Relative Price Chart



Research Analyst  
Vyom Chheda

vyom.chheda@bpwealth.com  
022-61596158

# Sheela Foam Ltd.

Following are the key takeaways from the management interaction:

## Strong Growth Outlook for Mattress Business

- ⇒ Mattress segment remains the company's highest strategic priority.
- ⇒ Management expects mattress volume growth of ~15% during the current year versus ~12% in FY26.
- ⇒ Domestic mattress business currently generates revenue of approximately Rs. 1,500-1,600 crores.
- ⇒ Growth is expected to be driven by market share gains, replacement demand, premiumization, and increasing penetration of branded mattresses.
- ⇒ The company continues to gain from the ongoing shift from the unorganized to the organized market.

## Raw Material Environment Improving

- ⇒ Key raw materials, TDI and Polyol, have corrected after the sharp spike witnessed during the Iran-related geopolitical disruption.
- ⇒ TDI and Polyol together account for nearly 60-65% of total raw material costs.
- ⇒ Price hikes implemented in mattresses have largely been retained.
- ⇒ Foam prices are being adjusted downward due to the price-sensitive nature of the category.
- ⇒ Management continues to maintain a lean inventory strategy with approximately 10-15 days of raw material inventory and 10-15 days of semi-finished inventory.
- ⇒ Falling raw material prices are expected to support working capital efficiency and profitability.

## Margin Improvement Remains a Key Focus Area

- ⇒ Gross margins have remained stable at 42-43% over the last 2.5 years.
- ⇒ Management is guiding for EBITDA margins of 11-12% in the near term versus approximately 10% currently.
- ⇒ Long-term aspiration remains 15% EBITDA margins.

### Margin expansion is expected to be driven by:

- ◆ Higher capacity utilization.
  - ◆ Better product mix.
  - ◆ Operating leverage.
  - ◆ Manufacturing efficiencies.
- ⇒ At Rs. 450 crores consolidated EBITDA, management estimates annual free cash generation of approximately Rs. 200 crores post capex, taxes, and working capital requirements.

## Distribution Expansion Continues

- ⇒ Sleepwell remains predominantly EBO led, while Kurlon has a stronger MBO presence.
- ⇒ Management plans to add approximately 600 EBOs annually over the next 2-3 years.
- ⇒ The EBO model remains structurally attractive as stores are largely owned and operated by dealers.
- ⇒ "Showroom 2.0" rollout is underway to enhance customer experience and strengthen premium positioning.
- ⇒ The company continues to rationalize its dealer network by replacing underperforming channel partners with more productive dealers.

# Sheela Foam Ltd.

## E-Commerce Emerging as a Key Growth Driver

- ⇒ Online penetration remains significantly below global levels, providing a long runway for growth.
- ⇒ Management expects e-commerce to become one of the top three growth drivers for the business over the next five years.
- ⇒ Earlier online initiatives faced profitability challenges; however, the company has now re-launched its digital strategy under stronger consumer-facing brands such as Sleepwell and Kurlon.
- ⇒ Increasing consumer acceptance and brand recognition are expected to support online growth.

## Significant Manufacturing Headroom Available

- ⇒ Installed foam manufacturing capacity stands at approximately 2 lakh MT versus current utilization of ~82,000 MT.
- ⇒ Existing capacity can support substantial future growth without major capital expenditure.
- ⇒ Plants are currently operating well below peak capacity levels.
- ⇒ Mattress manufacturing remains highly modular and capital-light, ensuring scalability.
- ⇒ The company has rationalized its manufacturing footprint from 21 facilities to 12 facilities, improving operational efficiency.

## Technology and Productivity Enhancements

- ⇒ The company has shifted depreciation methodology for foam-making machines from WDV to SLM to better reflect the economic life of assets.
- ⇒ New comfort-layer technology equipment worth approximately Rs. 40 crores is expected to be commissioned shortly.
- ⇒ The new technology is expected to lower production costs and improve gross profitability.
- ⇒ Variable Pressure Foaming (VPF) technology, developed in Australia and deployed in India, is estimated to contribute approximately Rs. 50 crores annually to profitability.

## International Operations Remain Stable

- ⇒ Australia and Spain continue to be cash-generative businesses.
- ⇒ Australia operates largely in the mattress foam segment, while Spain serves multiple foam categories.
- ⇒ Cash flows from overseas businesses are being utilized for debt reduction.
- ⇒ Management indicated openness to monetizing the Australian business if an attractive opportunity emerges.

## Furlenco Continues to Scale

- ⇒ Sheela Foam holds a 43% stake in Furlenco.
- ⇒ Furlenco currently generates revenue of approximately Rs. 370 crores and operates across 32 cities.
- ⇒ Synergy in execution:
- ⇒ Furlenco corner-in-EBO: 200 sq. ft. carved out in Sleepwell EBOs; dealer earns 1 month rental as commission; 70–80 stores live, target 100 in Year 1, scaling to 500-1,500.
- ⇒ Sheela.com furniture sales: Furlenco designs, manufactures, and services sofa/recliner/bed sold on Sleepwell/Kurlon websites - zero incremental capex for company.

# Sheela Foam Ltd.

- ⇒ Furniture rental economics: rental yield - 3/4% of cost per month (furniture cost Rs. 30, rental Rs. 5/month = recover cost in 6 months); refurbished and re-rented.
- ⇒ Management views Furlenco as a strategic extension of its broader home comfort ecosystem.

## Management Outlook

- ⇒ Management remains confident of delivering growth ahead of industry averages.

### Key growth drivers include:

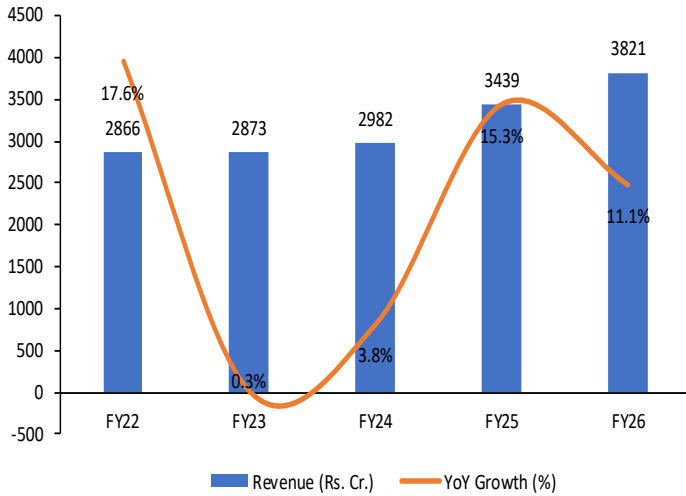
- ◆ Distribution expansion.
  - ◆ Premiumization.
  - ◆ E-commerce growth.
  - ◆ Market share gains from the unorganized sector.
  - ◆ Capacity-led operating leverage.
- ⇒ Strong manufacturing capabilities, healthy cash generation, and strategic investments position the company well for sustained medium-term growth.

## Outlook

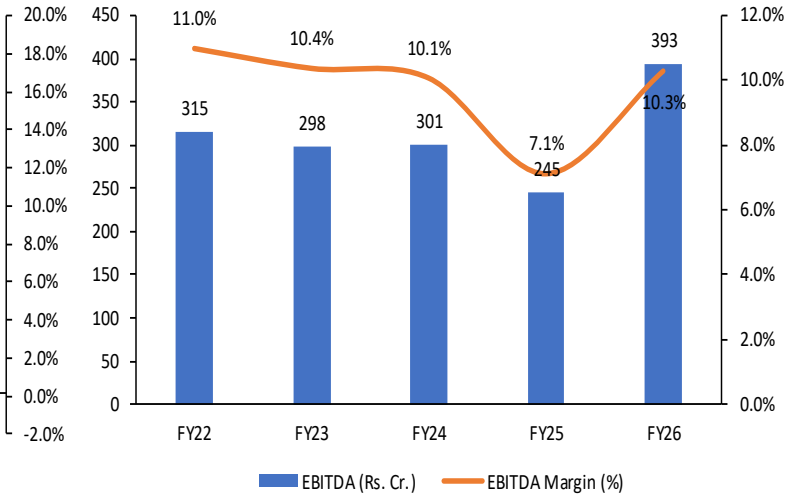
Sheela Foam remains one of the best-positioned beneficiaries of the ongoing transformation of the Indian mattress industry, leveraging its market leadership, strong brand portfolio, extensive distribution network, and manufacturing scale. The company generates consolidated revenue of approximately Rs. 3,821 crores, including nearly Rs 3,000 crores from India and Rs. 800 crores from its overseas operations in Australia and Spain. The domestic mattress business contributes around Rs. 1,500-1,600 crores in revenue and remains the primary growth driver, supported by strong brands such as Sleepwell and Kurlon. The Indian mattress industry continues to benefit from structural tailwinds including increasing formalization, rising mattress penetration, premiumization, growing awareness around sleep health, replacement demand, and the gradual shift from unorganized to branded products. With an estimated 30-35% share of the organized mattress market, Sheela Foam is well placed to consolidate its leadership position and capture a disproportionate share of industry growth. From a financial standpoint, the company continues to demonstrate healthy operating performance, with gross margins sustaining at 42-43% and management guiding for EBITDA margins of 11-12% in the near term, with a long-term aspiration of 15% through operating leverage, product mix improvement, and manufacturing efficiencies. The company possesses significant growth capacity, with installed foam manufacturing capacity of nearly 2 lakh MT against current utilization of approximately 82,000 MT, enabling future growth without substantial capital expenditure. Management indicated that at around Rs. 450 crores of consolidated EBITDA, the business has the potential to generate nearly Rs. 200 crores of annual free cash flow after capex, working capital requirements, and taxes, highlighting the inherent cash-generating nature of the franchise. Looking ahead, management remains confident of delivering growth ahead of industry averages through continued expansion of exclusive brand outlets, increasing digital penetration, premium product launches, market share gains from the unorganized sector, and scaling of value brands such as Tarang and Aaram. Additional earnings support is expected from Kurlon integration benefits, technology-led productivity improvements such as Variable Pressure Foaming (VPF), and improving utilization across existing manufacturing assets. Furthermore, the company's 43% stake in Furlenco, which currently generates approximately Rs. 370 crores in revenue, provides strategic optionality and exposure to the broader home comfort ecosystem. Given its leadership position, strong brand equity, favorable industry structure, robust distribution network, healthy cash flow profile, and multiple growth levers, Sheela Foam remains well positioned to deliver sustainable double-digit revenue growth, gradual margin expansion, and healthy earnings compounding over the medium to long term.

# Sheela Foam Ltd.

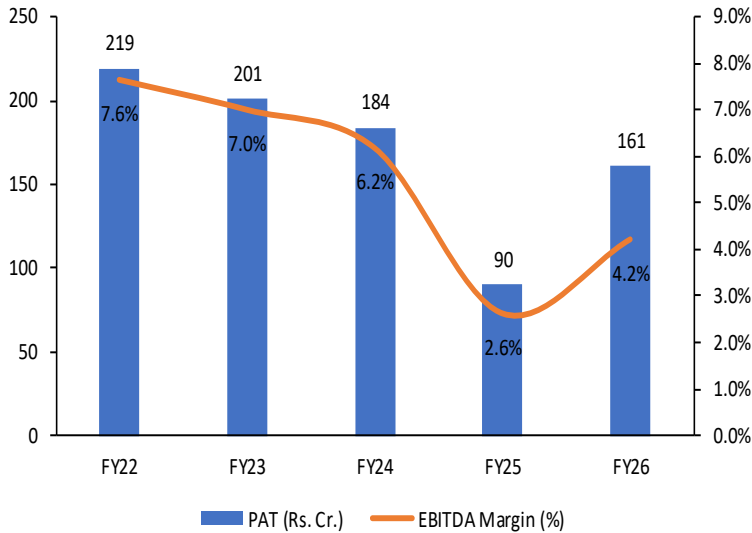
## Revenue Growth



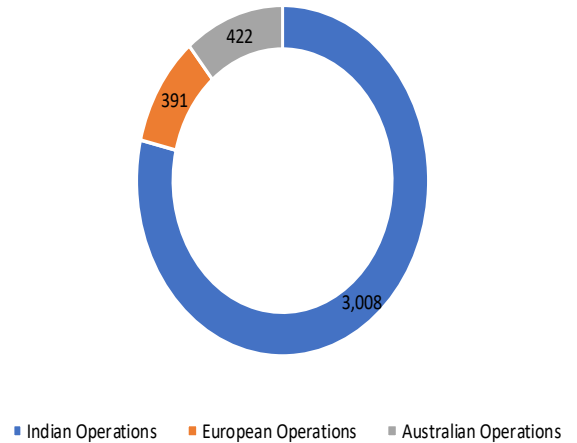
## EBITDA and EBITDA Margins



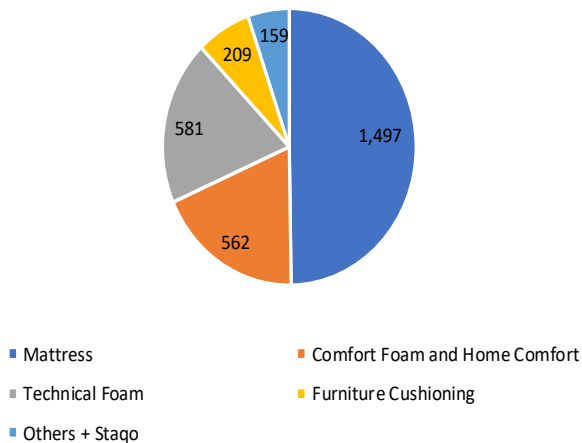
## PAT and PAT Margins



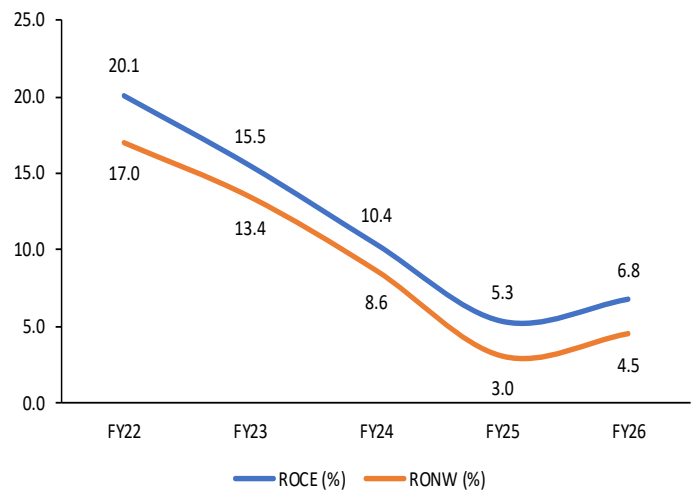
## Geographical Revenue Split for FY26 (Rs. Cr.)



## Segmentwise Revenue from Indian Operations (Rs. Cr.)



## Reported RoE and RoNW Trajectory



Source: Company Reports, BP Equities Research

# Sheela Foam Ltd.

Key Financials					
YE March (Rs. Cr.)	FY22	FY23	FY24	FY25	FY26
<b>Revenue</b>	<b>2,866</b>	<b>2,873</b>	<b>2,982</b>	<b>3,439</b>	<b>3,821</b>
<i>Revenue Growth (Y-o-Y)</i>	17.6%	0.3%	3.8%	15.3%	11.1%
<b>EBITDA</b>	<b>315</b>	<b>298</b>	<b>301</b>	<b>245</b>	<b>393</b>
<i>EBIT Growth (Y-o-Y)</i>	(13.5%)	(5.3%)	0.8%	(18.5%)	60.6%
<b>Net Profit</b>	<b>219</b>	<b>201</b>	<b>184</b>	<b>90</b>	<b>161</b>
<i>Net Profit Growth (Y-o-Y)</i>	(8.9%)	(8.2%)	(8.4%)	(51.0%)	78.5%
<b>Diluted EPS</b>	<b>20.1</b>	<b>18.4</b>	<b>16.9</b>	<b>8.3</b>	<b>14.8</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	(8.9%)	(8.2%)	(8.4%)	(51.0%)	78.5%
-					
<b>EBITDA margin (%)</b>	<b>11.0%</b>	<b>10.4%</b>	<b>10.1%</b>	<b>7.1%</b>	<b>10.3%</b>
NPM (%)	7.6%	7.0%	6.2%	2.6%	4.2%
<b>RoE (%)</b>	<b>15.6%</b>	<b>12.5%</b>	<b>6.2%</b>	<b>3.0%</b>	<b>4.9%</b>
RoCE (%)	13.5%	10.5%	4.5%	1.7%	6.1%
Valuation Ratios					
<b>P/E (x)</b>	<b>36.9x</b>	<b>40.2x</b>	<b>43.9x</b>	<b>89.7x</b>	<b>50.2x</b>
EV/EBITDA	26.6x	28.2x	30.5x	35.8x	21.1x
<b>P/BV (x)</b>	<b>5.8x</b>	<b>5.0x</b>	<b>2.7x</b>	<b>2.7x</b>	<b>2.5x</b>
Market Cap. / Sales (x)	2.8x	2.8x	2.7x	2.3x	2.1x

Source: Company Reports, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

**General Disclaimer**

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001

BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392