



Sheela Foam Ltd.



SHINING STAR SERIES



Investment Thesis

- ⇒ **Kurlon Integration Complete; Operating Leverage to Drive the Next Phase of Earnings Growth**
- ⇒ **Unorganized-to-Organized (U2O) Shift Provides a Long-Term Structural Growth Runway**
- ⇒ **Industry-Leading Distribution Network and Dual-Brand Architecture Create a Durable Competitive Moat**
- ⇒ **International Business Recovery and Furlenco Present Meaningful Optionality Beyond the Core Mattress Business**

Company Background

Sheela Foam Limited (SFL) is India's largest manufacturer of flexible polyurethane (PU) foam and the clear market leader in the organized mattress industry. Established in 1971 and headquartered in Noida, the company has built one of India's strongest home-comfort franchises over the last five decades through its flagship Sleepwell brand, which enjoys industry-leading brand recall in the premium and mid-premium mattress categories. Listed on the NSE and BSE since December 2016, Sheela Foam has evolved from a foam manufacturer into a diversified home-comfort company with businesses spanning branded mattresses, comfort and technical PU foam, furniture cushioning, automotive and industrial foam solutions, institutional bedding and adjacent home-comfort categories. The company follows a backward-integrated manufacturing model, procuring key petrochemical raw materials, primarily Toluene Di-isocyanate (TDI) and polyol, which are converted in-house into flexible PU foam blocks before being processed into finished mattresses, pillows, furniture cushions, automotive seating components and industrial foam products. This integrated value chain provides superior control over quality, product innovation, procurement efficiency and operating costs, while reducing dependence on third-party foam suppliers and supporting industry-leading margins. Sheela Foam possesses one of the largest manufacturing and distribution networks in the Indian bedding industry. Following the Kurlon integration, the company operates across 19 manufacturing locations spanning India, Australia and Europe, supported by 250+ distribution hubs, servicing 19,100+ pin codes, 20,000+ retail touchpoints and over 5,500 exclusive branded outlets across India. The company's extensive distribution infrastructure enables product delivery to most dealers within 24 hours, providing a meaningful competitive advantage in a bulky-product category where logistics costs are significant. The company's most transformational strategic initiative was the acquisition of a controlling stake in Kurlon Enterprise Limited (KEL) in October 2023 for approximately Rs. 2,030 crores. The acquisition was funded entirely through non-convertible debentures without any immediate equity dilution and created India's largest organized mattress company. Kurlon, with its strong franchise across South and East India, complements Sleepwell's historically dominant presence in North and West India, substantially expanding Sheela Foam's manufacturing footprint, dealer network, customer reach and product portfolio. Subsequently, pursuant to a Composite Scheme of Arrangement approved by the National Company Law Tribunal (NCLT), Kurlon Enterprise and its associated entities were amalgamated into Sheela Foam. Internationally, Sheela Foam has established a diversified global footprint through Joyce Foam in Australia and Interplasp in Spain. Joyce Foam commands an estimated ~40% share of the Australian foam and bedding market, while Interplasp serves customers across Spain, Portugal and Morocco and is expanding into the US through advanced Variable Pressure Foaming (VPF)-based "bed-in-a-box" products. Collectively, the overseas businesses diversify earnings and provide access to developed markets with higher value-added foam applications. Beyond its core bedding operations, Sheela Foam has strategically expanded into adjacent

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (Rs.)	808
Target Price (Rs.)	986
BSE code	540203
NSE Symbol	SFL
Bloomberg	SFL.IN
Reuters	SHEF.BO

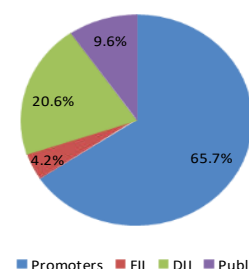
Key Data

Nifty	24,211
52 Week H/L (Rs.)	829 / 457
O/s Shares (Rs. Cr.)	11
Market Cap (Rs. Cr.)	8,807
Face Value (Rs.)	5

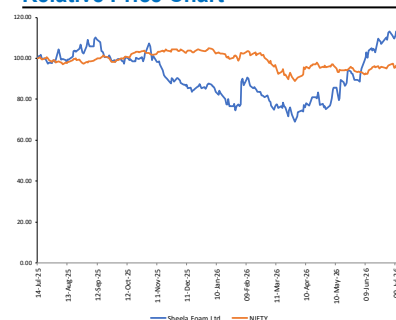
Average volume

3 months	4,03,554
6 months	3,03,839
1 year	2,33,840

Share Holding Pattern (%)



Relative Price Chart



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businesses. The company owns a 43.89% stake in Furlenco, India's leading furniture-rental platform, which serves both as a strategic financial investment and a captive demand channel, with a significant proportion of Furlenco's foam requirements sourced from Sheela Foam. It also owns Staqa, a technology subsidiary focused on enterprise software, supply-chain optimization and analytics solutions, providing an asset-light, high-growth complementary business. Post the Kurlon integration, Sheela Foam commands an estimated 30% share of India's organized mattress market, making it the undisputed market leader with two of the country's most recognized mattress brands Sleepwell and Kurlon. The company competes with organized players including Wakefit, Duroflex, Peps Industries and several digitally native brands. Despite its leadership position, the industry continues to offer a significant structural opportunity, with nearly 50-60% of India's mattress market still dominated by the unorganized sector, leaving considerable headroom for market formalization and branded penetration. To capitalize on this opportunity, management has launched its Unorganized-to-Organized (U2O) strategy through Tarang under the Sleepwell portfolio and Aaram under the Kurlon brand. These products target consumers upgrading from local, unbranded mattresses by offering affordable branded alternatives supported by Sheela Foam's manufacturing scale, distribution reach and brand trust. The initiative is expected to accelerate penetration into Tier II, Tier III and rural markets while driving the organized industry's long-term growth.

Company Overview

Segment	Business	Key Brands/Products	Geography
Branded Mattresses	Sleepwell, Kurlon, Starlite, Feather Foam	Mattresses, Pillows, Sleep Accessories	India
Comfort Foam	PU Foam	Furniture, Bedding	India & Overseas
Technical Foam	Automotive, Industrial Applications	OEM Supply	India & Spain
Australia	Joyce Foam	B2B Mattress Foam	Australia
Spain	Interplasp	Technical, Comfort and Furniture Foam	Europe
Strategic Investment	Furlenco (43.89%)	Furniture Rental	India
Technology	Staqa	Enterprise Software	India

Source: Company Reports, BP Equities Research

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Chronological Shift in Business Model & Core Offerings (1971 – FY27 Onwards)

Phase	Business
1971-2004	Foam Manufacturer
2005-2015	Mattress Leader
2016-2022	Home Comfort Company
2023-2026	Industry Consolidator
FY27 Onwards	Integrated Sleep Solutions Platform

Source: Company Reports, BP Equities Research

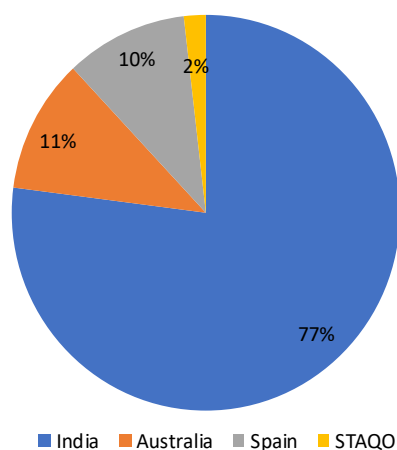
Vast Retail Footprint Pairs with Underutilized Manufacturing Capacity

Particulars	Details
Manufacturing Plants	12
Foam Capacity	2,00,000 MT
Current Utilization	82,000 MT
Capacity Utilization	41%
Distribution Hubs	250+
Pin Codes Covered	19,100+
Retail Touchpoints	20,000+
Exclusive Brand Outlets	5,500+

Source: Company Reports, BP Equities Research

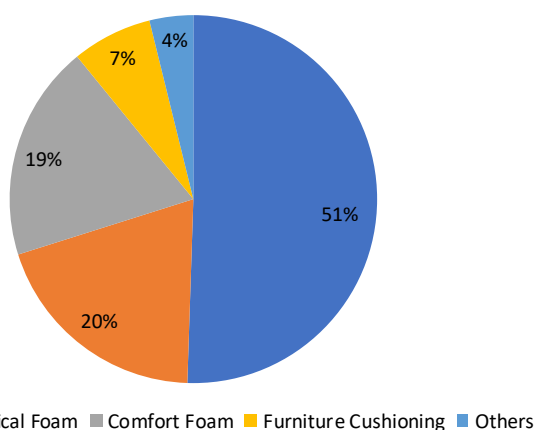
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Segmental Revenue Split (FY26)



Source: Company Reports, BP Equities Research

India Business Revenue Breakdown by Segment (FY26)



Source: Company Reports, BP Equities Research

Corporate Journey and Milestones (1971-2026)



Source: Company Reports, BP Equities Research

Industry Overview

The Indian mattress industry has evolved from being a largely unorganized, price-driven market into a rapidly formalizing consumer category supported by rising disposable incomes, increasing urbanization, improving housing demand and growing consumer awareness regarding sleep health and wellness. Traditionally viewed as a discretionary household purchase with long replacement cycles, mattresses are increasingly being recognized as an essential component of overall health and lifestyle, driven by changing consumer preferences towards better sleep quality, orthopedic support and premium comfort solutions. This structural shift has expanded the market beyond replacement demand to include first-time purchases from nuclear families, urban home ownership, hospitality, healthcare institutions and commercial establishments. According to industry estimates, the Indian mattress market was valued at approximately USD 2.31 billion in 2025 and is projected to reach USD 3.48 billion by 2030, reflecting a CAGR of approximately 8.5% during the forecast period. Growth is expected to be supported by favorable demographics, rising per capita income, increasing penetration of branded products and greater adoption of premium mattresses across both urban and semi-urban markets. Despite this favorable demand outlook, the industry remains one of the least organized segments within India's consumer discretionary universe. The organized mattress market is estimated at only Rs. 5,000-7,000 crores, while nearly 50-60% of industry volumes continue to be supplied by thousands of regional and local manufacturers operating primarily in the coir, cotton and low-end spring mattress categories. Historically, the unorganized sector has enjoyed a pricing advantage due to lower operating costs, limited tax compliance and minimal investments in branding, product innovation and distribution. However, increasing GST compliance, stricter regulatory enforcement, higher consumer awareness regarding product quality and warranty, and the expanding presence of organized retail are gradually accelerating the migration towards branded manufacturers. Similar formalization trends have previously been observed across several Indian consumer industries, including paints, adhesives, luggage and innerwear, where organized players have steadily expanded market share through superior product quality, brand trust and distribution reach. As a result, the organized mattress segment is expected to grow materially faster than the overall industry over the medium term. The industry is also witnessing a gradual shift in consumer preferences from conventional cotton and coir mattresses towards technologically advanced polyurethane (PU) foam, memory foam, latex and hybrid mattresses that offer improved durability, pressure relief and sleep comfort. Premiumization has emerged as a key structural trend, supported by rising health consciousness, increasing awareness of sleep-related disorders and growing demand for orthopedic and specialized mattresses among affluent consumers. Manufacturers are increasingly investing in product innovation, advanced foam technologies, cooling materials, antimicrobial fabrics and ergonomic designs to differentiate their offerings and command higher realizations. At the same time, the emergence of digital-first brands and omnichannel retailing has improved product accessibility, particularly among younger consumers, although offline retail continues to dominate purchasing decisions given the experiential nature of mattress buying. The industry is characterized by high entry barriers for large-scale organized participants owing to the need for extensive manufacturing infrastructure, nationwide distribution networks, established dealer relationships and sustained brand investments. Mattresses are bulky products with relatively high logistics costs, making localized manufacturing and efficient supply chains critical to maintaining profitability. Consequently, leading organized players have focused on building pan-India manufacturing footprints, strengthening exclusive retail formats and expanding dealer networks to improve service levels and reduce delivery timelines. At the same time, the growing importance of scale has increased the benefits of procurement efficiencies, manufacturing optimization and operating leverage, encouraging industry consolidation through acquisitions and strategic partnerships. Within this evolving landscape, the competitive environment

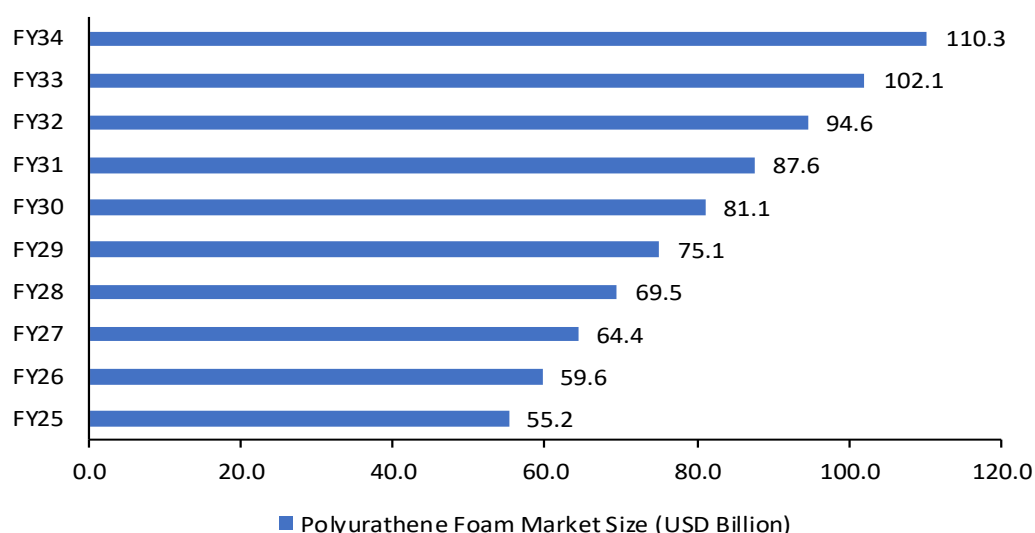
"The Indian mattress market is expected to grow at an 8.5% CAGR, expanding from USD 2.31 billion in 2025 to USD 3.48 billion by 2030 "

"With 50–60% of industry volumes still unorganized, leading branded players are well positioned to benefit from the ongoing formalization of the industry."

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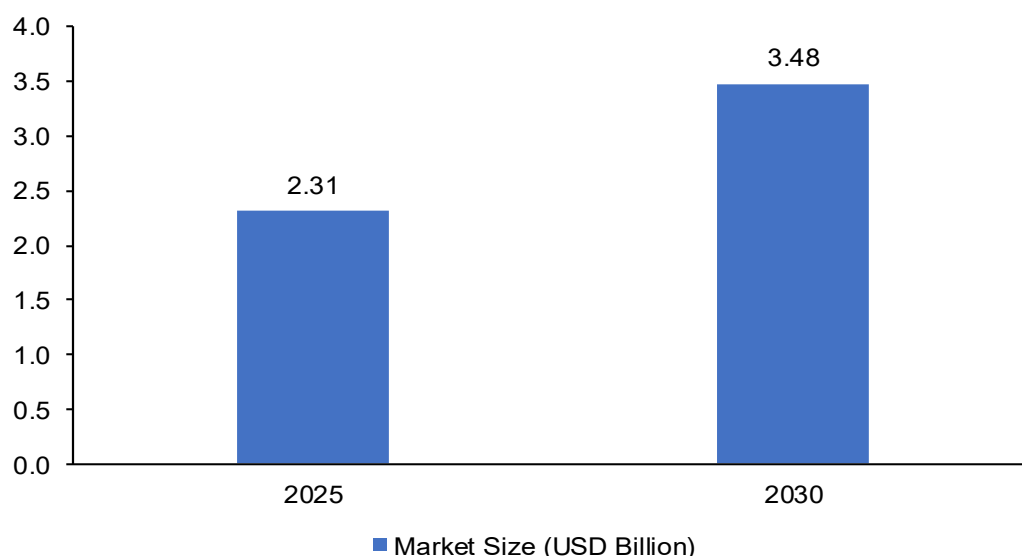
comprises a mix of established branded manufacturers such as Sleepwell, Kurlon, Duroflex, Peps Industries and King Koil, alongside digitally native brands including Wakefit, The Sleep Company and SleepyCat, which have expanded rapidly through online-first business models. While online penetration has increased steadily, industry participants estimate that a significant majority of mattress purchases continue to occur through offline channels, where product trials, dealer recommendations and after-sales support remain key purchase considerations. Looking ahead, sustained urbanization, premiumization, increasing replacement demand, formalization of the unorganized sector and rising consumer spending on home comfort products are expected to support long-term growth for organized manufacturers. Companies possessing strong brands, integrated manufacturing capabilities, broad distribution networks and diversified product portfolios are likely to be the principal beneficiaries of these structural industry trends.

Long-term Industry Tailwinds: Polyurethane Foam Market Set to Cross USD 110 Billion by FY34



Source: Company Reports, BP Equities Research

Indian Mattress Industry Growth



Source: Company Reports, BP Equities Research

Investment Rationale

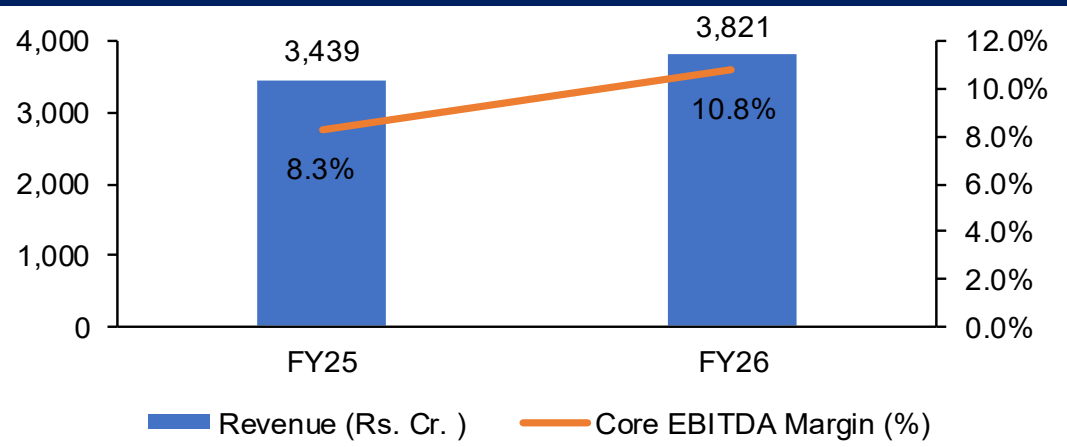
Kurlon Integration Complete; Operating Leverage to Drive the Next Phase of Earnings Growth

FY26 represents a significant inflection point in Sheela Foam's transformation journey, marking the transition from an integration-led business to an execution-led growth platform. Following the acquisition of Kurlon Enterprise in October 2023, the company spent the last two years integrating manufacturing facilities, distribution networks, procurement operations, IT systems and organizational structures. With the majority of these integration activities now substantially complete, management believes the business has entered a phase where the financial benefits of the acquisition are expected to meaningfully outweigh the associated costs. Consequently, FY26 witnessed the emergence of operating leverage, margin recovery and improved capital efficiency, laying the foundation for a structurally stronger earnings profile over the medium term. The financial performance during FY26 clearly reflects this transition. Consolidated revenue increased 11.1% YoY to Rs. 3,820.8 crores, while core EBITDA margin expanded by nearly 250 bps YoY to 10.8%, recovering from the temporary integration-induced trough of approximately 8.3% in FY25. The momentum strengthened progressively through the year, with Q4FY26 core EBITDA rising 90% YoY to Rs. 121 crores, accompanied by a 400 bps YoY expansion in EBITDA margin to 11.5%. Consolidated PAT increased 78.0% YoY to Rs. 161 crores, supported by higher operating profitability, improving synergy realization and normalization of one-time integration expenses. Management also highlighted that FY26 recorded the highest annual foam production which crossed 1,00,000 MT, highest consolidated revenue and highest EBITDA in the company's operating history, indicating that the combined entity has now begun to fully leverage its enlarged manufacturing and distribution platform. The key driver of this margin expansion has been the successful execution of integration synergies. At the time of the acquisition, the management had identified an annual synergy opportunity of approximately Rs. 250 crores, arising primarily from procurement efficiencies in key raw materials such as TDI and polyol, optimization of manufacturing footprints, logistics rationalization, and consolidation of corporate overheads. As of Q4FY26, the management indicated that approximately Rs. 190-210 crores, or nearly 80% of the targeted synergies, had already been captured, with the balance expected to materialize over the coming quarters as procurement integration, manufacturing optimization and network rationalization are fully completed. Given the company's scale, further purchasing efficiencies and productivity improvements are expected to provide an incremental margin tailwind over the next few years. A particularly attractive aspect of the investment thesis is the company's substantial unused manufacturing capacity. Management indicated that current capacity utilization across the integrated manufacturing network stands at only 41%, implying that existing facilities can support nearly 2.5x current production volumes without requiring meaningful capacity expansion. This provides Sheela Foam with a significant structural advantage, allowing the company to pursue double-digit volume growth while maintaining disciplined capital allocation. Reflecting this, FY27 capital expenditure guidance has been moderated to approximately Rs. 125-150 crores, compared with an estimated Rs. 180-220 crores in FY26, despite the management guiding for around 15% revenue growth. The combination of limited incremental capital investment and rising utilization should significantly improve asset turnover, return ratios and free cash flow generation over the medium term. The company is therefore entering a phase which can be characterized as an operating leverage cycle. With the majority of manufacturing infrastructure, logistics capacity and fixed overheads already in place, incremental revenue growth is expected to contribute disproportionately to operating profit. As utilization levels improve, fixed costs will be spread across higher production volumes, resulting in stronger EBITDA expansion than revenue growth. This dynamic should be further supported by ongoing premiumization, improved product mix, procurement savings and manufacturing efficiencies.

"Kurlon integration completion and synergy realization are driving operating leverage, margin expansion, and the next phase of earnings growth for Sheela Foam."

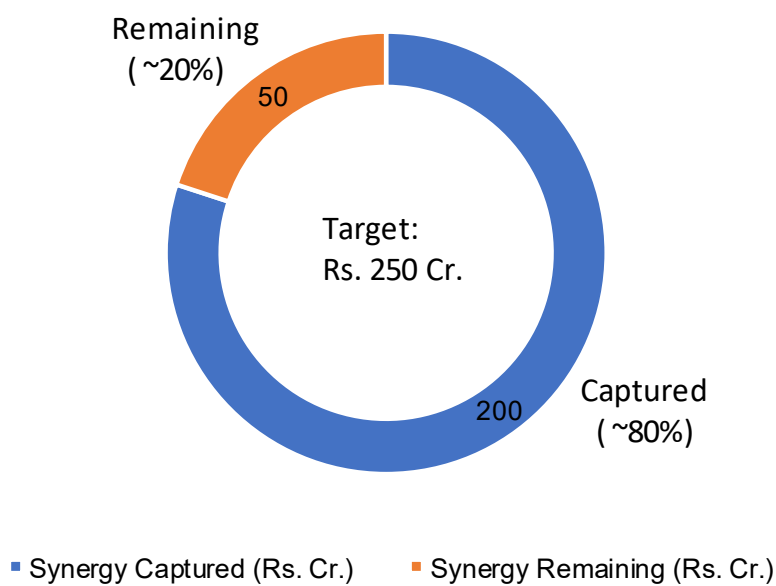
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Operating Leverage Takes Shape: Core EBITDA Margins Expand by 250 bps in FY26



Source: Company Reports, BP Equities Research

Post-Merger Synergy Targets: Rs. 250 Crores Integration Value Pool Anchored by Cost Efficiencies



Source: Company Reports, BP Equities Research

Unorganized-to-Organized (U2O) Shift Provides a Long-Term Structural Growth Runway

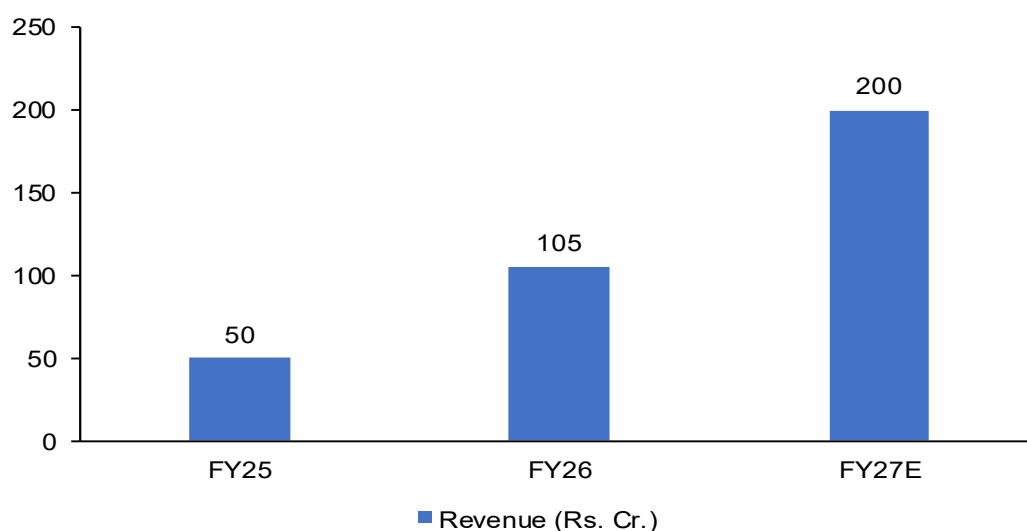
The Indian mattress industry remains one of the least organized categories within the consumer discretionary space, creating a multi-year structural growth opportunity for established branded manufacturers. Despite increasing urbanization, rising disposable incomes and greater consumer awareness around sleep health, the industry continues to be dominated by small regional and local manufacturers. According to industry estimates cited in Sheela Foam's FY26 Annual Report (Research and Market), the domestic mattress market is expected to expand from approximately USD 2.31 billion in 2025 to USD 3.48 billion by 2030, implying an 8.5% CAGR over the next five years. More importantly, while the overall industry continues to grow steadily, the organized segment remains significantly underpenetrated, with an estimated market size of only Rs. 5,000-7,000 crores, while nearly 50-60% of industry volumes continue to originate from the unorganized sector. This large informal market represents the single biggest long-term growth opportunity for organized players. The organized mattress industry is expected to grow meaningfully faster than the overall market, driven by increasing brand consciousness, premiumization, higher replacement demand, expanding e-commerce penetration, improved product awareness and stricter regulatory compliance. Historically, the unorganized sector has maintained a pricing advantage of approximately 18-28% over branded manufacturers, primarily due to GST non-compliance, lower quality standards and limited investments in distribution and branding. However, as tax enforcement strengthens, compliance increases and consumers place greater emphasis on product quality, durability and warranty, this pricing differential is expected to narrow, accelerating the shift towards organized manufacturers. This structural formalization mirrors the evolution witnessed across several other Indian consumer categories, including paints, luggage, adhesives and innerwear, where organized players have consistently gained market share over time. Sheela Foam is particularly well positioned to capitalize on this transition owing to its unmatched combination of manufacturing scale, brand equity and nationwide distribution. Following the integration of Kurlon, the company commands an estimated 29-30% share of India's organized mattress market, making it the clear market leader with two of the country's strongest mattress brands, Sleepwell and Kurlon. Unlike several premium-focused competitors, the company possesses the scale and manufacturing flexibility to participate across multiple consumer price points without compromising profitability, enabling it to address both premium urban demand and value-oriented rural markets. Recognizing that a significant proportion of first-time branded mattress buyers originate from semi-urban and rural India, the management has introduced its Unorganised-to-Organised (U2O) strategy through Tarang under the Sleepwell portfolio and Aaram under the Kurlon brand. These products are specifically designed to compete directly with local manufacturers by offering branded mattresses in the Rs. 3,500-8,000 price range, while leveraging Sheela Foam's superior product quality, warranty, manufacturing scale and distribution capabilities. The initiative is supported by a dedicated rural distribution network that focuses on expanding penetration beyond the company's traditional urban strongholds. The early execution of this strategy has been highly encouraging. Management indicated that the U2O channel recorded approximately 65% volume growth and 111% value growth during FY26, with annualized revenues increasing to over Rs. 200 crores, nearly doubling from approximately Rs. 100-110 crores in FY25. The channel is now serviced through a rapidly expanding network of more than 8,000 dealers across over 5,500 towns, highlighting strong acceptance in Tier II, Tier III and rural markets. Importantly, this business is still at an early stage relative to the overall opportunity, providing a long runway for sustained expansion. From an investment perspective, the significance of the U2O strategy extends beyond near-term revenue growth. Historically, Sheela Foam's addressable market was largely limited to the organized mattress segment. The U2O initiative materially expands this opportunity by enabling the company to participate

"Sheela Foam is well positioned to capture the long-term shift from the unorganized to the organized mattress market through its strong brands, U2O strategy and extensive distribution network."

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in the significantly larger unorganized market, effectively increasing its addressable market several-fold. Given its industry-leading manufacturing capacity, extensive dealer network, dual-brand architecture and backward-integrated cost structure, Sheela Foam is uniquely positioned to capture this structural migration more effectively than smaller regional or digital-first competitors. Moreover, the U2O strategy complements the company's broader operating leverage story. Incremental volumes generated through this channel can be absorbed within the existing manufacturing infrastructure, where utilization currently remains at only 40-50%, allowing revenue growth to be achieved with limited incremental capital expenditure. As penetration deepens, higher capacity utilization should further enhance fixed-cost absorption and support continued margin expansion alongside market share gains.

Tarang + Aaram Revenues on Track to Quadruple by FY27E



Source: Company Reports, BP Equities Research

Industry-Leading Distribution Network and Dual-Brand Architecture Create a Durable Competitive Moat

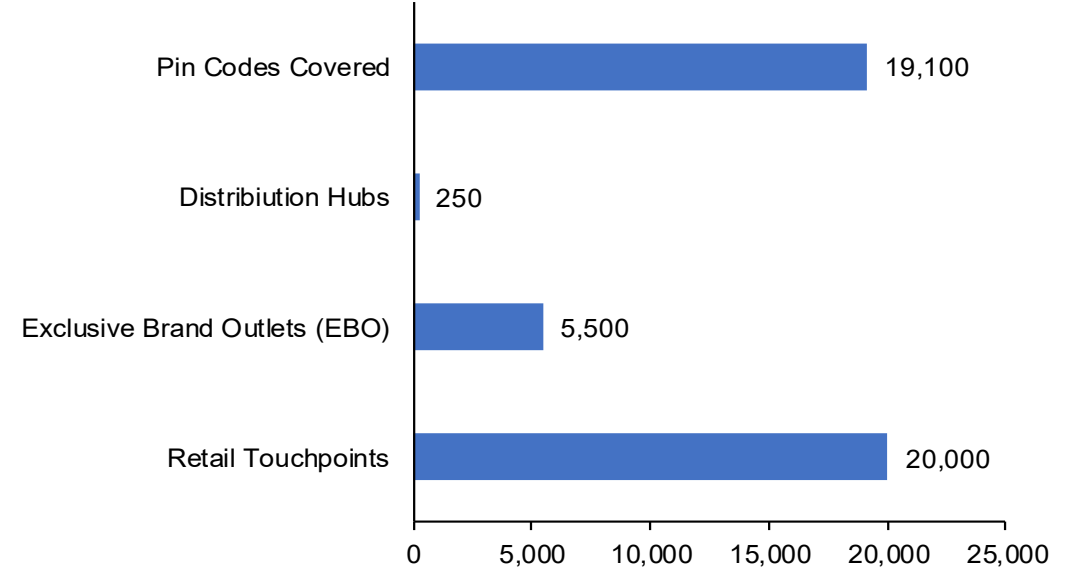
Sheela Foam's extensive distribution network represents one of its most significant and difficult-to-replicate competitive advantages, providing the company with a structural edge in an industry where product availability, dealer relationships and fulfilment capabilities are critical determinants of market share. Unlike many consumer categories that have rapidly shifted online, mattress purchases continue to be predominantly assisted sales, with consumers preferring to physically experience products before making a purchase. Consequently, a widespread retail presence and strong dealer ecosystem remain key barriers to entry. Following the integration of Kurlon, Sheela Foam now possesses the broadest distribution platform in the organized mattress industry, comprising over 20,000 retail touch-points, more than 5,500 Exclusive Brand Outlets (EBOs), over 250 distribution hubs and coverage across more than 19,100 pin codes. This extensive network enables the company to service virtually every major consumption centre in the country while maintaining strong relationships with dealers built over several decades. The Kurlon acquisition has further strengthened this competitive advantage by creating a complementary dual-brand portfolio rather than overlapping distribution channels. Historically, Sleepwell has maintained a predominantly EBO-led model, with nearly 95% of its sales generated through exclusive outlets, enabling superior brand visibility, product presentation and pricing discipline. In contrast, Kurlon has traditionally operated through a stronger multi-brand outlet (MBO) network, particularly across South and East India, allowing the combined entity to meaningfully expand its geographic reach and customer base. Management has indicated that considerable progress has been made in integrating these two distinct go-to-market models, creating

"Sheela Foam's industry-leading distribution network and complementary Sleepwell-Kurlon dual-brand strategy create a durable competitive moat, supporting sustained market share gains and long-term growth."

Sheela Foam Ltd.

separate yet complementary sales organizations capable of maximizing brand positioning across different channels. This strategy not only enhances market penetration but also reduces dependence on any single distribution format. The company continues to invest aggressively in expanding and upgrading this retail ecosystem. The company plans to add approximately 600 new Exclusive Brand Outlets annually over the next two to three years, while simultaneously rolling out its "Showroom 2.0" concept to enhance the in-store consumer experience and improve premium product conversion. Importantly, this expansion remains highly capital efficient, as the majority of EBOs are owned and operated by dealers, allowing Sheela Foam to scale its physical presence without incurring significant rental or employee costs. Alongside expansion, the management is actively rationalizing under-performing legacy dealers and replacing them with more productive channel partners, thereby improving network productivity and sales efficiency. The company's manufacturing footprint further reinforces this distribution advantage. With 12 strategically located manufacturing facilities across India, nearly 72% of mattresses are delivered within 24 hours, while more than 85% are delivered within 48 hours through an integrated dealer ordering platform that enables customized orders and rapid fulfillment. Given the bulky nature of mattresses and the high logistics costs associated with transportation, this combination of manufacturing proximity and distribution depth represents a meaningful competitive moat that would require substantial investment and time for competitors to replicate. We believe this entrenched distribution ecosystem, coupled with the complementary positioning of the Sleepwell and Kurlon brands, will continue to support market share gains, accelerate premiumization and strengthen Sheela Foam's leadership position as the organized mattress industry expands.

Post Merger Footprint Establishes Formidable Pan-India Moat

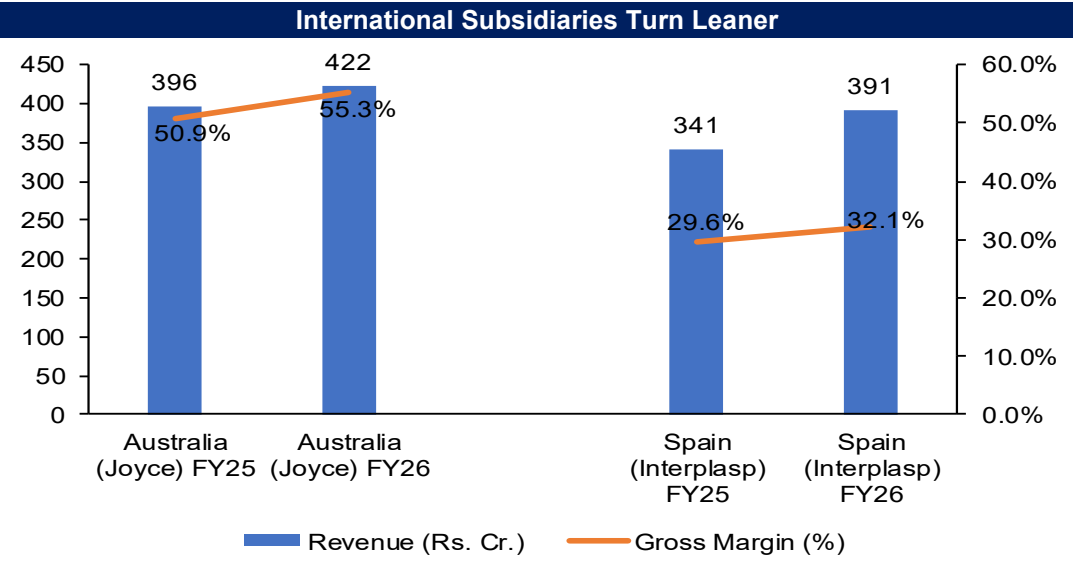


Source: Company Reports, BP Equities Research

International Business Recovery and Furlenco Present Meaningful Optionality Beyond the Core Mattress Business

While the domestic mattress business remains the primary growth engine for Sheela Foam, the company's international operations and strategic investment in Furlenco provide additional earnings and valuation optionality that is not fully reflected in the current business narrative. As the India operations continue to benefit from Kurlon integration, U2O expansion and operating leverage, improving profitability across overseas subsidiaries and the maturation of Furlenco have the potential to become meaningful incremental contributors to consolidated performance over the medium term. The international business has demonstrated a notable turnaround in FY26 after facing macroeconomic headwinds in the previous year. Joyce Foam, the company's Australian subsidiary and one of the leading players in the country's foam and bedding market with an estimated ~40% market share, reported revenue growth of approximately 7% YoY to Rs. 422 crores, while EBITDA margins improved from nearly 6% in FY25 to around 10% in FY26 as input cost pressures eased and demand gradually recovered. Similarly, Interplasp, the company's Spain-based subsidiary, delivered revenue growth of approximately 15% YoY to Rs. 391 crores, accompanied by EBITDA margin expansion from 8.4% to 10.4%, driven by improved product mix, better pricing realizations and operational efficiencies. Collectively, the overseas businesses now contribute an estimated Rs. 80-90 crores of annual EBITDA, providing geographic diversification as well as reducing the earnings dependence on the domestic market. An important medium-term growth driver within the international portfolio is the increasing commercialization of Variable Pressure Foaming (VPF) technology. Developed through the Australian operations and subsequently introduced across the Indian business, the technology enables the manufacture of premium pressure-relief foam used in higher-value mattress applications while improving production efficiency. Management estimates that VPF technology already contributes nearly Rs. 50 crores annually to group profitability and expects the contribution to increase as production volumes expand. In addition, the Spanish subsidiary is exploring export opportunities in the United States for VPF-based "bed-in-a-box" mattresses, where supply chain diversification and evolving trade dynamics could create incremental demand for European manufacturers. Although still at an early stage, this export opportunity offers a potential avenue for future growth beyond the company's existing markets. In parallel, Sheela Foam's 43.89% strategic stake in Furlenco provides an additional layer of business optionality beyond the core mattress segment. Furlenco has transitioned into a profitable growth phase, reporting an estimated Rs. 60 crores PAT during FY26 on a revenue of Rs. 370 crores which is 60% increase YoY, compared with Rs. 3 crores PAT in FY25. The improvement reflects stronger utilization, better operating efficiencies and improved unit economics within the furniture rental business. During the year, Furlenco also completed a primary capital raise of approximately Rs. 125 crores at an implied valuation of around Rs. 1,050 crores, highlighting the improving quality of the underlying business. Beyond the financial investment, management has been actively integrating Furlenco within Sheela Foam's broader home-comfort ecosystem. Dedicated Furlenco experience zones are being introduced within Sleepwell Exclusive Brand Outlets, while furniture designed and manufactured by Furlenco is now being offered through the Sleepwell and Kurlon digital platforms under an asset-light model. These initiatives expand the company's presence across adjacent home-comfort categories while creating additional customer engagement opportunities without requiring significant incremental capital investment. Management has also indicated that Furlenco could evaluate an initial public offering (IPO) once it achieves its targeted revenue scale of Rs. 500-550 crores, potentially as early as FY27. While the timing and valuation remain contingent on market conditions, a public listing would provide an independent market benchmark for the investment and enhance transparency around the value of this strategic asset.

"Sheela Foam's extensive distribution network and dual-brand portfolio create a durable competitive moat, supporting sustained market share gains and premiumization."



Source: Company Reports, BP Equities Research

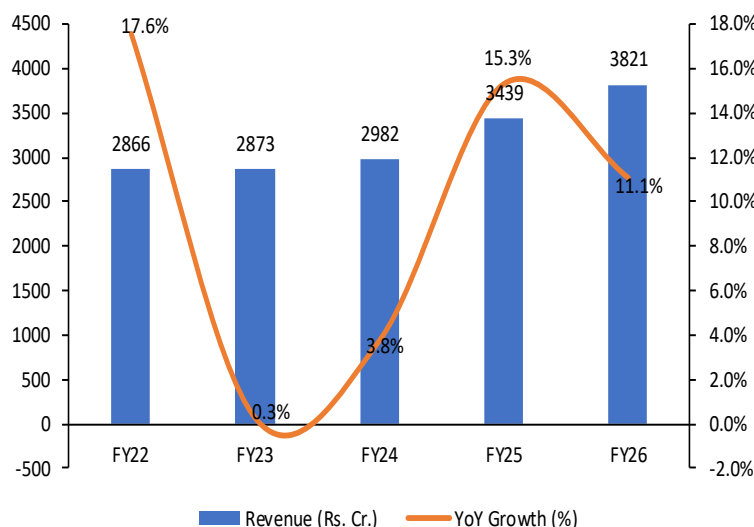
Valuation & Outlook

Sheela Foam has emerged from a multi-year transformation phase and is entering a structurally stronger growth cycle, underpinned by the successful integration of Kurlon, improving operating leverage, industry formalization and a significantly expanded distribution platform. Over the past two years, management has focused on integrating manufacturing facilities, procurement operations, distribution networks and organizational structures following the Kurlon acquisition, with the majority of integration-related activities now substantially complete. As a result, the company is transitioning from an integration-led business to an execution-led growth platform, where incremental revenue growth is expected to translate into stronger profitability, higher free cash flow generation and improving return ratios. The long-term industry backdrop remains highly favourable. India continues to be one of the fastest-growing mattress markets globally, supported by rising disposable incomes, increasing urbanization, premiumization, growing awareness around sleep health and the gradual shift from the unorganized to the organized sector. With nearly 50-60% of industry volumes still controlled by unorganized manufacturers, the organized mattress industry remains significantly underpenetrated, providing a multi-year structural growth opportunity for established branded players. As the market leader with an estimated 30% share of the organized mattress industry, Sheela Foam is well positioned to capitalize on this formalization trend through its complementary Sleepwell and Kurlon brands, industry-leading distribution network and dedicated U2O strategy targeting first-time branded mattress buyers across semi-urban and rural markets. Operationally, the company is entering an attractive operating leverage cycle. Approximately 80% of the targeted Rs. 250 crores integration synergies have already been realized, while manufacturing capacity utilization remains at only 41%, providing significant headroom to support future demand without substantial incremental capital expenditure. This favourable capacity position, combined with procurement efficiencies, manufacturing optimization and improving product mix, is expected to support gradual EBITDA margin expansion over the medium term. Beyond the domestic operations, improving profitability across the Australian and Spanish subsidiaries, increasing adoption of Variable Pressure Foaming (VPF) technology and the continued scaling of Furlenco provide additional growth levers that diversify the earnings profile beyond the core mattress business. Financially, Sheela Foam has already begun demonstrating the benefits of this transformation. In FY26, the company reported its highest-ever consolidated revenue of Rs. 3,820.8 crores, while EBITDA stood at 393.3 crores, increasing 60.6% YoY. Core EBITDA margins expanded by approximately 250 basis points to 10.8%, supported by synergy realization and improving operating efficiencies. Consolidated profit after tax stood at 160.9 crores, rising 78.5% YoY, while PAT margin stood at 4.2%, increasing 160 bps YoY, reflecting the normalization of integration costs and stronger operating performance. With integration-related expenditure moderating and capital intensity declining, cash flow generation is expected to improve steadily over the coming years, enabling continued balance sheet strengthening while maintaining adequate flexibility for strategic growth initiatives. Considering the company's leadership position within a structurally growing industry, significant operating leverage opportunity, strong brand portfolio, unmatched distribution network, improving profitability and multiple long-term growth drivers, we believe Sheela Foam is well positioned to deliver sustainable double-digit earnings growth over the medium term. The combination of industry formalization, expanding organized market penetration, continued synergy realization, disciplined capital allocation and improving return metrics provides strong earnings visibility and supports a constructive long-term outlook for the company. **Accordingly, we assign a BUY rating on the stock with a target price of Rs. 986 , based on 38x FY27E P/E, reflecting confidence in the company's ability to sustain above-industry growth while delivering gradual margin expansion and improving capital efficiency over the forecast period.**

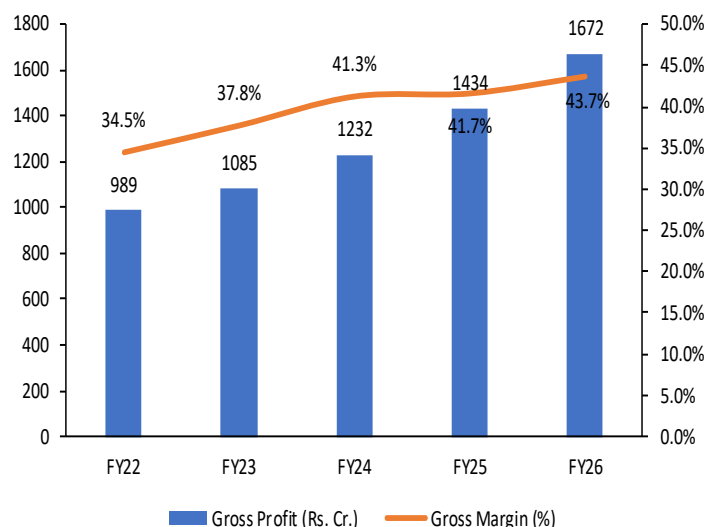
Sheela Foam Ltd.

Financials in Charts

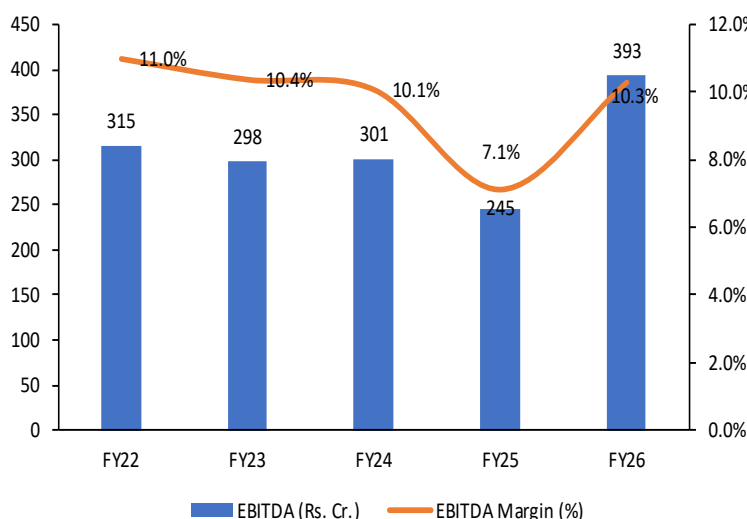
Topline has seen robust growth



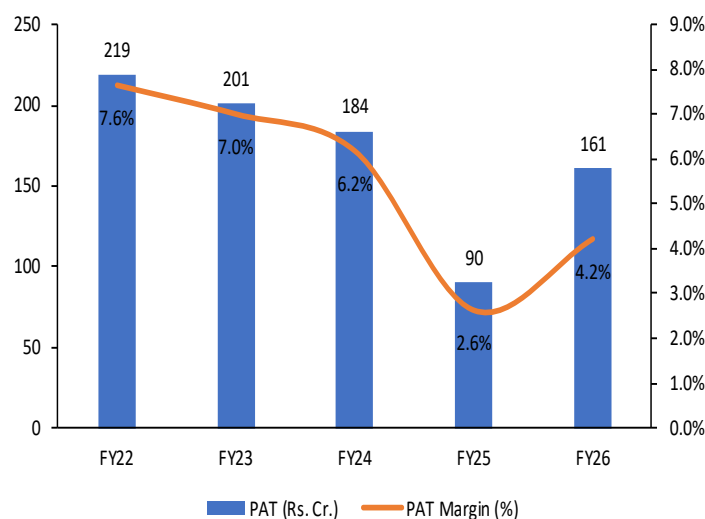
Gross margin improved post acquisition



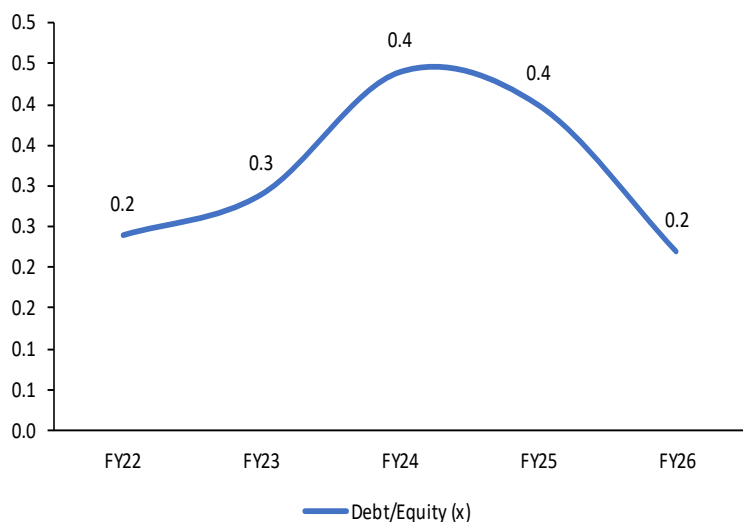
EBITDA margin improved due to procurement efficiencies



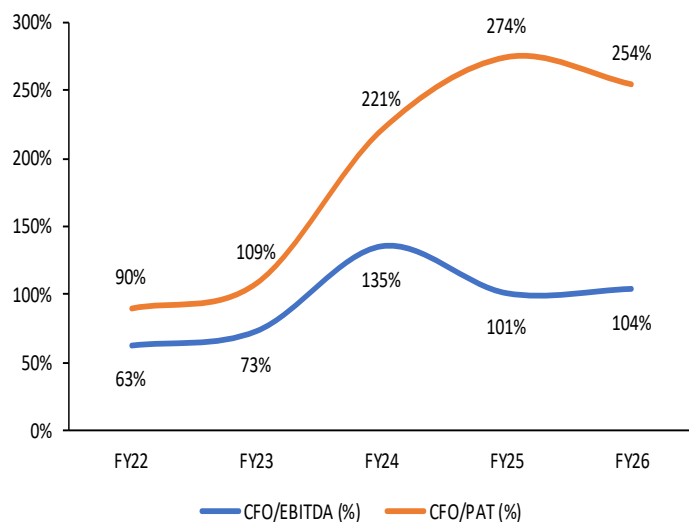
Profitability improved aided by reduction in finance cost



Debt/Equity ratios revert to pre-acquisition levels (0.2x) in FY26



Strong operating cash inflows back EBITDA and net profits



Source: Company Reports, BP Equities Research

Sheela Foam Ltd.

Key Financials

YE March (Rs. Crores)	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue	2,873	2,982	3,439	3,821	4,305	4,865
Revenue Growth (Y-o-Y)	0.3%	3.8%	15.3%	11.1%	12.7%	13.0%
EBITDA	298	301	245	393	519	612
EBIT Growth (Y-o-Y)	(5.3%)	0.8%	(18.5%)	60.6%	32.0%	17.9%
Net Profit	201	184	90	161	283	368
Net Profit Growth (Y-o-Y)	(8.2%)	(8.4%)	(51.0%)	78.5%	75.8%	30.1%
Diluted EPS	20.4	16.8	8.2	14.6	25.9	33.8
Diluted EPS Growth (Y-o-Y)	(8.4%)	(17.7%)	(51.0%)	77.9%	77.5%	30.1%

Key Ratios

EBITDA margin (%)	10.4%	10.1%	7.1%	10.3%	12.1%	12.6%
NPM (%)	7.0%	6.2%	2.6%	4.2%	6.6%	7.6%
RoE (%)	12.5%	6.2%	3.0%	4.9%	8.0%	9.5%
RoCE (%)	9.6%	4.1%	1.4%	5.2%	8.2%	9.8%

Valuation Ratios

P/E (x)	39.6x	48.2x	98.3x	55.3x	31.1x	23.9x
EV/EBITDA	31.3x	34.1x	41.8x	24.6x	18.5x	15.4x
P/BV (x)	5.5x	3.0x	2.9x	2.7x	2.5x	2.3x
Market Cap. / Sales (x)	3.1x	3.0x	2.6x	2.3x	2.0x	1.8x

Source: Company Reports, BP Equities Research

Disclaimer Appendix

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

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