

Rating:



Issue Summary:

Price band (Rs)	680-730
Face Value (Rs)	5
Opens	29 th Nov , 2016
Closes	1 st Dec, 2016
Issue Size (Rs)	510cr
Listing	BSE, NSE

Issue Break Up:

QIB portion	50%
NIB portion	15%
Retail portion	35%

Book Running Lead Managers:

➤ Edelweiss Financial Services limited
➤ ICICI Securities Private Limited

Registrar

➤ Link Intime India Pvt. Ltd.

Company & Business Profile

Sheela Foam Limited was incorporated in 1971, and over the last two decades, has developed Sleepwell as an overarching brand associated with comprehensive and quality home comfort solutions. Company believes that the recall of “Sleepwell” brand has been established by an extensive suite of products that range from baseline bedding and furniture cushioning material to ergonomically tailored offerings, an emphasis on quality control and focused brand building.

Objects of the Issue

The objects of the Offer for sale from the promoter group. Polyplex Marketing Pvt Ltd. is offering shares for sale. The Company believes that the listing of the Equity Shares will enhance its brand name and provide liquidity to the existing shareholders. Listing will also provide a public market for the Equity Shares in India.

Business Model:

Sheela foam limited caters various Home Comfort products under the brand name of “sleepwell” which offering to end user. The following table presents the snapshot of finished home comfort products portfolio.

Products	Products
Mattresses	Bloster cushions
Furniture- cushioning material	Sofa – cum beds
Pillows	Other products

Overview of the Indian mattress industry:

The Indian mattress industry has transitioned over the last few decades from a largely unorganized one dominated by local outfits specializing in hand – made mattresses to the organized mattresses. In the organized segment, there are around 20-25 players spread across geographies with Sleepwell and Kurlon occupying a dominant share of the Industry’s revenue. Based on revenues, Sleepwell is estimated to account for around 20-23% of the organized segment as of FY15-16. The mattress industry in India comprising rubberized coir, polyurethane foam and spring mattresses is estimated at Rs85 –Rs90 billion as of fiscal year 2016. The industry has grown at a CAGR of 8-10% over the past five years. Primarily on account of urbanization, increase in disposable income, increase in health related issues of the Indian population and increasing awareness about sleep products. The organised market comprising large, mid-sized and smaller branded manufacturers is estimated to constitute around 33-35% of the total market, the rest being unorganized.

**Investment Positives:**

- Sleepwell is estimated to account for around 20-23% of the organised segment as of FY15-16.
- Company has well recognised and established brand built over consistent quality and innovation.
- Rising household incomes in India which leads to increasing favourite personalised home comfort packages that are tailored towards physiological, aesthetic and ergonomic attributes.
- On implementation of GST, the tax rate is expected to oscillate between 20-22 percent which will have positive impact for the company.

Financial Highlights:

- Revenue has been growing at 6% long term CAGR.
- Profit after Tax has been growing at 48% CAGR.
- Return on Net worth grew from 14% to 31%.
- 20% of revenues are contributing from Institutional business and 80% of revenues from Retail business.

Concern:

- Business is dependent upon manufacturing facilities in India and Australia, which are subject to various operating risks, including those beyond control, such as the breakdown and failure of equipment or industrial accidents, severe weather conditions and natural disasters.
- Exchange rate fluctuations in various currencies in which business could negatively impact company's business.
- The home comfort products and foam manufacturing industry is competitive and any inability to compete effectively may adversely affect business operations and cash flows.

Outlook & Valuations:

- The issue has been offered in a price band of Rs 680-730 per equity share. At the upper price band the stock is available at P/E of 27 (x) based on FY 17E financials. Industry composite PE for the company stands at 40 (x). However, the RoE for the stock is 31% for FY16. We have **"3 star"** rating for the issue.

Financials (Rs. in Crs):

DESCRIPTION	Mar-14	Mar-15	Mar-16	H1FY17
Total Income	1272	1428	1567	804
PBIDT	853	1017	1930	1141
PBIT	553	737	1637	997
PBT	361	575	1520	942
PAT	278	427	1048	660
Net Worth	197	245	338	405
Total Debt	87	73	35	29
Cash and Bank balance	77	117	217	133
RONW(%)	14	17	31	16
PBIDTM(%)	7	7	12	14
PATM(%)	2	3	7	8

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Stock Rating Scale

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

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