

Sheela Foam Ltd | CMP: INR 684 | Market Cap: INR 7,436 Cr | TP: INR 1,084

Sheela Foam Limited (SFL) is the leader in India's mattress and foam products industry and in the manufacturing and selling of Polyurethane (PU) Foam since 1971, with an export presence in 32 countries. Domestically, the company has a 30% market share in Indian-organized modern mattresses and 40% in Australia. They also have a presence in Spain (~1% market share). SFL manufactures foam-based home comfort products like mattresses and furniture cushions, as well as technical grades of PU foam for end-use in industries like automobiles, acoustics, etc.

Investment Rationale

Strong Core Growth with Market Share Expansion: Sheela Foam has delivered robust volume-led growth across its core mattress and comfort foam businesses. Mattress volumes increased by 60% YoY, translating into a revenue rise from INR 1,053 crore to INR 1,377 crore, supported by stronger demand and distribution expansion. Comfort foam volumes also rose 11%, with revenue reaching INR 470 crore. The company continues to gain market share—up 150–200 basis points—on the back of a strengthened go-to-market network, including 6,000 Sleepwell brand outlets and 13,000+ dealer touchpoints. New products like Aaram and Tarang have seen strong traction, reinforcing Sheela's leadership in the premium and value segments.

International Operations Entering Growth Phase: The company's overseas business is becoming a meaningful contributor to topline and profitability. In Spain, volumes grew by 15% in FY25, and capacity is being expanded to meet rising demand. Australia, which contributes 9.5% of revenues, has started to pass on input cost inflation, improving near-term margin visibility. Overall, the international business (Europe + Australia) now accounts for over 21% of revenues. Importantly, subsidiaries like Joyce (gross margin: 50.9%) and Interplás (29.5%) are structurally high margin, further supporting consolidated profitability and diversification.

Operating Leverage and Margin Upside Ahead: Sheela Foam is on track to achieve significant margin improvement, targeting 15% EBITDA margins by FY28. The company is optimizing its manufacturing footprint—reducing the number of plants from 21 to 12, which is expected to generate INR 120 crore in opex savings. Additionally, better product mix, scale benefits, and pricing discipline, especially in international markets, are aiding margin resilience. While the furniture cushioning business declined 5%, technical foam volumes grew 7.5% with revenues rising to INR 494 crore, reflecting efficiency in adjacent categories.

Furlenco Adds Optionality for Long-Term Value Creation: Furlenco, a strategic digital asset within Sheela's portfolio, is scaling well, with its subscriber base growing from 60,000 to 100,000 in FY25. Management sees potential for 5–10x value creation, driven by rising urban rental adoption and digital-first consumer behavior. Furlenco also enables Sheela to tap into younger demographics and diversify beyond traditional foam categories. Coupled with sustained double-digit growth in the core business, the company is well-positioned to deliver a 15% revenue CAGR and structural value creation through FY28.

Outlook and Valuation: We maintain our **BUY** rating on the company, valued at **INR 1,084** based on DCF. Sheela Foam is set for steady growth with strong core volumes, expanding global footprint, improving margins, and high-value upside from Furlenco.

Financials

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	29,823	34,392	39,594	46,306	52,966
YoY	4%	15%	15%	17%	14%
Gross Profit Margin	41.3%	41.7%	42.7%	43.7%	44.7%
EBITDA Margin	10.1%	7.3%	10.3%	12.5%	14.7%
Adj. Net Profit	1,612	661	1,971	3,406	4,878
YoY	-20%	-59%	198%	73%	43%
Adj EPS (INR)	17.7	8.8	18.1	31.3	44.9
P/E	36.91	73.76	35.96	20.81	14.53
P/B	2.26	2.29	2.15	1.95	1.72
Debt / Equity	0.50	0.47	0.43	0.41	0.36
Net Debt (includes lease liabilities and excludes investments)	14,491	14,211	13,178	10,652	6,447
ROE	6.2%	3.1%	6.0%	9.4%	11.9%
ROCE	3.0%	1.2%	3.3%	5.3%	7.5%