Company Name: Sheela Foam Ltd.

Quarter under review: Q1-FY27

Sheela Foam Ltd.– Q1-FY27 Concall Highlights:

Sheela Foam Ltd (Consolidated)					
INR In Mn	**Q1-FY27**	**Q1-FY26**	**Y-o-Y**	**Q4-FY26**	**Q-o-Q**
Operational Income	10,319	8,214	25.63%	10,501	-1.73%
EBITDA	1,089	752	44.81%	1,166	-6.60%
EBITDA M (%)	10.55%	9.16%	139 bps	11.10%	-56 bps
PAT	623	66	NA	918	-32.14%
PAT M (%)	6.04%	0.80%	524 bps	8.74%	-270 bps
Diluted EPS	5.62	0.6	NA	8.34	-32.61%

Operational Highlights:

- We delivered 20% year-on-year growth in standalone revenue and 13% year-on-year growth in standalone EBITDA. Within this, our mattress business grew 15% in value and 6% in volume, while our foam business recorded 26% value growth and 4% volume growth.
- We deliberately chose not to moderate foam growth to protect margins in the current falling raw-material price environment. We believe consistency of supply is a core commitment that differentiates us from the unorganized sector, which typically manufactures foam only when raw material prices are favourable.
- Our e-commerce business continued to perform strongly. Sales on our own websites (brand.com) grew 69% year-on-year, marketplace sales increased 19% year-on-year, and the overall e-commerce business delivered 30% year-on-year revenue growth, with volumes rising 23%.
- We are entering the furniture segment under our flagship umbrella brand by leveraging Furlenco's design, manufacturing, and logistics capabilities. As the first step in this strategy, we have launched sofa beds under both the Sleepwell and Kurlon brands.
- Our U2O (Unorganized to Organized) business has expanded to nearly 10,000 dealers across the country. The business recorded 81% year-on-year growth with 19% volume growth, supported by the introduction of 5-inch and 6-inch mattresses in this category.
- Both our foreign subsidiaries delivered an exceptional operating performance. In Australia (Joyce), revenue grew 31% to Rs. 120 crore, while EBITDA margin improved to 12.8% from 6.8% in Q1 of the previous year. In Spain, revenue reached Rs. 133 crore, up 54% year-on-year, with EBITDA margin improving to 14.7% from 5.7%, although a portion of this growth was attributable to currency movements.
- Furlenco continued to perform well, with its acquired subscriber base increasing 36%, revenue growing 38%, and EBITDA rising 65% year-on-year, while also deepening its presence across newer cities.
- Our Staqo IT business registered 67% year-on-year revenue growth in Q1-FY27 while maintaining a healthy EBITDA run-rate of around 28–30%. Its flagship ERP product, Presence360, has now crossed 3.2 lakh users.
- On the ESG front, we received a category upgrade to "Strong" in the Crisil ESG Ratings 2026, while our S&P Global Corporate Sustainability Assessment score improved to the 61st percentile from the 51st percentile last year.
- With the closure of our derivative hedging instrument, there will be no further mark-to-market impact from derivatives, and our core EBITDA is now the same as our reported EBITDA.

Key Questions & Answers discussed during the Concall:

- **Is the inventory-led gross and EBITDA margin gain in Australia and Spain sustainable, and how much inventory do we carry there versus in India?** India holds 15-30 days of inventory, sometimes higher during volatility. Overseas runs 45-60 days. Australia has always carried longer inventory; Spain built up a large inventory buying opportunistically from outside Europe at low prices, plus Suez Canal delays added transit time. In stable conditions this wouldn't matter, but in this oscillating environment it made a real difference this quarter.

- **U2O has grown very sharply in value versus volume — can you give more colour on U2O's share of total volumes and the price increases behind this?** We launched U2O at a very low, affordable price point, but once the product was on the floor we found channel margin support was lower than we wanted and profitability was under stress even as demand was strong. Channel feedback was that the product — a full-foam mattress with good fabric — could sustain a price increase, so we took one last year, which is why value growth has run well ahead of volume growth for two years now. This pricing is now sustainable and the channel has settled, with our network now at around 10,000 dealer points covering the country. We don't disclose U2O volume or value separately from the rest of the mattress business.

- **Are we satisfied with 6% standalone volume growth, and what is the update on the pending synergy benefit and on margins given the volatility?** Volume growth is at 6%; we'd like another 2-3 points, with sub-10% being satisfying, versus industry growth of ~5%. Raw material prices swung +40% to -20% during the period, pressuring margins, but cash EBITDA still grew 13% on a standalone basis, helped by incremental foam sales. On synergies, ~Rs. 40 crore remains outstanding — the machine has arrived and is being installed, with partial impact this quarter and full impact by Q3.

- **Why did the Furlenco JV/associate profit contribution decline?** On Furlenco, last quarter's reported net profit of about Rs. 60 crore included roughly Rs. 27 crore of deferred tax assets recognized for the first time as the company turned profitable, with only about Rs. 33 crore coming from operations; this year some deferred tax assets may again be recognized, but that exercise happens at year-end and would show up largely in Q4, so on an operating basis Furlenco's profitability is still growing year-on-year, it just shouldn't be read quarter-on-quarter because of the deferred tax timing.

- **Why did India volume growth slow to single digits this quarter versus double-digit growth last year?** Our value growth actually accelerated to 15% and 26% in the two segments; whenever we take a price increase of this magnitude there is a trade-off with volume, and had the increase been smaller, volume growth would again have been in double digits. We expect double-digit growth in both value and volume for the full year as this volatility subsides, and margins, excluding the raw material volatility, are actually better than what we reported in Q4.

- **What is the outlook for return on capital employed and the balance sheet through FY27?** We expect return on capital employed, currently around 10%, to move up to a 20-25% range over the next three years if this growth and profitability trend continues. On the balance sheet, free cash flow generated this year will go toward debt repayment, but the balance sheet will not be debt-free by year-end

- **What is the capex for the 41 new stores, how big are they, and where are they located?** 22 stores continued from last year and have been upgraded; target is 50 stores, with 42 already operational. Franchisee store capex is ~Rs. 27 lakh, plus Rs. 20-22 crore in working capital across stores. COCO store investment is ~Rs. 50 lakh per store (~Rs. 25 crore for 50 stores). Stores average 2,000 sq ft (range 1,800-3,000), located in key urban areas matching competitor footprints.

- **Do we still stand by the FY27 and FY28 EBITDA margin guidance, and what are the levers for margin improvement as conditions ease?** We had guided for 11-12% EBITDA margin for the current year, not 13%, and we do stand by that guidance, though the current volatile environment makes it difficult to comment with precision — we remain confident we are on track. Our gross margins have come down by more than the gap needed to hit that target, so even a 2 %-point recovery in gross margin as volatility eases would take us to a level better than what we have committed.

- **What new product launches or initiatives are planned to sustain growth, including channel-exclusive e-commerce mattresses?** We have introduced a new set of products aimed at increasing average selling price and have also started consumer-led promotions, which have shown encouraging early results; going forward our strategy will lean more toward consumer-facing spend, building on our large EBO footprint and ongoing programmes to improve conversion.

- **What is the TDI/polyol share of COGS?** TDI and polyol together account for as much as 65-70% of COGS. On mix, our average selling price has moved up marginally, which suggests some premiumization is already underway.

- **What proportion of the combined store network will carry Furlenco products?** We're ramping toward a first target of 100 stores, Furlenco is present in a shop-in-shop format in ~40-50 stores today. The final count depends on where Furlenco finds a fitting micro-market, against our base of 6,500 exclusive brand outlets in India.

- **Is Rentomojo, which has just filed for its DRHP, a like-for-like competitor to Furlenco?** We operate in the same broad area of business, but Rentomojo is positioned more in the mass segment while Furlenco is more premium, and Rentomojo's mix skews more toward utility products whereas Furlenco's mix skews more toward furniture. So while the business area is the same, we would place Furlenco at a higher level of premiumization than Rentomojo.

Key Participants:

- *Darshita Shah — DSP MF*
- *Akash Shah — UTI MF*
- *Ritesh Shah — Investec*
- *Sani Vishe— Prabhudas Lilladher*