

## Sheela Foam Ltd.

12<sup>th</sup> June 2023

### Aiming at Multifaceted Growth

Sheela Foam Ltd. (SFL), established in 1971, is the largest manufacturer of Polyurethane Foams (PU) in Asia Pacific. With a strong foothold in India, the Company has secured a dominant position in key industries like mattresses (30-35%), automotive (70-75%), footwear, lingerie, and furniture by FY23. The Company's future growth is anchored to multiple drivers. Firstly, the Indian Government's ambitious plans to develop Vande Bharat Trains open up significant revenue opportunities. Secondly, in the Indian B2C segment, the Company aims to revolutionize the unorganized mattress market and expand its retail footprint through the M5 brand. Thirdly, the strategic acquisition in Spain in 2019 grants access to the thriving European market and export prospects, while in Australia, the Company capitalizes on the rising trend of nationalistic manufacturing. These carefully planned moves, along with ambitious growth targets and a focus on diverse segments and countries, position the Company for compelling and sustainable growth prospects.

#### Numerous Growth Drivers

SFL operates in countries with tremendous growth prospects across its segments. The Indian B2C segment is set to witness a game-changing move with the launch of the M5 brand, targeting the vast and unattended, and unorganized mattress market. In the Indian B2B segment, the Company has secured a monopolistic position as a supplier of foam for Indian railways, which will further help grow its revenue. Moreover, exclusive partnerships with two major automobile foam clients have solidified SFL's stronghold in the thriving automotive industry with an existing market share of 70-75%. By expanding its network of EBO and strengthening its retail presence, SFL is poised for remarkable success. In addition to this, favourable trade policy in Spain and expansion in capacity in Australia will drive growth in international market.

#### Inorganic growth on the horizon

The Company has successfully executed acquisitions in Australia (2005) and Spain (2019), contributing to its growth. The Company has been a dominant B2B PU Foam supplier with 40% market share in Australia for the past few years. Besides, within 6 months of acquiring the Spanish subsidiary, the Company doubled the utilization from ~50% and further laid capex to exploit the market optimally. Recently, the Company has been in talks to acquire Kurlon Ltd. If this deal fructifies, SFL will end up having more than 50% market share. Additionally, the Company continues to evaluate multiple opportunities for inorganic growth, seeking further expansion and diversification.

#### View & Valuation

The growth drivers include emerging Indian B2B opportunities, B2C and D2C product launches, expansion in the Australian furniture and mattress industry, and increased exports from Spain to the USA. To leverage the prospects, the Company laid capex worth Rs. 3.5 Bn, guided to be operational by H1 FY24. We initiate coverage on Sheela Foam Ltd with a BUY rating and a target price of Rs. 1,311 (50x FY24 PE ratio on an estimated EPS of Rs.26), implying an upside of ~28%.

## BUY

CMP Rs. 1,025

TARGET Rs. 1,311 (+28%)

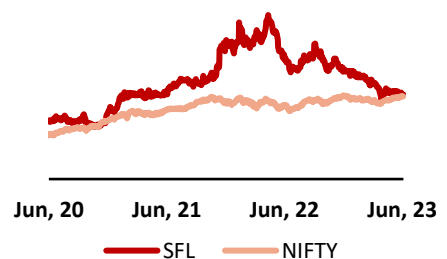
#### Company Data

MCAP (Rs. Mn)	99,214
O/S Shares (Mn)	98
52w High/Low	1,710/905
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	25

#### Shareholding Pattern %

	Mar-23	Dec-22	Sep-22
Promoters	72.95	72.95	72.95
FII's	3.26	3.19	3.16
DII's	22.28	22.43	22.73
Non-Institutional	1.50	1.43	1.15

#### SFL vs Nifty



Source: Keynote Capitals Ltd.

#### Key Financial Data

(Rs Bn)	FY23	FY24E	FY25E
Revenue	29	32	36
EBITDA	3	4	4
Net Profit	2	3	3
Total Assets	27	30	33
ROCE (%)	11%	13%	13%
ROE (%)	14%	15%	15%

Source: Company, Keynote Capitals Ltd.

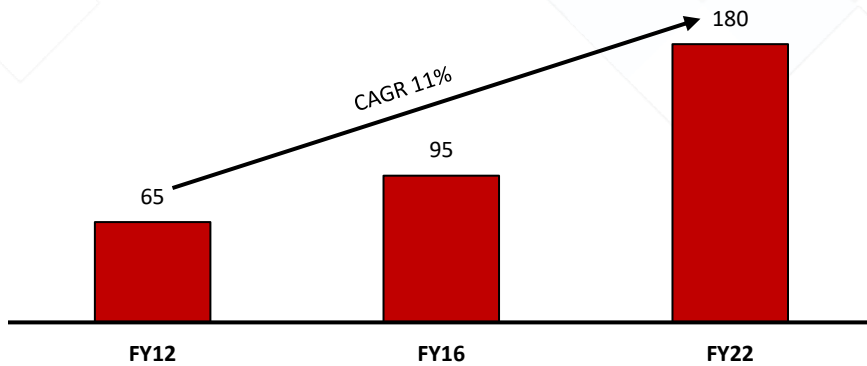
Chirag Maroo, Research Analyst  
Chirag@keynotecapitals.net

## SFL | Initiating Coverage Report

## Indian Mattress Industry

The Indian mattress market has grown at a CAGR of 11% over FY12-22, and the industry's size is estimated to be ~Rs. 180-200 Bn in FY22. Approximately 7-9 Mn mattresses are sold in the country annually, with a replacement cycle typically occurring every decade. The mattress industry is expected to grow at a rate of 8-10% for the next few years.

Indian Mattress Market (Rs. Bn)

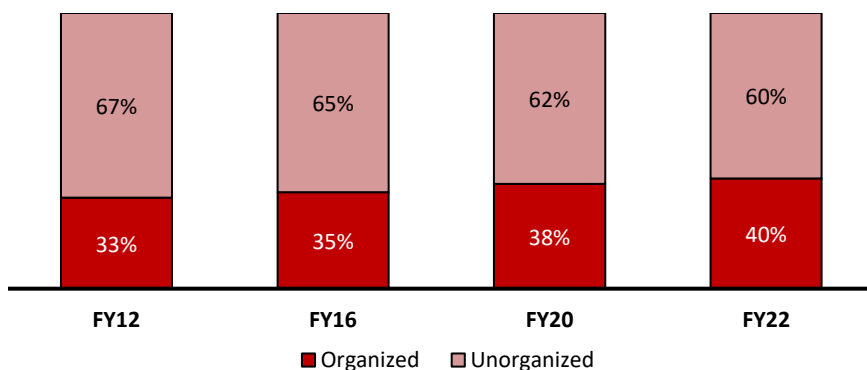


Source: Company, Keynote Capitals Ltd.

The mattress industry in India has witnessed a remarkable shift over the past few decades. Previously, it was predominantly unorganized and controlled by local manufacturers who crafted handmade mattresses tailored to individual customers. These mattresses were crafted using materials like cotton, foam, coir, or a blend of these. However, the industry has undergone a significant transformation, with the organized sector experiencing substantial growth.

The pandemic has posed challenges to the mattress industry in India, which has resulted in a significant shift in consumer behavior over the past two years. With a growing health-conscious population, sleep has become a top priority for consumers, leading to a renewed focus on the mattress industry. Brands are now actively working to establish deeper connections with consumers, and the mattress has evolved into a lifestyle product that promotes health and overall well-being. With increasing brand awareness, the organized industry is growing faster than the industry and witnessing a CAGR of 17% over the last five years.

Indian Modern Mattress Market Mix (%)



Source: Company, Keynote Capitals Ltd.

## SFL | Initiating Coverage Report

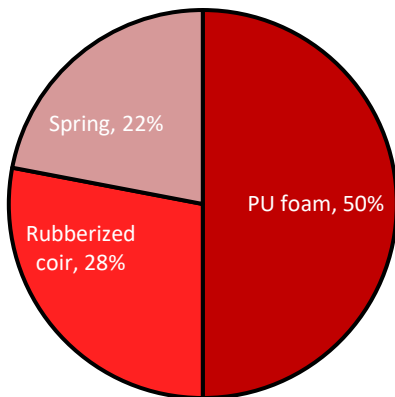
### Types of mattress

The total mattress market is divided into cotton (65-70%) and modern mattress (30-35%). The organized modern Indian mattress market comprises Polyurethane (PU) Foam, Rubberised Coir, and Spring mattresses.

Mattress Type	PU Foam	Rubberised Coir	Spring
Material	PU Foam	Coir (natural fiber derived from coconut husks) and rubber latex	Metal coils or springs
Support	Soft	Firm	Medium-firm
Comfort	Medium	Medium	Low-High
Durability (in years)	5-10	10-15	7-10
Breathability (air circulation)	Average	High	Low to high (depending on coil thickness)
Cost	Affordable	Moderate	Moderate to expensive

Source: Keynote Capitals Ltd.

Indian organized modern mattress market classified by type of mattress (FY22)



Source: Company, Keynote Capitals Ltd.

In the Indian market, **PU foam mattresses** enjoy a dominant market share. Moreover, the growth of end-user industries like bedding & furniture, electronics, automotive, and building & construction contributes to the expanding demand for PU foam mattresses.

The **rubberised coir mattress** segment is expected to witness a decline in market share due to escalating rubber prices and concerns regarding inherent quality and sagging issues.

The demand for branded **Spring mattresses** is experiencing an upward trajectory due to increased consumer interest, changing lifestyles, and a preference for mattresses that offer more thickness, bounce, and overall comfort.

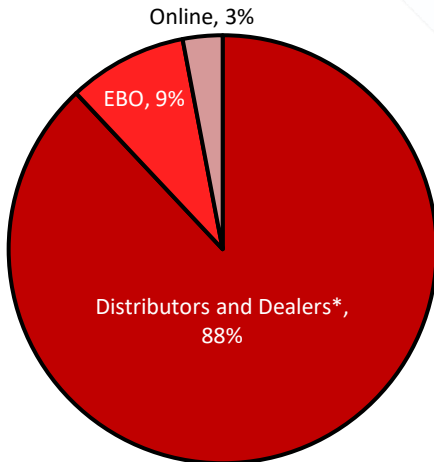
## SFL | Initiating Coverage Report

In India, the organized mattress markets are broadly consumed by two end users – residential (households) and institutional (hotels, hospitals, education institutions, etc.). The residential segment accounts for around 80-85% of the total market, and the institutional sector contributes 15-20%.

### Distribution Channels

Based on the distribution channel, the organized mattress market is dominated by the distributor/ dealer network, followed by Exclusive Brand Outlets (EBO) and online platforms.

Distribution channel mix (%) (FY22)



\* Includes Multi Brand Outlets (MBOs)  
Source: Company, Keynote Capitals Ltd.

The players in the industry have started focusing on online sales through partnerships with online portals and establishing their websites. Going forward, the online market is expected to increase due to competitive pricing, faster delivery, and various choices. Online sales serve as the preferred distribution channel for low-end mattresses.

Based on price, the organized market is divided into four pricing segments, namely, the economy segment (up to Rs. 8,000), the mid-segment (Rs. 8,000 - 30,000), the premium segment (Rs. 30,000 - 75,000) and luxury segment (Rs. 75,000 and above).

### Industry Trends

**Shift from unorganized to organized:** The organized mattress industry in India is gaining market share from 33% in FY12 to 40% in FY22. This shift has been driven due to several factors, including rising income levels, consumer awareness, and increasing health consciousness. While the unorganized segment holds the majority share, in the future, the organized sector is expected to increase its market share each year due to a shift in consumer preferences toward high-quality customized products.

**Increasing demand from railways:** The Government's 2022 budget includes a proposal to introduce 400 Vande Bharat trains over the next three years. This development is expected to create a surge in demand for high-quality mattresses.

## SFL | Initiating Coverage Report

---

**Share of premium homes to increase:** The housing industry in India is witnessing significant growth in the upper-end segment, similar to the premiumization trend seen in various sectors. This growth is supported by the increasing income levels of the population. In 2018, premium homes accounted for 25% of all homes in India, and by 2030, the World Economic Forum projected that they will comprise 50%.

**Increasing demand from the hotel industry:** The hotel industry experienced severe impacts during the Covid-19 pandemic as travel and tourism were heavily disrupted, resulting in a substantial decline in hotel occupancy rates. However, there has been a robust demand recovery in the past year. ICRA forecasts a revenue growth of 13-15% for the Indian hotel industry in FY2024. The growth is expected to be driven by domestic travel for leisure and business, as well as an increase in foreign tourist arrivals. Furthermore, specific events such as the G20 summit and ICC World Cup 2023 are anticipated to contribute to revenue growth. The healthy demand uptick resulted in a pick-up in new supply announcements and the commencement of deferred projects over the last 6-9 months.

**Increasing demand for the technical foam industry in India:** Technical foams are lightweight and durable materials that are commonly used for high-temperature insulation solutions. They possess desirable properties such as heat and fire resistance, as well as noise dampening capabilities, making them ideal for applications in boats and ships. These foams not only offer comfort but also provide acoustic and fire insulation. They find diverse applications in industries such as home furnishings, car seats, clothing and accessories, auditoriums, and hospital beds. Technical foams play a crucial role in enhancing comfort and convenience in our surroundings.

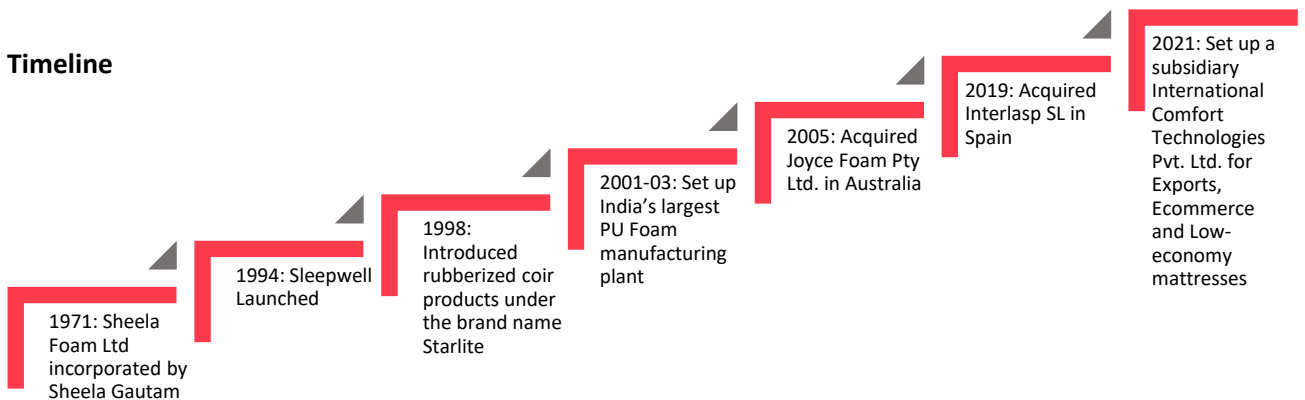
The rising demand for technical foam stems from its exceptional performance, wide-ranging industrial applications, lightweight properties, customizable nature, and advancements in materials and manufacturing techniques. As industries continuously seek innovative solutions and enhanced product performance, the demand for technical foam is anticipated to increase.

## SFL | Initiating Coverage Report

### About the Company

Sheela Foam Ltd. (SFL) established in 1971 and holds the preeminent position in the Indian Polyurethane Foams (PU) market. The Company specializes in the production of a diverse range of foam-based home comfort products, such as mattresses and furniture cushions. Additionally, it produces technical grades of PU foams that cater to various industries, such as automobile and acoustics (sound control technology). SFL operates in flagship brands, including 'Sleepwell' for mattresses and home comfort, 'Feather Foam' for pure PU Foam, and 'Lamiflex' for polyester foam used in lamination. The Company has a global reach, with 11 manufacturing plants nationwide in India, 5 in Australia, and 1 in Spain. Its wholly-owned subsidiary, Joyce Foam Pty Ltd., has helped the company establish a robust presence and market share in Australia, while its subsidiary, Interplasp S.L., has done the same for Spain. In India, SFL has an integrated manufacturing facility of 123,000 MTPA and an extensive distribution network of over 100 exclusive distributors, 5,400 Exclusive Brand Outlets (EBOs), and 7,850 Multi-Brand Outlets (MBOs). The tier 1 cities in India contribute ~70% to the sales of mattresses, whereas the remaining 30% is garnered from tier 2 and 3 cities as of FY23. While SFL is popular as a mattress brand (B2C) and PU Foam manufacturer (B2B) worldwide, over 72% of revenue came from the B2B business in FY23.

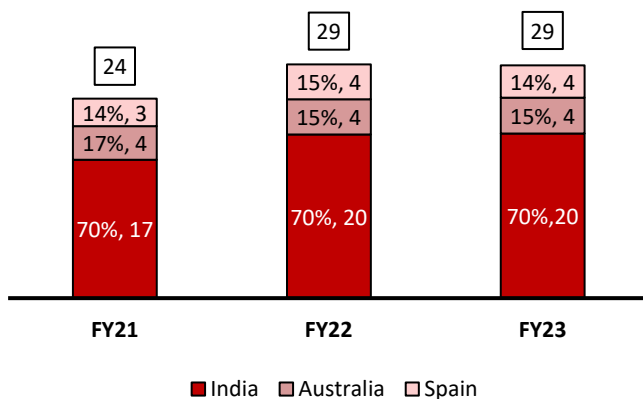
### Timeline



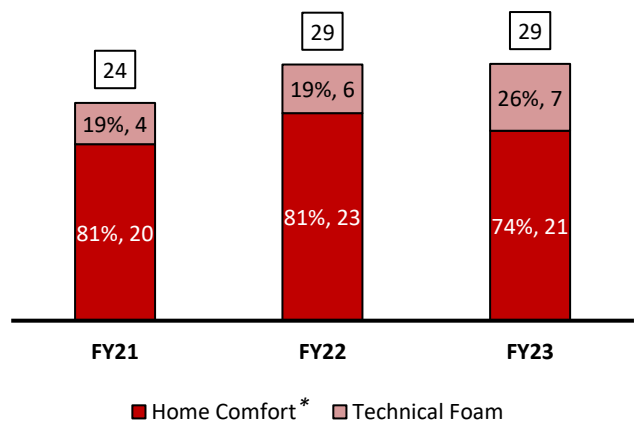
Source: Company, Keynote Capitals Ltd.

### Revenue Mix (%)

Country-wise Revenue (in Rs. Bn)



Segment-wise Revenue (in Rs. Bn)



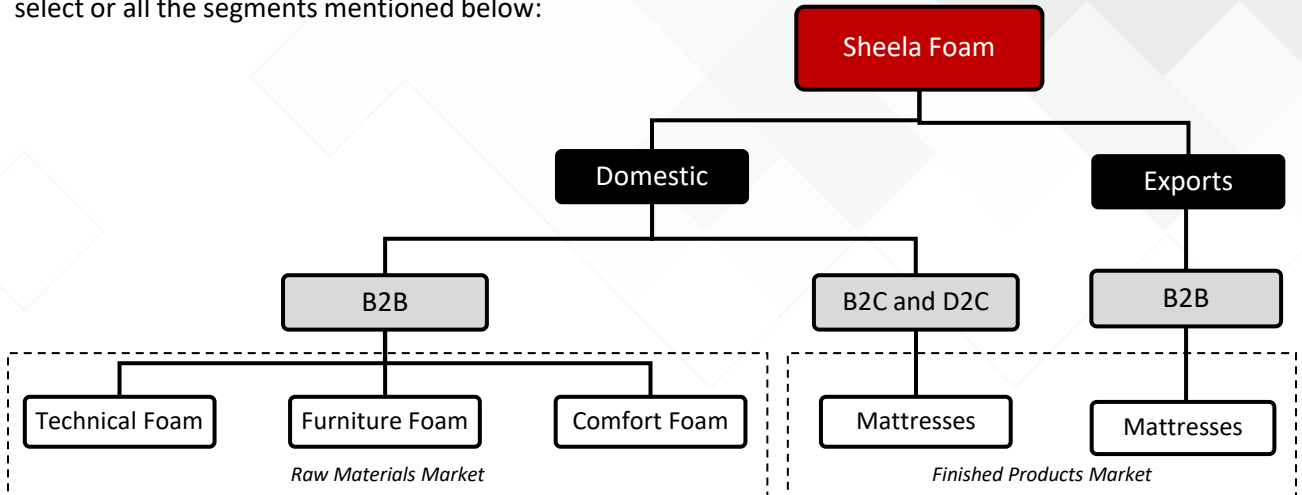
Source: Company, Keynote Capitals Ltd.

Home Comfort includes mattresses, furniture foam and comfort foam

## SFL | Initiating Coverage Report

### Business Overview

SFL operates in three countries, namely India, Spain and Australia in select or all the segments mentioned below:



Source: Company, Keynote Capitals Ltd.

- Technical Foam** - SFL's automotive foam finds applications in seat covers, sound absorption systems, sun visors, headliners, door trims, and lamination systems. Additionally, the company offers reticulated foams used in filtration systems, ceramic foam filters, outdoor furniture, microphones and headphones, safety fuel tanks, and ink cartridges. SFL also produces UV-stable foam utilized in sportswear, innerwear, clothing, swimwear, and comfort accessories for shoes. Lastly, the company's Silentech foam is used in automotive applications, diesel generator canopies, theatres, auditoriums, indoor stadiums, broadcasting rooms, recording studios, and industrial silencers, among others.
- Furniture Foam** – It is essential for various furniture items like sofa sets, chairs, custom sofas, and sofa cum beds. The company offers a range of furniture cushioning options, including Primo, which features a unique composition and extra thickness for enhanced comfort and support. Resitec utilizes advanced High Resilience (HR) Cushioning Technology, providing personalized comfort. Cool Gel-S, with its groundbreaking particles, effectively dissipates heat, delivering a cool and comfortable sensation, making it a scientific breakthrough in furniture cushioning.
- Comfort Foam** - Comfort Foam products are primarily used in the manufacturing of mattresses and sofas, serving as industrial-grade materials. SFL has further diversified its offerings by expanding into the home accessories segment. This includes a range of comfort accessories such as pillows, mattress protectors, bolsters, and back cushions. While the product remains fundamentally the same, the Comfort Foam category primarily caters to organized mattress manufacturers, whereas the Furniture Foam category serves carpenters in the unorganized industry.
- Mattresses** - Founded in 1994, Sleepwell has established itself as a renowned household brand and one of the leading mattress manufacturers in India. The Company is dedicated to research and innovation, continuously improving its product lineup. Resultantly, the Company runs several brands ranging from less than Rs. 3,000 to around Rs. 1,00,000.

## SFL | Initiating Coverage Report

## SFL – India

Country	Segment(s)	Production Capacity in FY23 (MTPA)	Organized Market Share in FY23	Revenue Contribution in FY23 (%)
India	B2B, B2C, D2C, Exports	1,23,000	30-35% (B2C) 10% (D2C)	71%

Source: Company, Keynote Capitals Ltd.

**B2B**

The B2B segment's performance is closely tied to the demand and performance of customer industries such as automotive, footwear, lingerie, furniture, mattresses, and more. The foam manufacturing industry operates in a highly fragmented market, with a focus on producing foam that meets the specific needs of target markets, ensuring timely delivery and cost-effectiveness. Differentiation and competitive advantage are achieved through technical expertise to cater to niche requirements of various industry customers. For example, the shoe industry requires specialized foams, the automotive industry demands fire-retardant and sound-absorbing foams, and the lingerie industry seeks foams with UV stability. The Company holds a dominant position with approximately 70-75% market share in the automotive industry due to its niche expertise and long-standing relationships. The segment contributed ~60% to the Indian business, with a split of 36:44:20 between comfort foam, technical foam and furniture foam in FY23.

In FY22, the Indian Government announced plans to develop 400 Vande Bharat Trains in the next three years. Leveraging its expertise, the company applied and passed the due diligence to supply 70% PU foam and 30% fiber thermal block for the train seats. Furthermore, the Government expanded the market opportunity by requiring PU foam cushioning even in existing trains. The Company holds a prominent position while sharing the opportunity with few other peers. The Company could attain this position as its foam passed certain European standards which the Government sought. Although the Company is not a direct supplier to the railways, it supplies materials to seat and berth manufacturers. To stay competitive, the company is developing new and improved products tailored to railway customer needs. In FY23, the company generated ~Rs. 600 Mn in revenue from the railways business, with increasing monthly run rates each quarter. The company expects higher revenue in FY24.

**B2C**

The primary product in this segment is mattresses, and the Company has strategically developed a distribution system that caters to various price points in the market. This enables the company to serve a wide range of customers through its network of physical retail outlets.

Product	Price Range (Rs.)	Channel
M5	< 3,000	MBO
Starlite	4,000-9,000	MBO
Feather Foam	4,000-20,000	MBO
Sleepwell	8,000 – 100,000	EBO (and D2C)

MBO – Multi Brand Stores, EBO – Exclusive Brand Stores.  
Source: Company, Keynote Capitals Ltd.



## SFL | Initiating Coverage Report

### **B2C Retail Outlets - MBO**

The MBOs have increased from 3,500+ in FY19 to 7,850+ in FY23. In FY23, the Company adopted a new approach for MBOs by selecting approximately 1,500 dealers from the existing bunch as cushioning partners as they demonstrated good business potential. This strategic shift allowed the Company to avoid dealers who sought association with top brands like Sleepwell but generated poor business results.

*Cushioning partners are existing MBO dealers with good business track record, which the Company selected for more focused business operations.*

### **B2C Retail Outlets - EBO**

The EBOs have grown from 3,700+ in FY19 to 5,400+ to FY23. The Company has guided to double the stores to more than 10,000 by FY25, which is targeted to cover 20% of the retail market in India. During FY23, the Company also commenced the concept of selling mattresses in 'furniture-first stores' that sell bed-sets. In FY23, there were ~2,000 such stores.

In addition to refining existing channels and expanding the product portfolio, the Company aims to tap into the unorganized market and target the 65%-75% of Indians who still use traditional mats for sleeping. This is part of their "Mattress for every Indian" initiative, which includes the introduction of a new brand called 'M5' catering to the entry-level segment at an approximate price of Rs. 3,000 or below through Multi-Brand Outlets (MBOs). To support this project, the company established a subsidiary called International Comfort Technology Pvt. Ltd. in FY21, which was later merged into the company in FY23. The manufacturing plant for the 'M5' brand is located in the Jabalpur district of Madhya Pradesh. The Company has improved its market share from ~20-25% before the pandemic to ~30-35% in FY23. The Company's conversion rates fall between 50%-60%.

### **D2C**

The Company initially launched the SleepX brand to test and serve the online market. After gaining experience and knowledge in online trade practices, it introduced its flagship brand Sleepwell on Amazon and Flipkart in FY23. Building on its success in online marketplaces, the Company decided to optimize its working capital by establishing 6-7 of its own warehouses in FY23. The online market share in the retail market has increased from approximately 4% in FY20 to 6-7% in FY23. Additionally, the share of ecommerce revenue in total mattress revenue has grown from around 4% in FY20 to approximately 8-9% in FY23. On a higher level, the split between B2C and D2C rounds up to a ratio of 96:4 in FY23.

### **B2C and D2C to coexist**

Given the low expenses and lower sales prices at ecommerce, the operating margins between online and offline are similar.

In order to control the friction between online and offline channel, the Company has offered limited Sleepwell products online. The company's decentralized manufacturing and distribution system, called F-24, ensures timely fulfillment of consumer demand within 24 hours from the nearest stock point, optimizing inventory levels and enhancing customer satisfaction. Distributors operate on cash-on-carry or 15-day credit terms, effectively managing working capital.

## SFL | Initiating Coverage Report

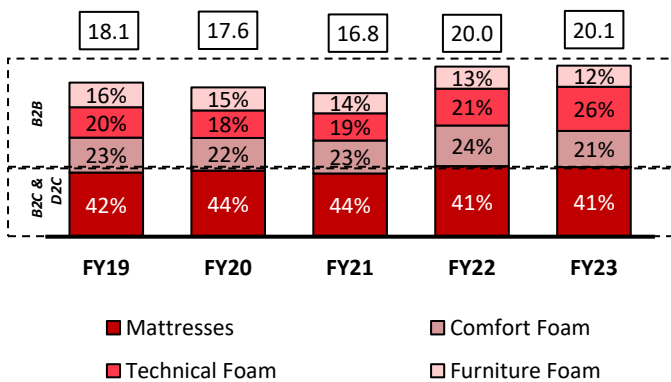
Given the share of online trade in the developed countries lies between 12-15%, and the belief that the online startup companies will eventually open stores, the Management opines that the share of online trade in the industry will settle between 15-20%, while that within the Company will be limited to ~10%.

### Exports

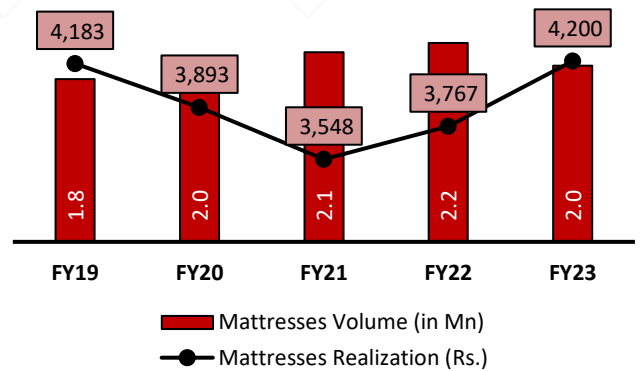
With the advent of China plus 1 policy, India became a preferred choice for the USA importers. The Company exports spring mattresses and mattress covers with spring within. The monthly run-rate is between Rs. 10-15 Mn.

### India Operating Metrics

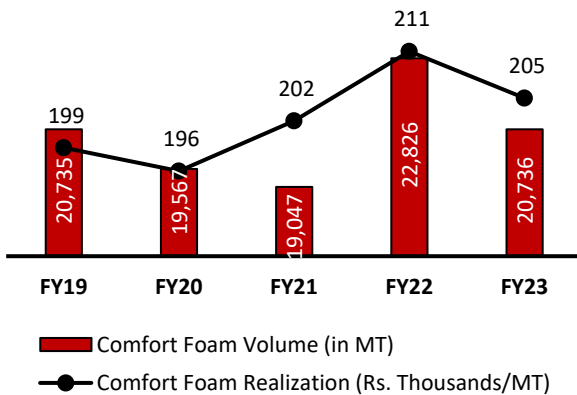
India Revenue Mix (Rs. Bn)



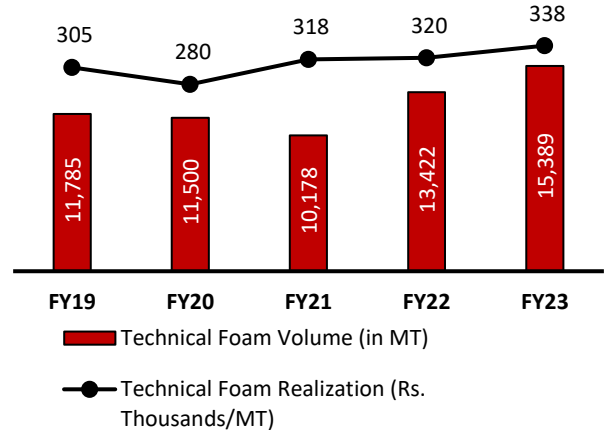
Mattress Sold in India



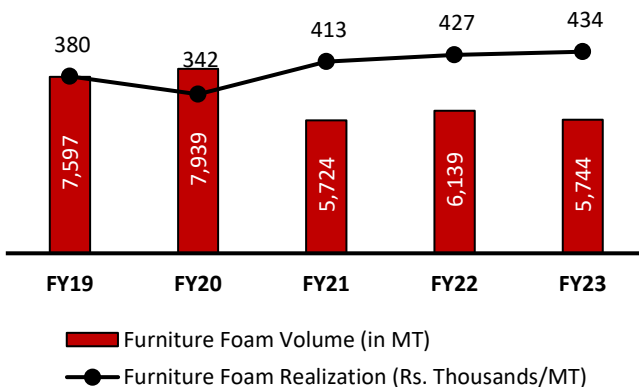
Comfort Foam Sold in India



Technical Foam Sold in India



Furniture Foam Sold in India



## SFL | Initiating Coverage Report

## Sheela Foam – Australia

Country	Segment(s)	Production Capacity in FY23 (MTPA)	Organized Market Share in FY23	Revenue Contribution in FY23 (%)
Australia	B2B	11,000	40%	14%

Source: Company, Keynote Capitals Ltd.

The Company's Australian operations run under a company called Joyce Foam, which it acquired in 2005. The Company has been a market leader with ~40% market share by selling foams to industries like bedding, furniture, medical, and niche industries.

The Australian market had been a saturated and mature market with ~2-5% annual growth rate until the pandemic occurred which caused after effects in the interest of the domestic industry.

- The nationalistic manufacturing – Before the pandemic, the Australian mattresses and allied market was an imported market, but due to the import difficulties from China, the country switched to domestic production, prominently for furniture and sizably for mattresses.

These after effects led to a spur in the market size of mattress industry which increased from USD 6 Bn/month before pandemic to USD 7 Bn/month by mid-FY21.

In order to capitalize the emerging opportunity, the Company planned to expand its production capacity with a capital outlay of ~ Rs. 500 Mn in FY21. The new plant, with a production capacity similar to the existing capacity, is scheduled to become operational by Q2 FY24.

On the revenue side, the subsidiary's sales grew from Rs. 4.1 Mn in FY21 to Rs. 4.3 Mn in FY23, reflecting ~3% CAGR, with last two-year average EBITDA margin at 11% and PAT margin at ~2%. Going forward, the Company expects high single digit growth in the country, driven by nationalistic manufacturing.

## SFL | Initiating Coverage Report

## Sheela Foam - Spain

Country	Segment(s)	Production Capacity in FY23 (MTPA)	Market Share in FY23	Revenue Contribution in FY23 (%)
Spain	B2B, Exports	22,000	~1% (Europe)	15%

Source: Company, Keynote Capitals Ltd.

After acquiring Interlasp SL, a Spanish company founded in 1987, in 2019, the Company has gained significant advantages. Firstly, it benefits from Europe being the largest market for PU foam worldwide. Additionally, Spain's reputation as a cost-efficient economy within Europe adds to its advantage. Furthermore, the acquisition provides the Company with export opportunities to North African countries. Within just six months of the acquisition, the Company reached peak utilization, demonstrating its successful integration. To capitalize on emerging opportunities and overcome capacity constraints, the Company has expanded its capacity from 17,000 MT at the time of acquisition in 2019 to the current 22,000 MT.

### B2B

The Company operates in a small town in Spain that has a thriving production industry for sofas, mattresses, shoes, furniture, and more. Even with the additional capacity expected to be available by Q2 FY24, the Company will still be unable to meet even 10% of the demand in the area. This indicates significant growth opportunities for the Company in Spain.

### Exports

Amidst the pandemic, trade tensions arose between the USA and China, leading to restrictions and anti-dumping duties on Chinese mattresses and bedding products. The Company's Spanish subsidiary benefitted significantly from these trade ramifications, being a low-cost producer located near the USA.

The USA bedding items industry, valued at approximately \$7 Bn in FY21, had previously relied on China for around 20% of its supplies. However, with the sanctions imposed on Chinese manufacturers, a lucrative trade opportunity emerged for Spain, given its proximity to the USA and cost-effective production capabilities.

To capitalize on this opportunity, the Company planned to increase its production capacity by approximately 60% with an investment of around Rs. 500 Mn, expecting the plant to be operational by Q2 FY24. In terms of financial performance, the subsidiary witnessed revenue growth from Rs. 3.4 Bn in FY21 to Rs. 4.3 Bn in FY22, reflecting an annual growth of approximately 26%. Despite a decline in revenue of around 8% in FY23 to Rs. 4 Bn due to the after-effects of the Ukraine war, the Company sees potential for acquiring market share as the European industry experienced a more significant decline of around 25%. Looking ahead, the Company anticipates low-double digit growth in the exports business.

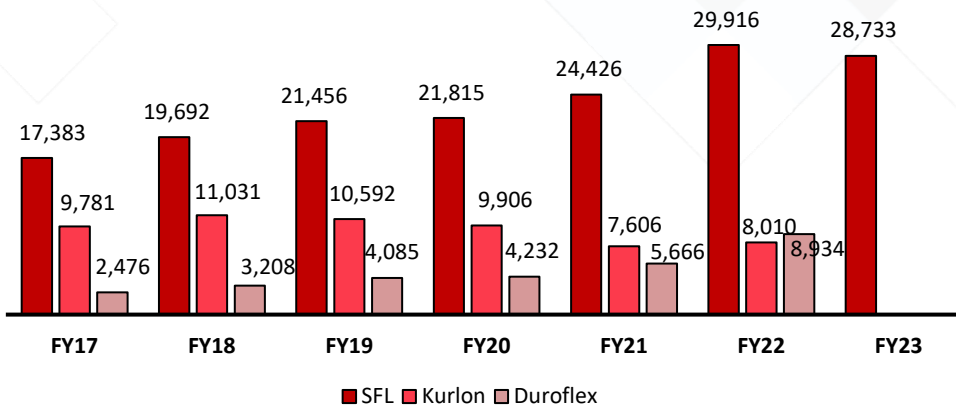
Over the past two years, the average EBITDA margin stood at around 9%, while the PAT margin stood at approximately 5%.

## SFL | Initiating Coverage Report

### Peer Analysis

The foam industry is characterized by a high degree of fragmentation, with a considerable portion of the market share held by unorganized players. In the organized segment, there are around 20-25 players operating in various regions. Among them, SFL and Kurlon Ltd. are the leading and dominant players in the industry.

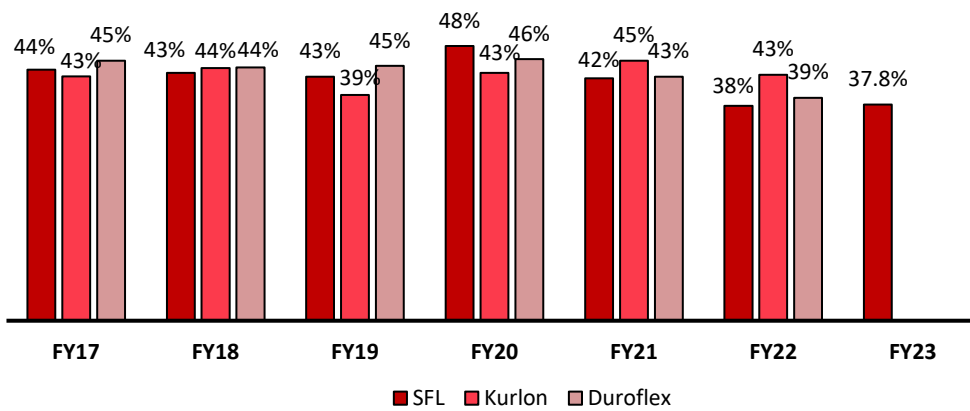
SFL is the largest player in the industry - Revenue (Rs. Mn)



Company	CAGR (%)
SFL (FY17-23)	9%
Kurlon (FY17-22)	-4%
Duroflex (FY17-21)	29%

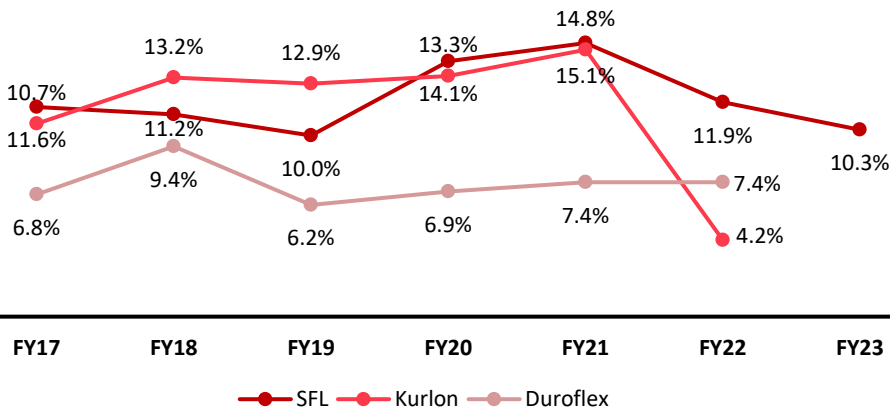
Source: Company, Kurlon Ltd, Duroflex Pvt. Ltd. Keynote Capitals Ltd.

GP Margin (%)



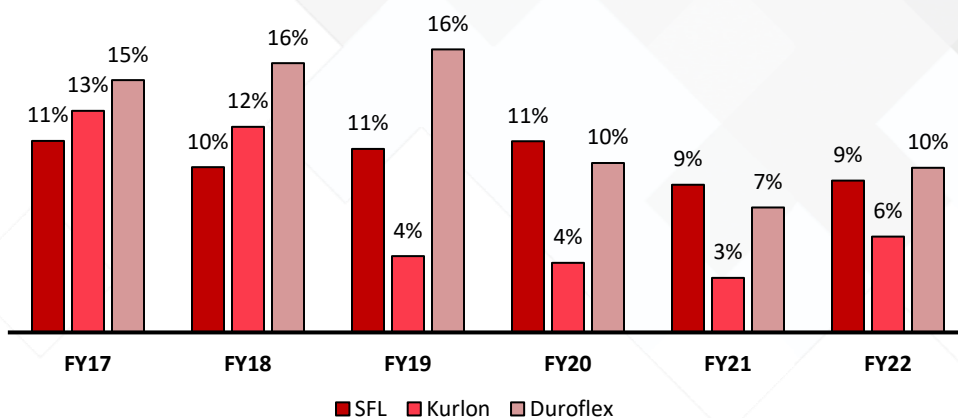
Source: Company, Kurlon Ltd, Duroflex Pvt. Ltd. Keynote Capitals Ltd.

EBITDA Margin (%)



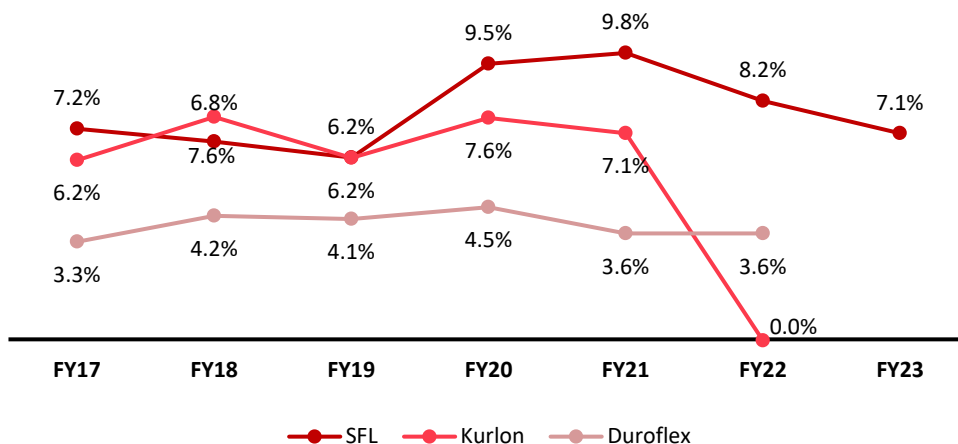
Source: Company, Kurlon Ltd, Duroflex Pvt. Ltd. Keynote Capitals Ltd.

Advertisement & Sales Promotion as a % of Sales



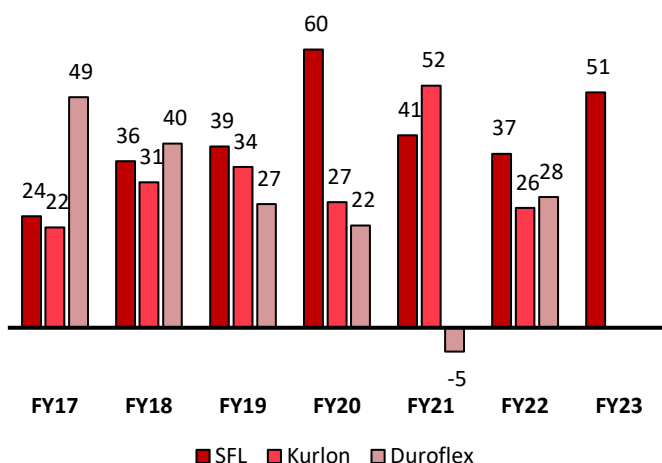
Source: Company, Kurlon Ltd, Duroflex Pvt. Ltd. Keynote Capitals Ltd.

PAT Margin (%)

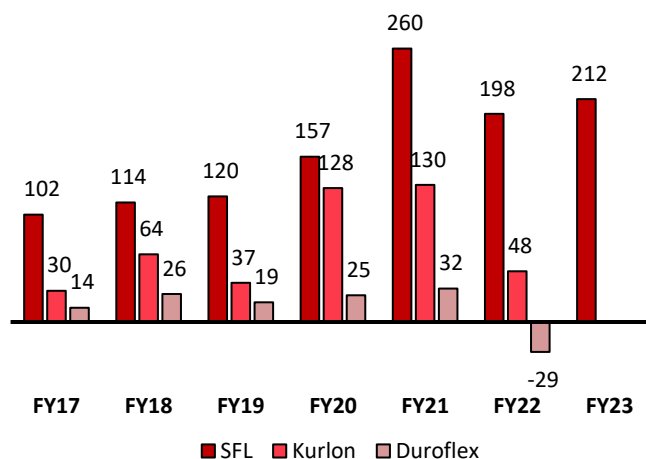


Source: Company, Kurlon Ltd, Duroflex Pvt. Ltd. Keynote Capitals Ltd.

Net working capital days



Cash Flow from Operations (Rs. Mn)



Source: Company, Kurlon Ltd, Duroflex Pvt. Ltd. Keynote Capitals Ltd.

## SFL | Initiating Coverage Report

## Management Analysis

The Management team of SFL consists of industry veterans who bring immense expertise and relevant experience of working with large entities.

Name	Designation	Experience with SFL (Yrs.)
Rahul Gautam	Chairman and MD	52
Rakesh Chahar	Sales and Marketing Head of Sleepwell Brand	33
Nilesh Mazumdar	CEO, India	< 1
Alejandro Palao Serrano	CEO, Spain	12
Kevin Graham	COO, Australia	16
Davinder Ahuja	Group Financial Controller	5

Source: Company, Keynote Capitals Ltd.

## Promoter Holding and Management Compensation

Particulars	FY20	FY21	FY22	FY23
% Promoter Holding (~)	75	73	73	73
MD's salary (Rs Mn)	35	39	43	-
As a % of PAT (~)	2%	2%	2%	-

Source: Company, Keynote Capitals Ltd.

## Top Shareholders (%)

Stakeholders	FY20	FY21	FY22	FY23
SBI Mutual Fund	9.6%	8.9%	9.0%	8.7%
Kotak Emerging Equity Scheme	3.1%	5.7%	6.3%	6.5%
DSP Midcap Fund	3.2%	5.9%	5.0%	4.4%
UTI Mutual Fund	2.7%	2.4%	2.7%	2.5%
	<b>18.5%</b>	<b>22.8%</b>	<b>23.1%</b>	<b>22.1%</b>

Source: Company, Keynote Capitals Ltd.

## SFL | Initiating Coverage Report

### Opportunities

#### Numerous Growth Drivers

All the countries where SFL operates, the segments are presenting high growth opportunities.

- India B2B – The Company's foam passed the European standards which the Government desired, which enabled the Company to have a monopolistic position in the application to be a supplier of foam for the Indian railways. The Company recorded ~ Rs. 600 Mn revenue in the railways segment in FY23 and is expected to clock even higher, as its monthly run rate doubled in the last 6 months of FY23. Secondly, the Company's two clients of automobile foam, who were partial buyers, became exclusive with the Company. Given that the Company has 70-75% share in the auto industry, this action will add more share to the Company's wallet.
- India B2C – The Company has planned to launch a brand M5 that will cater to unorganized and untapped market. The unorganized market is ~60% of the modern mattress market. Furthermore, besides being the leader in PU foam (18% of the total mattress market) and spring mattress (~8% of the total mattress) there is a substantial potential opportunity for cotton (~65% of total mattress market as of FY22) and coir (~10% of total mattress market as of FY22) mattresses, which can potentially be converted to PU Foam mattresses. Additionally, ~65-75% population of the country, sleeps on Dari or Chatai. The Company has developed the brand M5 with an objective of giving mattress to every Indian. Besides M5, the Company is aggressive in promoting Sleepwell range with a guidance of doubling the number of EBOs by FY25 that would represent 20% retail footprint. By and large, this segment is driven by housing demand with a lag of 3-4 months. With housing demand picking up, the Company is positive about the outlook of the segment.
- Spain Exports – Owing to China plus policy, the Company is optimistic to cater to the supply gap caused by the policy. The Company has guided low-double digit growth rate in the exports business.
- Australia B2B - Recently, the Company almost doubled its capacity in Australia due to nationalistic manufacturing. This provides a chance to the existing players to increase the market size and thereby market share. The Company has guided a high single digit growth rate.

On the back of these growth opportunities the Company planned expansion plan (Rs. 3.5 Bn, 70% India, 15% Spain and 15% Australia) which will become operational by Q2 FY24. On the full capacity, the Company expects 3-4 times fixed asset turnover, providing incremental revenue of more than Rs. 12 Bn. The Company has guided 12-14% annual growth rate for the coming years and an EBITDA margin of more than 12%.



### Inorganic growth on the horizon

- Previous successful acquisitions – The Company is evaluating several opportunities for inorganic growth. SFL has achieved notable success with previous acquisitions in the Australian and Spanish businesses. The Australian subsidiary has established a dominant position in the B2B PU foam market, holding approximately 40% market share and achieving a revenue growth of around 7% CAGR from FY19 to FY23. Similarly, the Spanish subsidiary experienced impressive growth, with its revenue more than doubling from Rs. 1.4 Bn in FY20 to over Rs. 3.4 Bn in FY21 within one year of acquisition, and maintaining a robust ~56% CAGR between FY20 and FY23.
- Potential acquisition of Kurlon Ltd. - Media reports suggest that Kurlon's Chairman and MD, Sudhakar Pai, has been actively seeking a potential buyer due to their weakening competitive position. One potential buyer in talks to acquire Kurlon is SFL. If this deal goes through, SFL would gain over 50% market share and significant production and distribution strength, including 9 manufacturing facilities, a network of more than 10,000 dealers, and 72 branches. Acquiring Kurlon would provide value through diversification for SFL, as they specialize in PU Foam mattresses while Kurlon is notable for its expertise in spring mattresses.
- The Company has been evaluating multiple M&A opportunities for inorganic growth, in addition to the prominent option of acquiring Kurlon. With a successful track record of previous acquisitions and the initiation of exploratory M&A expenditure, it is likely that the Company will acquire a suitable option that aligns with its tactical rationales and growth potential.

## SFL | Initiating Coverage Report

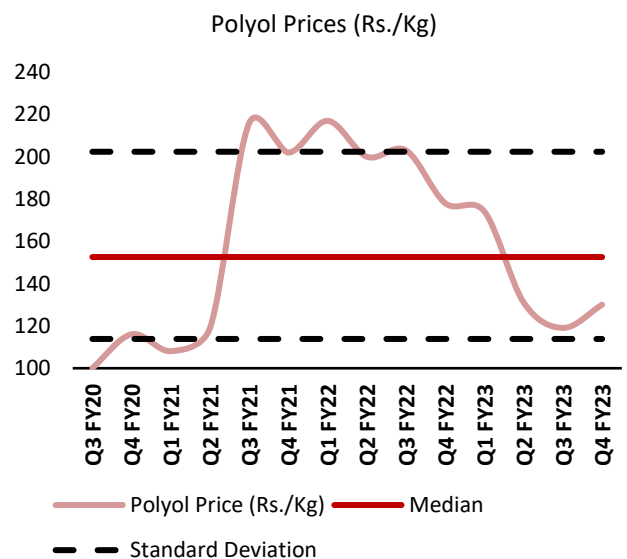
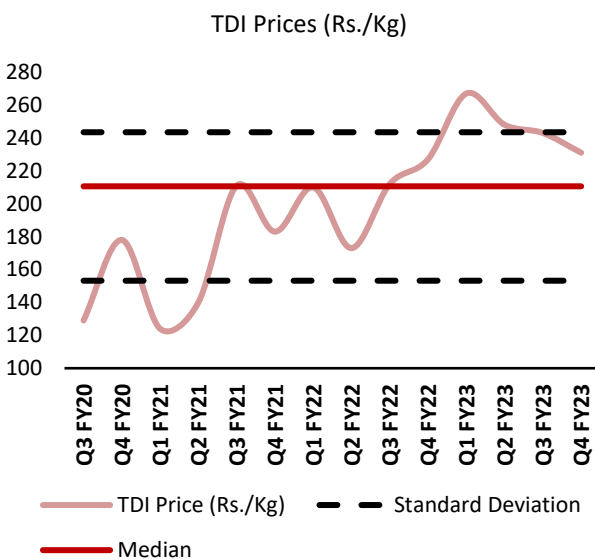
### Challenges

#### Raw Material Fluctuations

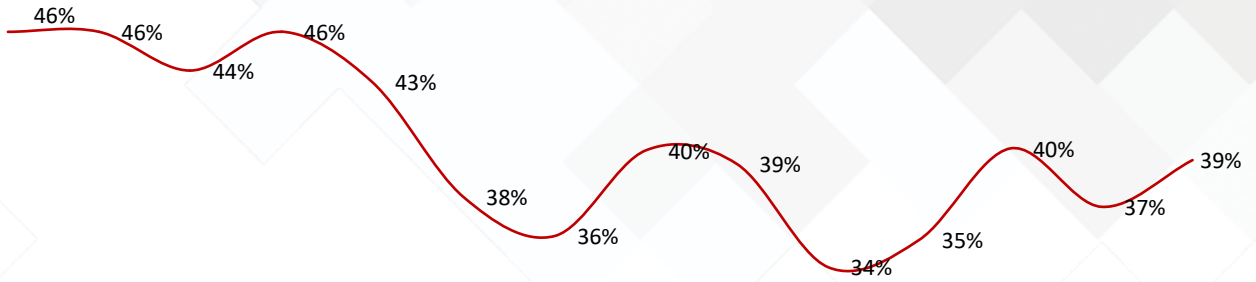
TDI is a key raw material for Sheela Foam. In FY21, TDI prices increased from ~ Rs. 120/kg to over Rs. 200/kg due to a plant shutdown in Europe. Maintenance schedules and natural disasters like hurricanes also impact TDI prices, especially during short supply situations. The volatility of TDI prices persisted in subsequent years, making planning difficult. The Company managed costs and emphasized the need for balanced and stable raw material prices. The TDI accounted for approximately 20-25% of the cost of raw materials, and its prices surged by 48% between the beginning and end of FY21 due to the European plant shutdown. The TDI prices peaked at Rs. 267/kg in the beginning of FY23 and then moved downwards towards normalization. While the Company mainly procures the raw material from Gujarat Narmada Valley Fertilizers and Chemicals Ltd. (GNFC), because of the vendor's anti dumping and exporting nature of the business, it tends to increase prices with global market.

Polyol is another key raw material for SFL. In FY21-22, Polyol prices surpassed TDI prices for the first time. Global shipping disruptions and a shortage of Propylene Oxide, a critical chemical used in Polyol production, caused scarcity and higher Polyol prices. The management expects the global capacity for TDI and Polyol to continue exceeding demand until 2026, implying stability in raw material prices for the coming years.

Different geographies experience varying demand-supply patterns, resulting in different impacts on gross margins. The lag to pass on price fluctuations also differs among countries, with Spain having a time lag of around 1 month, Australia around a quarter, and India registering weekly fluctuations. Navigating price fluctuations is relatively easier in the B2B segments compared to the B2C segment, where one-way price movement, predominantly upward, poses challenges for price adjustments.



Consolidated Gross Margins (%)



Q3 FY20 Q4 FY20 Q1 FY21 Q2 FY21 Q3 FY21 Q4 FY21 Q1 FY22 Q2 FY22 Q3 FY22 Q4 FY22 Q1 FY23 Q2 FY23 Q3 FY23 Q4 FY23

Source: Company, Keynote Capitals Ltd.

**Influence of multiple countries’ economic activity**

The Company's performance is influenced by its dependence on multiple countries for production and sales. While India contributes approximately 70% to the revenue, other countries such as Australia, Europe, and the USA also impact the Company's prospects due to their economic policies and cycles. Even if not directly, the ripple effects of events like the Ukraine war can harm sales. For example, the cost of shipping a container from India to the USA significantly increased from \$3,500-4,500 previously to approximately \$17,000 in FY22. As a result, USA importers were unwilling to pay ocean freight that amounted to around 56% of the consignment's value, leading to postponed purchases. Additionally, when the freight cost normalized, the USA underwent a demand slowdown, resulting in inventory piling up with importers. However, the demand scenario gradually improved over 6-8 months, and the Company started receiving orders again.

**Low Barriers to Entry**

The mattress industry is characterized by low barriers to entry. The Government of India actively encourages the establishment of mattress businesses as a means of generating employment opportunities for the unemployed. With a minimum capital investment of Rs. 3 Mn, individuals can start small-scale mattress manufacturing units. In addition to these low-end entrants, high-end and technologically advanced mattress companies, particularly those operating in the e-commerce space, have also entered the market. Moreover, the industry has a short learning curve, allowing new entrants to quickly overcome barriers and establish themselves.

## Financial Statement Analysis

## Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>29,818</b>	<b>28,733</b>	<b>32,469</b>	<b>36,365</b>	<b>40,729</b>
Growth %		-4%	13%	12%	12%
Raw Material Expenses	17,667	17,868	19,806	21,819	24,030
Employee Expenses	2,577	2,792	2,922	3,273	3,666
Other Expenses	6,425	5,101	6,169	7,273	8,146
<b>EBITDA</b>	<b>3,149</b>	<b>2,973</b>	<b>3,572</b>	<b>4,000</b>	<b>4,887</b>
Growth %		-6%	20%	12%	22%
Margin%	11%	10%	11%	11%	12%
Depreciation	808	896	927	1,017	1,111
<b>EBIT</b>	<b>2,342</b>	<b>2,077</b>	<b>2,645</b>	<b>2,983</b>	<b>3,776</b>
Growth %		-11%	27%	13%	27%
Margin%	8%	7%	8%	8%	9%
Interest Paid	170	211	228	228	228
Other Income & exceptional	792	865	968	1,184	1,401
<b>PBT</b>	<b>2,964</b>	<b>2,731</b>	<b>3,384</b>	<b>3,939</b>	<b>4,948</b>
Tax	776	700	846	985	1,237
<b>PAT</b>	<b>2,187</b>	<b>2,031</b>	<b>2,538</b>	<b>2,954</b>	<b>3,711</b>
Others (Minorities, Associates)	14	19	19	19	19
<b>Net Profit</b>	<b>2,201</b>	<b>2,050</b>	<b>2,557</b>	<b>2,973</b>	<b>3,730</b>
Growth %		-7%	25%	16%	25%
Shares (Mn)	48.8	97.6	97.6	97.6	97.6
<b>EPS</b>	<b>22.28</b>	<b>21.01</b>	<b>26.21</b>	<b>30.48</b>	<b>38.23</b>

## Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Cash, Cash equivalents & Bank	411	425	3,150	4,663	7,528
Current Investments	894	7,120	7,120	7,120	7,120
Debtors	2,850	2,820	3,085	3,455	3,869
Inventory	3,145	3,313	3,565	3,927	4,325
Short Term Loans & Advances	570	7	7	7	7
Other Current Assets	343	648	648	648	648
<b>Total Current Assets</b>	<b>8,213</b>	<b>14,333</b>	<b>17,574</b>	<b>19,820</b>	<b>23,497</b>
Net Block & CWIP	9,468	10,991	9,658	9,744	10,058
Long Term Investments	5,850	1,098	2,098	2,990	2,990
Other Non-current Assets	2,680	686	686	686	686
<b>Total Assets</b>	<b>26,211</b>	<b>27,108</b>	<b>30,016</b>	<b>33,240</b>	<b>37,232</b>
Creditors	3,013	2,594	3,009	3,327	3,664
Provision	25	205	205	205	205
Short Term Borrowings	1,096	1,838	1,838	1,838	1,838
Other Current Liabilities	1,452	2,196	2,196	2,196	2,196
<b>Total Current Liabilities</b>	<b>5,586</b>	<b>6,834</b>	<b>7,248</b>	<b>7,567</b>	<b>7,904</b>
Long Term Debt	2,282	2,838	2,838	2,838	2,838
Deferred Tax Liabilities	18	83	83	83	83
Other Long Term Liabilities	4,322	1,267	1,267	1,267	1,267
<b>Total Non Current Liabilities</b>	<b>6,623</b>	<b>4,188</b>	<b>4,188</b>	<b>4,188</b>	<b>4,188</b>
Paid-up Capital	244	488	488	488	488
Reserves & Surplus	13,682	15,516	18,028	20,953	24,627
Shareholders' Equity	13,926	16,004	18,516	21,441	25,115
Non Controlling Interest	76	83	64	44	25
<b>Total Equity &amp; Liabilities</b>	<b>26,211</b>	<b>27,108</b>	<b>30,016</b>	<b>33,240</b>	<b>37,232</b>

## Cash Flow

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	2,964	2,731	3,384	3,939	4,948
Adjustments	540	744	169	42	-80
Change in Working Capital	-589	-548	-102	-414	-476
Total Tax Paid	-943	-807	-846	-985	-1,237
<b>Cash flow from operating Activities</b>	<b>1,971</b>	<b>2,120</b>	<b>2,604</b>	<b>2,582</b>	<b>3,156</b>
Net Capital Expenditure	-1,429	-2,099	-1,299	-1,273	-1,425
Change in investments	-1,992	-1,267	0	0	0
Other investing activities	357	682	968	1,184	1,401
<b>Cash flow from investing activities</b>	<b>-3,064</b>	<b>-2,684</b>	<b>-331</b>	<b>-89</b>	<b>-25</b>
Equity raised / (repaid)	0	-5	0	0	0
Debt raised / (repaid)	1,321	1,041	0	0	0
Dividend (incl. tax)	-37	-28	-26	-30	-37
Other financing activities	-357	-446	-228	-228	-228
<b>Cash flow from financing activities</b>	<b>927</b>	<b>561</b>	<b>-254</b>	<b>-258</b>	<b>-266</b>
<b>Net Change in cash</b>	<b>-166</b>	<b>-3</b>	<b>2,019</b>	<b>2,236</b>	<b>2,865</b>

## Valuation Ratios

	FY22	FY23	FY24E	FY25E	FY26E
<b>Per Share Data</b>					
EPS	22	21	26	30	38
Growth %		-6%	25%	16%	25%
Book Value Per Share	285	165	190	220	258
<b>Return Ratios</b>					
Return on Assets (%)	8%	8%	9%	9%	11%
Return on Equity (%)	17%	14%	15%	15%	16%
Return on Capital Employed (%)	14%	11%	13%	13%	14%
<b>Turnover Ratios</b>					
Asset Turnover (x)	1.1	1.1	1.1	1.1	1.2
Sales / Gross Block (x)	2.6	2.4	2.5	2.5	2.6
Working Capital / Sales (x)	9%	18%	27%	31%	34%
Receivable Days	36	36	33	33	33
Inventory Days	65	66	63	63	63
Payable Days	65	57	51	52	52
Working Capital Days	36	45	46	43	43
<b>Liquidity Ratios</b>					
Current Ratio (x)	1.5	2.1	2.4	2.6	3.0
Interest Coverage Ratio (x)	18.5	14.0	15.8	18.2	22.7
Total Debt to Equity	0.2	0.3	0.3	0.2	0.2
Net Debt to Equity	0.2	0.3	0.1	0.0	-0.1
<b>Valuation</b>					
PE (x)	78.0	48.3	38.7	33.3	26.5
Earnings Yield (%)	1%	2%	3%	3%	4%
Price to Sales (x)	5.7	3.4	3.0	2.7	2.4
Price to Book (x)	12.2	6.2	5.3	4.6	3.9
EV/EBITDA (x)	54.8	34.3	28.5	25.5	20.9
EV/Sales (x)	5.8	3.5	3.1	2.8	2.5

Source: Company, Keynote Capitals Ltd. estimates

## SFL's Valuation

Valuation	
Expected (in Rs. Mn , otherwise stated)	FY24E
Revenue	32,469
EBITDA	3,572
PAT	2,538
No. of Shares	98
EPS	26.21
Expected PE (x)	50
Target Price	1,311
Current Market Price	1,025
% Upside/(Downside)	~28%

Source: Company, Keynote Capitals Ltd. estimates

Driven by emerging opportunities in Indian B2B segment and the introduction of the M5 brand in B2C and D2C, the Company is poised for significant growth. By targeting the unserved population (65-70%) and creating substitute demand (from the cotton and coir industry), the Indian business is expected to achieve a top-line growth rate of 14-15%. Secondly, due to expanding prospects in the furniture and mattresses manufacturing industry in Australia, the Company and we estimate a growth rate of ~8-9% for the segment. Lastly, on a massive avenue developing with the USA exports from Spain, we estimate a growth rate of ~11-12% for the business. To harness the outlook, the Company outlaid capital expenditure worth Rs. 3.5 Bn, which is expected to become operational by H1 FY24. Therefore, for FY24, synthesizing on the consolidated revenue growth rate of ~13% and funneling down on an EBITDA margin of ~11%, we estimate a target price of Rs. 1,311 at a median PE of 50x on Rs. 26 EPS of FY24E, suggesting an upside of ~28%.

## SFL | Initiating Coverage Report

### Our Recent Reports

**ISIC | Initiating Coverage Report** KEYNOTE

**ICICI Securities Ltd.** 18<sup>th</sup> May 2023

Launched by Chairman, Pradyip K. Ray to High Growth

**BUY**

ICICI Securities Ltd. (NSE: 500175) is a leading financial services provider in India. The company has a strong track record of delivering high-quality research and advisory services to its clients. The company's focus on digital transformation and its strong relationships with institutional investors are key drivers of its growth. We expect the company to continue to grow at a strong pace over the next 12 months. We recommend a BUY rating for ICICI Securities Ltd. with a target price of ₹1,000.



**ISIC | Initiating Coverage Report** KEYNOTE

**Indian Energy Exchange Limited** 19<sup>th</sup> May 2023

Initiating coverage on Indian Energy Exchange Limited (IEX) with a BUY rating. The company is a leading player in the Indian energy derivatives market. Its strong regulatory support and growing market share are key drivers of its growth. We expect the company to continue to grow at a strong pace over the next 12 months. We recommend a BUY rating for Indian Energy Exchange Limited with a target price of ₹1,000.



**Federal Bank Ltd. | Initiating Coverage Report** KEYNOTE

**Federal Bank Ltd.** 17<sup>th</sup> April 2023

Initiating coverage on Federal Bank Ltd. with a BUY rating. The company is a leading player in the Indian banking sector. Its strong regulatory support and growing market share are key drivers of its growth. We expect the company to continue to grow at a strong pace over the next 12 months. We recommend a BUY rating for Federal Bank Ltd. with a target price of ₹1,000.



**ICICI Securities Ltd.**

**Indian Energy Exchange Ltd.**

**Federal Bank Ltd.**

### Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

### Disclosures and Disclaimers

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Keynote Capitals Ltd. (KCL) is a SEBI Registered Research Analyst having registration no. INH000007997. KCL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. Details of associate entities of Keynote Capitals Limited are available on the website at <https://www.keynotecapitals.com/associate-entities/>

KCL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

KCL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that KCL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Details of pending Inquiry Proceedings of KCL are available on the website at <https://www.keynotecapitals.com/pending-enquiry-proceedings/>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of KCL or its associates maintains arm's length distance with Research Team as all the activities are segregated from KCL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

## SFL | Initiating Coverage Report

### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL & its group companies to registration or licensing requirements within such jurisdictions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

### Specific Disclosure of Interest statement for subjected Scrip in this document:

Financial Interest of Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Any other material conflict of interest at the time of publishing the research report by Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Receipt of compensation by KCL or its Associate Companies from the subject company covered for in the last twelve months; Managing/co-managing public offering of securities in the last twelve months; Receipt of compensation towards Investment banking/merchant banking/brokerage services in the last twelve months; Products or services other than those above in connection with research report in the last twelve months; Compensation or other benefits from the subject company or third party in connection with the research report in the last twelve months.	NO
Whether covering analyst has served as an officer, director or employee of the subject company covered	NO
Whether the KCL and its associates has been engaged in market making activity of the Subject Company	NO
Whether the Research Entity [KCL] and its associates; Research Analyst and its Relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.	NO

### The associates of KCL may have:

- Financial interest in the subject company
- Actual/beneficial ownership of 1% or more securities in the subject company
- Received compensation/other benefits from the subject company in the past 12 months
- Other potential conflicts of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- Acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- Be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- Received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of KCL has not received any compensation or other benefits from third party in connection with the research report.

Above disclosures includes beneficial holdings lying in demat account of KCL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of KCL for other purposes (i.e. holding client securities, collaterals, error trades etc.). KCL also earns DP income from clients which are not considered in above disclosures.

### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

### Terms & Conditions:

This report has been prepared by KCL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KCL. The report is based on the facts, figures and information that are believed to be true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KCL will not treat recipients as customers by virtue of their receiving this report

## Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. KCL, its associates, their directors and the employees may from time to time, effect or have affected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. KCL, its associates, their directors and the employees may from time to time invest in any discretionary PMS/AIF Fund and those respective PMS/AIF Funds may affect or have effected any transaction in for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of KCL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL to any registration or licensing requirement within such jurisdiction.

The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt KCL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold KCL or any of its affiliates or employees responsible for any such misuse and further agrees to hold KCL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

## Keynote Capitals Limited (CIN: U67120MH1995PLC088172)

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD): INZ000241530; DP: CDSL- IN-DP-238-2016; Research Analyst: INH000007997

For any complaints email at [kcl@keynoteindia.net](mailto:kcl@keynoteindia.net)

General Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on [www.keynotecapitals.com](http://www.keynotecapitals.com); Investment in securities market are subject to market risks, read all the related documents carefully before investing.