BP Wealth | STOXBOX

Result Update

Q1 FY27

Sheela Foam Ltd.

Institutional Research

Sheela Foam Ltd.

BP WEALTH

Consumer Durables | Q1FY27 Result Update **06th August 2026**

Strong Performance Across Segments; Group Revenue Crosses Rs. 1,000 Crores Mark with Robust EBITDA Expansion

Sheela Foam Ltd., India's leading manufacturer of polyurethane foam and mattresses (owner of flagship brands Sleepwell and Kurlon), reported its Q1FY27 financial results, achieving a milestone performance with consolidated revenue crossing the Rs. 1,000 crores mark and EBITDA exceeding Rs. 100 crores for the first time in any Q1. For the quarter, consolidated revenue from operations grew 25.6% YoY (up 26% YoY) to Rs. 1,032 crores, supported by strong value growth in both domestic mattress and foam segments as well as momentum in international geographies. Consolidated EBITDA surged 44.8% YoY (up 45% YoY) to Rs. 109 crores, with EBITDA margins expanding 139 bps YoY to 10.60% (compared to 9.2% in Q1FY26), driven by operating leverage, portfolio mix, and value-accretive growth despite gross margin compression (40.6% in Q1FY27 vs 44.6% in Q1FY26). Net profit (PAT) for the quarter saw a massive 9.5x YoY jump to Rs. 62 crores (vs Rs. 7 crores in Q1FY26 and Rs. 92 crores in Q4FY26), delivering a cash EPS of Rs. 10.3. On a standalone basis (SFL + KEL), revenue grew 20% YoY to Rs. 761 crores with EBITDA rising 13% YoY to Rs. 68 crores. Operational performance was fueled by a 6% volume and 15% value growth in the mattress segment, alongside a 4% volume and 26% value growth in the foam segment. Digital and distribution drivers delivered impressive traction, with e-commerce sales surging 69% YoY on brand.com and 19% YoY on marketplace platforms, while the mass-market U2O initiative expanded to nearly 10,000 dealers. Overall, robust volume acceleration, expanding international profitability, and deepened distribution reach enabled Sheela Foam to deliver a strong, well-rounded Q1FY27 performance.

Valuation and Outlook

Sheela Foam's medium to long-term outlook remains strong, supported by robust market leadership in branded mattresses (appx. 30% market share), full-scale integration synergies from the Kurlon acquisition, and rapid expansion across digital and mass-market channels. Management reiterated its commitment to achieving a 15% revenue growth trajectory and expanding EBITDA margins toward 15% over the medium term, while targeting a Return on Capital Employed (ROCE) improvement to 20-25% over the next three years driven by operating leverage and higher profitability. Near-term margin compression driven by TDI and Polyol price volatility (+40% to -20%) and lower foam gross margins is viewed as temporary, with management implementing commensurate price hikes to offset input cost inflation. The company's core domestic volume growth engines remain intact, supported by the rapid scale-up of the Unorganized-to-Organized (U2O) dealer network (nearly 10,000 dealers; +81% YoY value growth), strong e-commerce momentum (+30% YoY revenue; brand.com up 69%), and category expansion into sofa-beds in collaboration with Furlenco. Additionally, Kurlon's integration is 96-97% complete, with Rs. 140 crores of remaining synergies expected to fully reflect by Q3FY27 following machinery installations. Overseas operations in Australia and Spain continue to deliver strong performance, with FY27 international revenues projected to surpass Rs. 1,000 crores with Rs. 120 crores EBITDA (normalizing at 10-12% margins over the medium term). Supported by healthy free cash flow generation prioritized for India debt repayment over the next year and targeted COCO store expansion (scaling to 50 stores), Sheela Foam remains well-positioned to drive sequential margin recovery and deliver sustainable long-term earnings growth. **Thus, we expect Sheela Foam to generate stable revenues over the long term and is trading at a PE of 29.8x/24.8x on FY27e/28e EPS estimates. We value Sheela Foam at 35x FY27e EPS and have revised the target price to Rs. 820.**

Key Highlights

Particulars (Rs. Cr.)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Net Sales	**1,032**	**821**	**25.6%**	**1,050**	**-1.7%**
Gross profit	419	366	14.2%	466	-10.1%
Gross margin (%)	**40.6%**	**44.6%**	**-405 bps**	**44.4%**	**-379 bps**
EBITDA	109	75	44.8%	117	-6.6%
OPM (%)	**10.6%**	**9.2%**	**139 bps**	**11.1%**	**-55 bps**
PAT	62	7	852.4%	82	-24.0%
PAT Margin	**6.0%**	**0.8%**	**525 bps**	**7.8%**	**-177 bps**

Source: Company, BP Equities Research

Sector Outlook	Positive

Stock

CMP (Rs.)	698
BSE code	540203
NSE Symbol	SFL
Bloomberg	SFL IN
Reuters	SHEF.BO

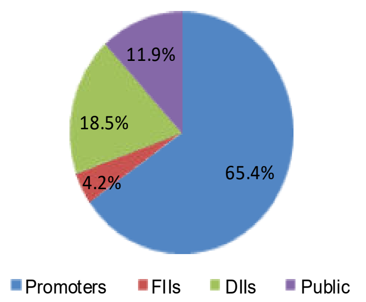
Key Data

Nifty	24,636
52 Week H/L (Rs,)	832/457
O/s Shares (Cr.)	130
Market Cap (Rs. Cr.)	7,608
Face Value (Rs.)	5

Average Volume

3 months	4,44,805
6 months	2,96,178
1 year	2,48,013

Share Holding Pattern (%)



Relative Price Chart

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Key Concall Highlights

Management Outlook

Raw material volatility is expected to persist over the next few months due to ongoing geopolitical disruptions, with stability likely only after supply chains normalize.

Management remains optimistic that profitability will improve sequentially as commodity markets stabilize and festive season demand strengthens.

Growth will be driven by market share gains in mattresses, expansion of the U2O platform, premiumization, furniture category scaling through Furlenco, e-commerce expansion and realization of pending Kurlon synergies.

Margin Performance and Raw Material Outlook

EBITDA margins moderated primarily due to the sharp decline in raw material prices, which compressed foam gross margins, while higher foam sales also impacted blended margins.

Management prioritized customer servicing and market share over short-term margin optimization by maintaining inventory and ensuring uninterrupted foam supplies during periods of volatility.

"EBITDA margins were compressed by raw material (TDI and Polyol) price volatility (+40% to -20%), but management expects recovery as price hikes take effect."

Raw material prices (TDI and Polyol) continue to remain highly volatile due to geopolitical disruptions, with price movements ranging between +40% and -20% during the period.

The company is implementing commensurate price hikes to offset input cost inflation, with only a temporary margin impact arising from inventory transit and timing differences.

Management expects margin performance to improve once commodity volatility stabilizes and reiterated that the current pressure is temporary rather than structural.

U2O (Unorganized-to-Organized) Initiative

U2O dealer network expanded to nearly 10,000 dealers, delivering 81% YoY value growth and 19% volume growth, driven by rapid network expansion and portfolio additions.

"The mass-market U2O network expanded to 10,000 dealers."

Newly introduced 5-inch and 6-inch mattresses have witnessed strong consumer acceptance, improving realizations and accelerating premiumization within the category.

Earlier price increases in the U2O portfolio have now stabilized, with management indicating the current pricing structure is sustainable going forward.

E-commerce and Consumer Strategy

Direct-to-consumer website (Brand.com) sales increased 69% YoY, while marketplace sales grew 19% YoY, resulting in overall e-commerce growth of 30% YoY with 23% volume growth.

Company is expanding category presence beyond mattresses and has entered the sofa-bed segment under the Sleepwell and Kurlon brands, leveraging Furlenco's manufacturing and design capabilities.

Management intends to increase consumer-focused marketing investments, launch premium products and improve in-store conversion to drive future growth.

Dedicated e-commerce product launches and portfolio simplification are expected to support premiumization and profitability.

International Business

Australia (Joyce) reported 31% revenue growth with EBITDA margins improving to 12.8% from 6.8% last year.

Spain delivered 54% revenue growth, while EBITDA margins expanded to 14.7% from 5.7% a year ago.

Improved profitability was driven by supply chain restructuring, yield improvement initiatives and benefits from lower-cost inventory.

Management expects international businesses to normalize at 10-12% EBITDA margins with ~5% annual growth in local currency over the medium term, although FY27 performance is likely to remain stronger than normal.

Combined overseas business is expected to surpass Rs. 1,000 crores revenue with approximately Rs. 120 crores EBITDA in FY27.

Furlenco Update

Furlenco continued its strong operating momentum with 38% revenue growth, 65% EBITDA growth and 36% growth in subscriber base.

Management clarified that Q4FY26 PAT included a one-time deferred tax asset recognition; underlying operating profitability continues to improve.

Furniture is currently available in 40-50 shop-in-shop stores, with an initial target of expanding to 100 stores before broader rollout.

Furlenco will primarily target premium urban micro-markets where the format is economically viable.

Kurlon Integration and Synergies

Integration of Kurlon is 96-97% complete, covering manufacturing, IT systems, HR integration and network consolidation.

"Integration is 96–97% complete with Rs. 140 Crores of remaining synergies expected to fully reflect by Q3FY27."

Around 75-80% of synergy benefits have already been realized, while the remaining synergies are expected over the coming quarters.

Around Rs. 140 crores of synergies remain to be captured, with the balance expected to be fully reflected by Q3FY27 following installation of new machinery.

Post integration, management expects both Sleepwell and Kurlon to benefit from cross-brand distribution and regional strengths to accelerate growth.

Store Expansion and Distribution

Company is expanding its Company-Owned Company-Operated (CoCo) network with a target of 50 stores, of which 42 stores are already operational.

Each CoCo store requires approximately Rs. 50 lakhs investment, with store sizes ranging from 1,800 –3,000 sq. ft.

Expansion is focused on premium urban markets where branded retail presence is strategically important.

Capital Allocation and Balance Sheet

Management reiterated its commitment to 15% revenue growth and 15% EBITDA margin over the medium term.

Return on Capital Employed (ROCE) is targeted to improve to 20-25% over the next three years through higher profitability and operating leverage.

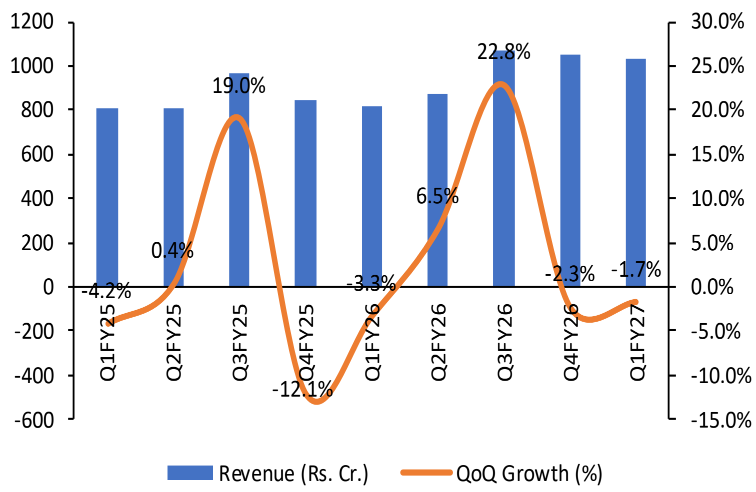
"FY27 free cash flows will be prioritized to fully pay off India debt over the next year while targeting a 20–25% ROCE in three years."

Free cash flow generated during FY27 will be primarily utilized for debt reduction.

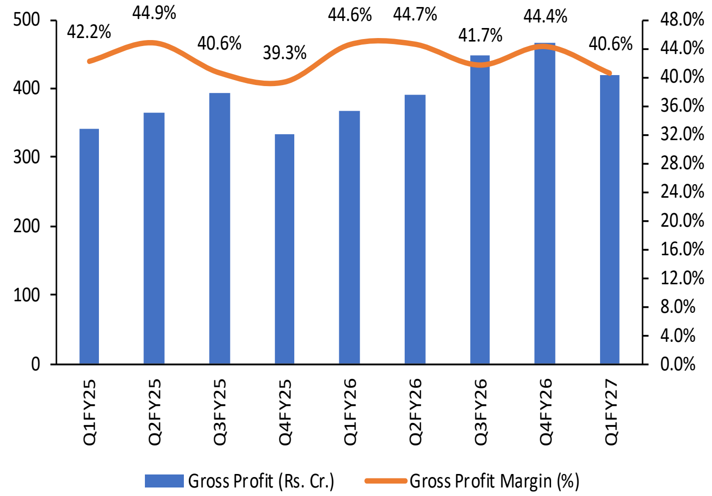
India debt is expected to be repaid over the next year, while overseas debt will be serviced gradually through cash flows generated by international subsidiaries.

Quarterly Snapshot

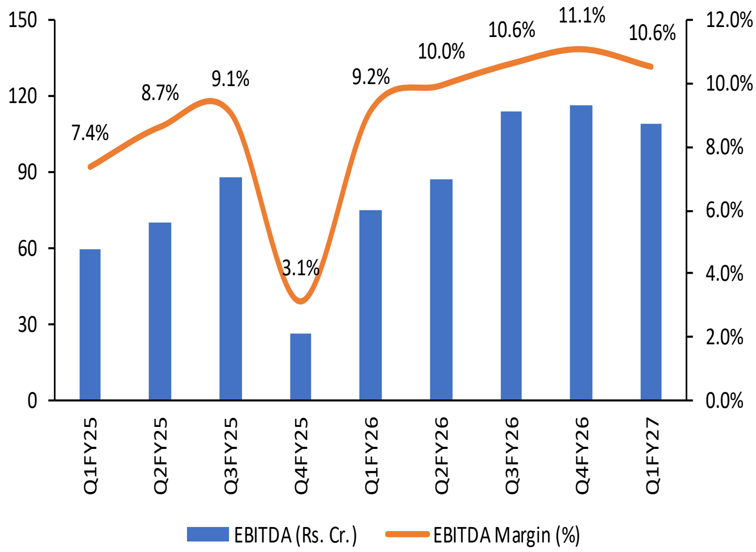
Robust revenue growth of 26% YoY



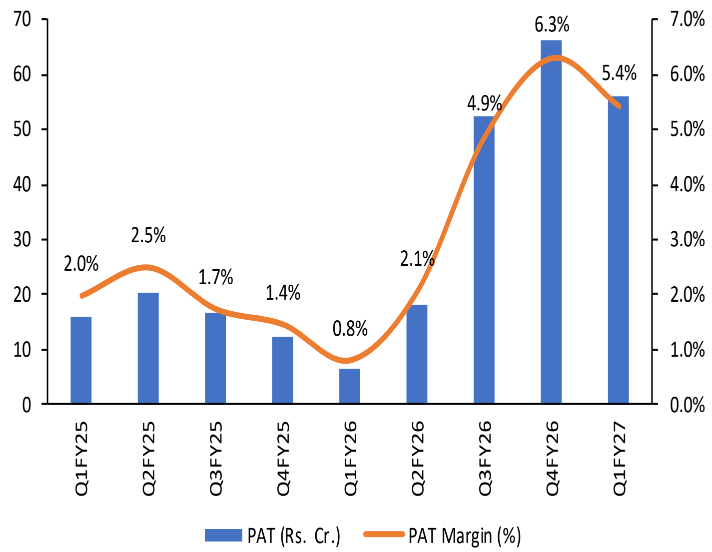
Gross margin declined due to raw material price volatility



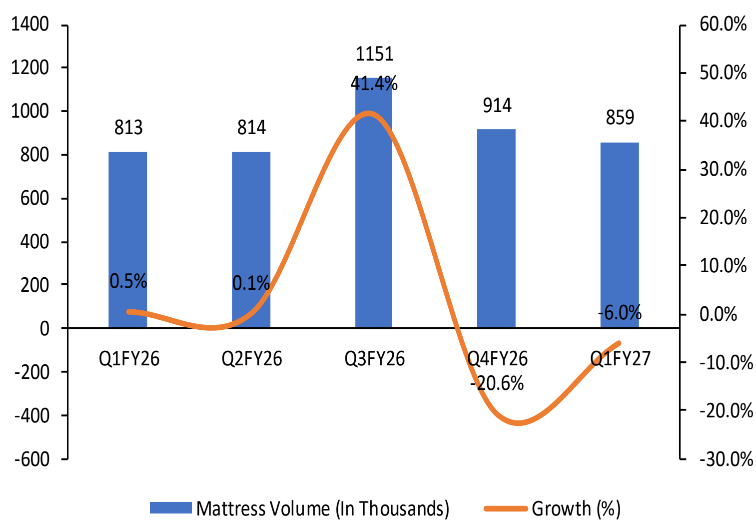
EBITDA margin moderated primarily from input cost inflation



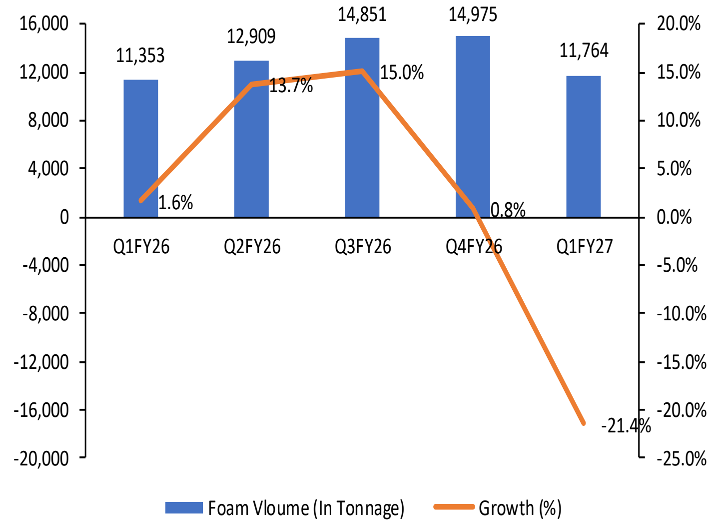
PAT margin dropped due to lower operating profit



Mattress volume declined due to seasonal weakness



Total foam volume decreased due to seasonal demand moderation



Source: Company, BP Equities

Key Financials						
YE March (Rs. Cr.)	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Revenue	**2,873**	**2,982**	**3,439**	**3,821**	**4,322**	**4,846**
Revenue Growth (Y-oY)	*0.3%*	*3.8%*	*15.3%*	*11.1%*	*13.1%*	*12.1%*
EBITDA	**298**	**301**	**245**	**393**	**514**	**609**
EBIT Growth (Y-o-Y)	*(5.3%)*	*0.8%*	*(18.5%)*	*60.6%*	*30.6%*	*18.6%*
Net Profit	**201**	**184**	**90**	**161**	**256**	**307**
Net Profit Growth (Y-o-Y)	*(8.2%)*	*(8.4%)*	*(51.0%)*	*78.5%*	*58.8%*	*20.3%*
Diluted EPS	**20.4**	**16.8**	**8.2**	**14.6**	**23.4**	**28.2**
Diluted EPS Growth (Y-o-Y)	*(8.4%)*	*(17.7%)*	*(51.0%)*	*77.9%*	*60.3%*	*20.3%*
Profitability Ratios						
EBITDA (%)	**10.4%**	**10.1%**	**7.1%**	**10.3%**	**11.9%**	**12.6%**
NPM (%)	7.0%	6.2%	2.6%	4.2%	5.9%	6.3%
ROE (%)	**12.5%**	**6.2%**	**3.0%**	**4.9%**	**7.3%**	**8.1%**
ROCE (%)	9.6%	4.1%	1.4%	5.2%	8.0%	9.9%
Valuation Ratios						
P/E (x)	**34.2x**	**41.6x**	**84.9x**	**47.7x**	**29.8x**	**24.8x**
EV/EBITDA	27.3x	30.1x	36.9x	21.6x	16.3x	13.5x
P/BV (x)	**4.7x**	**2.6x**	**2.5x**	**2.3x**	**2.2x**	**2.0x**
Market Cap. / Sales (x)	2.6x	2.6x	2.2x	2.0x	1.8x	1.6x

Source: Company, BP Equities Research

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Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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