12th February, 2024

To

The BSE Limited
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Dalal Street, Mumbai-400001
Scrip Code: 540203

The National Stock Exchange India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra(E), Mumbai-400051
NSE Symbol: SFL

Subject: Transcript of Investors' Conference Call for Quarter ended December 31, 2023 Financial Results.

Dear Sir/Madam,

Please find below the transcript of Investors' conference call organized on February 07, 2024 post declaration of Financial Results for the quarter ended on December 31, 2023 for your information and records.

Thanking you,

Yours truly,
For Sheela Foam Limited

MD IQUEBAL AHMAD
Digitally signed by MD IQUEBAL AHMAD
Date: 2024.02.12 14:56:56 +05'30'

Md. Iquebal Ahmad
Company Secretary & Compliance Officer

"Sheela Foam Limited

Q3 FY '24 Earnings Conference Call"

February 07, 2024

MANAGEMENT: **MR. RAHUL GAUTAM – EXECUTIVE CHAIRMAN – SHEELA FOAM LIMITED**
MR. NILESH MAZUMDAR – CHIEF EXECUTIVE OFFICER, INDIA BUSINESS – SHEELA FOAM LIMITED
MR. AMIT KUMAR GUPTA – GROUP CHIEF FINANCIAL OFFICER – SHEELA FOAM LIMITED

MODERATOR: **MS. JYOTI GUPTA – NIRMAL BANG EQUITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Sheela Foam Limited Q3 FY '24 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jyoti Gupta from Nirmal Bang Equities. Thank you, and over to you, ma'am.

Jyoti Gupta: Thank you, Tushar. Hello, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome all the participants to Sheela Foam Limited Third Quarter FY '24 Earnings Conference Call. The management is represented by Rahul Gautam, Executive Chairman; Mr. Nilesh Mazumdar, CEO India Business; and Mr. Amit Kumar Gupta, CFO.

Without further ado, I would like to hand over the call to Nilesh sir for his opening comments and then we'll open the floor to question and answers. Thank you, and over to you sir.

Nilesh Mazumdar: Thank you, Jyoti.

Rahul Gautam: I think Amit, you would be doing the opening comments, right?

Amit Kumar Gupta: You're right, sir.

Jyoti Gupta: Sorry, sir. Yes.

Amit Kumar Gupta: Thank you, Jyoti, for this. Good evening, everyone, and thank you for joining us for our earnings conference for the third quarter and 9 months ended financial year '24. I would also like to thank our host, Nirmal Bang for hosting this earnings call.

Let me first take you all through the quarterly and 9 months ended financial highlights and then discuss some of the operational highlights. For the third quarter under review, on a consolidated basis, we reported revenues of INR879 crores, which increased by around 15.5% Y-o-Y basis and 43.3% on a Q-o-Q basis. EBITDA for the quarter stood at [INR76] crores, up by about 0.8% Y-o-Y and 15% Q-o-Q. EBITDA margins were reported at 8.67%. Net profit stood at INR31 crores, which was down by about 49% Y-o-Y.

For the 9 months ended financial year '24, our consolidated revenue are approximately at the same level on a Y-o-Y basis at INR2,137 crores. The EBITDA was flat for the year at INR220 crores, with EBITDA margins at 10.3% and net profit at INR118 crores, declining by about 24.5% Y-o-Y.

As a part of our drive to focus on our core brands, Sleepwell brand mattress segment continues to do very well with 26% growth on a Y-o-Y basis. This growth is aided by the two new models under the Sleepwell brand, namely Nexa and Fitrest, which has received tremendous market response on the back of the marketing campaign undertaken during the World Cup.

On a stand-alone basis, contribution margins have improved by 4.7% Y-o-Y basis and 1.1% on a Q-o-Q basis, representing strong operational improvement in the business and the profitability. EBITDA margin for the quarter on a stand-alone basis is 10.5%. This is in spite of our marketing expenses increasing from 5.4% to 8.6% as compared to the last quarter. Most of the profit generated from improved contribution margin and increase in sales have been ploughed back into the business with minimal impact on EBITDA margins.

Moving to the next financial year, we expect marketing expenses to stabilize between 6% to 6.5%, which is around 2% lesser than the current -- level of the current quarter. Hence, the current EBITDA margin of around 10.5% can be normalized to around 12.5%.

On the other highlights, we have successfully completed both our announced acquisitions, adding Furlenco in August and Kurlon in October to our portfolio. We are happy to report that Kurlon has clocked a revenue with an annualized basis comes to around INR890 crores. This is basis 72 days of sales post our acquisition on 20th October.

EBITDA margin for Kurlon stood at 3.6%, mainly on account of incremental marketing sales expenses, which happen when you take over a company and you have to acquaint yourselves with the entire company and take all the people along with you for taking the business to the next level.

If we normalize it with the selling expenses and the promotional expenses done during this period, EBITDA margins currently stand at around 7% to 8%, which is better than the historical margins in the previous time for Kurlon Enterprises limited.

With this, I hand it over back to Jyoti for any questions that you might have. Thank you.

Moderator: Nilesh sir, should we start for the question and answer session?

Nilesh Mazumdar: Yes, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ritesh Shah, an Individual Investor. Please go ahead, sir.

Ritesh Shah: Sir, I'm not an individual investor, still with Investec. Sir, I have two questions for Rahul sir, two for Nilesh sir, one for Gupta sir. Rahulji just to start with you. First is, if we look at Kurlon margins, do you see sale expenses at 20.1%. Has this number bumped up? If yes, is it a onetime number? How should we look at it? I think we also mentioned that the normalized margin would be 7.8% and not the reported 3.6%. So are there any other one-offs, which are there over here, which we need to look at?

Rahul Gautam: Ritesh, thank you. You're absolutely right that these are one-off numbers. This is just the first 70-odd days and there are many things from the transactions, which are spilling over to this period. And therefore and the other normalized numbers that you talk about are exactly what's going to be there.

So I would just say that it's in the positive direction, it is moving. There is a lot of expenses being booked at this time, which are abnormal. Just give it another quarter for stabilizing and you will see the numbers that we are talking about. It's not better than that.

Ritesh Shah: Sure. Sir, just to ask an incremental question over here. Have we changed the incentive discount schemes for Kurlon dealers because the thought process was that the larger scale, we will be able to review probably the incentives or discounts with the rate of the channel?

Rahul Gautam: Nilesh, would you please take this question?

Nilesh Mazumdar: Yes, I'll take that question. So deficit is a little more complex than that because there was a set of pricing decisions, which historically had been taken by Kurlon, which made the brand in some price segments and competitors. So as we took charge, some price correction had to be done so that the brand and in those size segments, we stay competitive.

We have right now not yet tweet with the dealer margin. It's too early for us to dealer margin or the dealer incentive program. We will do that gradually. We don't want to rush into it. Let them settle down because it's -- as you understand that in this process like this, there is a lot of apprehension that this in stakeholders have and it's important that we give them that confidence that for them also, things will improve. And as we move into it, we will then take a considered call on how do we want to look at the overall earnings for a dealer.

Ritesh Shah: Sure. This is helpful. So my second question was around [Tarang], if you could detail something incremental on the distribution versus what we had indicated last quarter. How has the response been so far? And you did indicate there were two new brands which were launched, so if you could help the price point and the positioning for the two new brands? Thank you.

Nilesh Mazumdar: So Ritesh, Tarang, yes. We were -- as we had discussed in the previous meetings that we were piloting that entire model in rupees we've had a fairly successful pilot. We have got the learnings. And now as we speak, we are now gradually scaling it up in the same parts of the country. We would have now gone into about 3 or 4 odd states. We are taking it step by step by creating a completely different distribution structure and a separate sale structure, which we'll only look at down below 1 lap population in POPs data. So we are getting a good success and month-on-month, almost the business is obviously scaling up the way we desire.

It's also important that we have the implement model in place because as we go across different parts of the country, we should be able to service these requirements through an appropriate manufacturing footprint across the country that we will have for mattress. So that capability also, as we speak, we are building it up. So fingers cross, things are looking positive as far as Tarang and the small town India project is concerned.

Ritesh Shah: Sir, can you detail something incremental on distribution? Because earlier you had educated that we'll follow basically likes of what HUL basically a different distribution model.

Management: Yes, yes. So therefore the distribution model here is we are not going through our existing distributors. We have to understand that we find -- we don't want to create a completely new distribution cost structure only for this because these are lower-cost products. So the model that we are following is that we will drive on an existing distribution of FMCG. So therefore, the distributors that we are selecting currently are those people who already have distribution network in the FMCG area -- FMCG category in these markets.

And for them, therefore, it just is an add-on product, which they carry on their existing infrastructure of warehousing, transportation, etcetera. So it doesn't need to create dedicated storage, etcetera, which would have therefore created a high-cost model. So that's exactly the model, which we are now extending to the rest of the country.

Ritesh Shah: And sir, the price point for Tarang versus the new brands that we have launched and the rationale behind that?

Nilesh Mazumdar: Okay. So Tarang is a completely different model as customer segment, and we should not confuse it with the current and the other offerings, which are there in the urban mid to high end. As we have been saying, Tarang is positioned the customer who is currently using a cotton mattress. A cotton mattress in this country today cost anywhere between INR800 to INR1,200 for a mattress. So that's the customer segment to whom we are taking. Tarang is light set at around INR2,000 with a 3-year warranty on it. So the lifetime value of the product is good. The initial response from consumers also has been rather positive.

Ritesh Shah: Sir, you indicated Nexa and one more brand I missed that. If you could just help with some color over that.

Nilesh Mazumdar: Yes. So therefore, if you see the performance in quarter 3, Ritesh of Sleepwell mattress, we have been able to clock a growth of about 26% in Sleepwell mattress. This has been driven largely through 3 different initiatives. We rolled out the brand campaign on Did you Sleep Well, which was there on World Cup. We can presume maybe some of you may have seen.

The other campaign was to back a product called Nexa, which we launched in the market and which has received very positive response. This is a product, which is superior to what today consumers know of called as memory foam. So this is a product, which is superior to that. It's at a price point of approximately INR24,000 onwards. There are 3 different variants in that. And as we see, the campaign is still continuing and it has been received very, very positively by the consumers across the country. So that is the Nexa model that we have.

The other model that we have launched is called FitRest, which is slightly lower at price points. This has got a profiling to it, a mattress is a profile point to it. This is targeted towards a particular segment that we have been seen perhaps increasing its presence in the country, which is of what is called a covered mattress, where basically people -- local players were piecing foam and covering it in different fabrics and filling it as a mattress.

In order to cater to that segment and having an offering, which cannot be matched by then. FitRest, which is a Foam PU mattress, we have first launched in Gujarat and then we extended to the rest of the country. And once again, very well looking. So these are the two different models addressing to very different consumer segments that we have launched in the market and until now things look positive.

Ritesh Shah: This is very helpful. Sir, just last question before I join back. Sir, how should we look at Furlenco numbers. We see some headline losses we had guided for some numbers at EBITDA and PAT by December. Where are we over there? And how should we look at the road ahead, increasing stake as well as on the numbers ramp up?

Nilesh Mazumdar: Amit will take that question.

Amit Kumar Gupta: For Furlenco, we've got the results for this quarter. And as you just stated at the moment, the entire drive is to make it profitable and we are progressing very, very sharply on that part. There has been a delay of one month. What we expected January to be profitable, we would be in February. And we will -- we are operating EBITDA wise, we are already positive in December, but PBT wise, we will start from February.

The moment we get into that virtual cycle of getting positive, we will start then looking at doing all the other things, which we intend to do. But the first is the profitability part. And the top line numbers are also increasing and that's obviously contributing to the bottom line, plus some cost lines and cost reduction of management initiatives are also in place.

Ritesh Shah: Sir, would you like to share some numbers over here? So the margin in the next year, what sort of revenue EBITDA do we look at and the timelines of increasing with the state?

Amit Kumar Gupta: Ritesh, we would also probably give it this quarter and probably the next one that we talk because to us, the first and the most important thing is that the whole operation needs to get positive. They are going in that direction.

As far as increasing the stake is concerned, last time I have already mentioned to you that we do have some available for one year. But besides that, we would look at it. In any case, we have total control as far as the Board is concerned, that the decision-making is concerned. So I just request for this quarter so that when we reported that we are profitable and then we are taking these steps, it will probably make more sense.

Moderator: And the next question is from the line of Nihal Mahesh Jham from Nuvama. Please go ahead, sir.

Nihal Mahesh Jham: Good evening to the management. Sir, my first question was, I think we've done a reclassification of the way we are reporting our segments. If you could just give a ballpark sense I was not able to find the details on the same if they are and maybe a look at that and not take a question ahead. But in case not, if you just want to highlight what are the changes or the reclassification that you've done in terms of reporting our numbers.

Nilesh Mazumdar: Amit, do you want to get that, please?

Nihal Mahesh Jham: I was referring to the operational numbers, not the earlier reclassification that we had done last year.

Amit Kumar Gupta: So operational numbers, we have -- Nihal, as we have not done any reclassification. What you see in the sheet for the result is because we started reclassification from Q4 last year. So as per the requirement, we have to show a comparative of that. But as far as in this quarter, no further reclassification has been done.

Nihal Mahesh Jham: I was referring more to the presentation actually where even if I add up the mattresses, both on small town India offline and online, the number seems different from what we had reported last time in terms of volumes?

Amit Kumar Gupta: So maybe, Nihal, I think you would need a more detailed discussion. And I think those numbers are in tandem but in case you feel there is something different in the numbers in your perception in mind, we can set up a separate call and discuss.

Nihal Mahesh Jham: Sure, I'll just take that offline back.

Amit Kumar Gupta: Sure.

Nihal Mahesh Jham: The second question was on Furlenco that as maybe the business is planning to get more into the sale of furniture rather than renting. Is there going to be a significant capital requirement for the business? And if it is, and how do you plan to finance that? Yes, I was just asking that in case of Furlenco. Would the business obviously contemplating going more deeper into the purchase and the sale of furniture also, would there be a change in the -- or a higher capital requirement in the future? And how would that be financed?

Rahul Gautam: So we take that as a sort of second phase that we do. As I said, the first phase is just to make that profitable and we are progressing on that part of it. The second phase, which we would sort of start soft the beginning is the furniture which is going to be sold through our stores or through online. And let me just say that the capital that we required for before those assets will be generated from this business itself. We will not be requiring any more capital.

Nihal Mahesh Jham: That is clear Rahulji. Thank you so much.

Moderator: Thank you. And the next question is from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.

Aniket Kulkarni: Yes. So I have a couple of questions. So post the Kurlon acquisition coming on to the books, can you guide what will be the goodwill and PPA number on a full year basis?

Nilesh Mazumdar: So Aniket, I think we are doing the maths on that. I mean, how this allocation going to be done. We have the current assets and the fixed assets, those are clearly classified. The balance is to be divided between brand and goodwill and franchising and all those kind of things. Amit, am I right that we will take a little more time on allocating those numbers?

Amit Kumar Gupta: Yes, you are right, sir. So the PPA is underway. It is being done currently. You can see you have the balance sheet of Kurlon. So whatever tangible assets are there would remain as tangible assets. And the rest will be all intangible. Whatever name it will be defined with that is under progress, whether it will be goodwill or customer contracts or franchisees or any other intangibles which router is mentioning.

Aniket Kulkarni: Okay. Okay. All right. And secondly, now the net worth has gone up to INR2,900 crores close the QIP, which you did. So based on this high net worth now, can you manage to do, let's say, 18%, 20% ROEs on this new equity base couple of years down the line was on the businesses, synergies are -- synergies flow through and you can operate both of the businesses together. So will you be able to do such return numbers?

Rahul Gautam: Amit, I would want you to take it. Although I just want to say that as far as this call is concerned, it is still there. The acquisition, which is over, and things are settling down. So this is going to be, I think, the question from Aniket is a little bit, I won't say futuristic, but trying to get a sense of how -- what are we looking at in the next couple of quarters. But Amit, you please take the question.

Amit Kumar Gupta: Yes, Aniket, just before I detail it, I mean we are pretty confident of getting to the numbers that you had just mentioned. So you see, we were the largest brand in the country with Kurlon being the second largest brand in the country. And with the acquisition of these brands, the two brands together are now like stronger in almost all parts of the country. So if you refer within the branded segment in any part of India, one of the two brands is a leader in those places.

This gives us multiple benefits, which we have outlined earlier also, I would not repeat them. But just for the sake of recall, there are benefits in terms of footprint across the country. So you can reduce your freight costs. There are efficiencies or expertise of their respective companies. Kurlon has a high level of expertise in rubberised coir, making those coir, which we used to buy from outside. We manufacture foam much more efficiently than Kurlon. Approximately our yield is 10% higher to them.

We are able to service our customers from the nearest distance possible. So our freight cost is going down. So these are the things which definitely yield -- would yield tangible benefits to the bottom line.

But what is important here. Important here is that our ability to penetrate the Indian market and to increase our market share is now much more robust. So the next thing that we are looking on is to enhance our presence and market share in the market. And I think with that being in place, the figures that you are mentioning are very reasonably achievable.

Moderator: The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.

Arjun Khanna: The first question is on our marketing expenses. We have broken it out at roughly 8.6%. Essentially, I understand we had the Cricket World Cup, where we had indicated in the previous quarter, we would look at advertising a lot more. But just to get the context of this number, since it would also include the Kurlon acquisition.

So in a sense, if you look at numbers we are spending, if you look at the non-consumer business, and please correct me, the technical form ideally wouldn't have too much of marketing expenses. And if I look at comfort foam that too may not have too much marketing expenses with furniture cushioning. So it's largely the marketing is for the mattresses, is that the right understanding?

Nilesh Mazumdar: Well, that's right largely...

Arjun Khanna: So if that's the case -- sir, if that is the case, then potentially the advertising seems to be a very high for a turnover of close to INR350 crores, INR370 crores to spend roughly INR45 crores plus. So I just wanted to get context.

Nilesh Mazumdar: Should I take that, Rahulji?

Rahul Gautam: Yes.

Nilesh Mazumdar: Yes. So yes, you are right that the current spends are mostly on the mattress. However, having said that, there are some expenditures that also happen on the technical foam, etcetera, which is like participation and exhibition, roadshows, so on and so forth. So there is a certain level of spend, but we are at the higher spend obviously happens on mattress.

World Cup, we have to remember is a very high-impact property. So these media costs come at a far higher CPRP. So going forward, we will continue to be invested on the brand. The level that which we will operate is around 6.5% to be overall total. So that's the way that we are looking at it. World Cup is at a far higher premium. It creates an impact in the consumer mind and we have seen the results. But then obviously, every quarter, you don't need to have that level of spend because you may not be taking impact properties.

Arjun Khanna: But with a large...

Rahul Gautam: Arjun, I just want to sort of butt in at this time. And just to add what Nilesh said, I see the point that you are making, but let me share that even the other parts of the business do get impacted in variety of stadiums or by the brand equity of Sleepwell which may not be a direct one. It's not completely correlatable, but it does impact.

So whether even if when I'm going ahead to sell a technical foam or I'm going ahead to sell a furniture foam, I mean there is this issue of saying, this is the Sleepwell Company or this is a Sleepwell part of it, number one.

Number two, I just also want to add that the flavour that we are now doing or changing the direction that you would notice in the last quarter, is that we are consolidating all the other small little brand here and there, which may have been additional or a part of the industrial side or the furniture side and focusing on Sleepwell and the percentage of Sleepwell in the business is on the increase, and that will keep on increasing.

So what you would see in another year's time, is that instead of let's say, a 55%, 60% of Sleepwell to 70% or 75%. And then you are quite right that this kind of spend on Sleepwell will make more sales. But that's the direction that we have done.

Arjun Khanna: Perfect. Very helpful, sir.

Amit Kumar Gupta: Sorry, just to break this, 6.5% which Nileshji and Rahulji have just mentioned, this is a combination of advertising expense plus dealer expenses that we do. So around, say, 1.5% or should be dealer expenses, which is done for all the brands. Just to make it a little bit clear.

Arjun Khanna: Sure. And sir, since you are giving a breakup, what would we be spending, say, on the other items as in the non-mattress segment, in terms of the technical foam.

Rahul Gautam: I would not be able to off the cuff tell you. But as Amit just now mentioned the kind of expenses there would be on dealer, dealer needs, exhibitions, brochures, etcetera, that we would be doing. But when we look at the overall expense of marketing, we look at it at the total business level, and that's how we allocate.

Arjun Khanna: Sir, the second question is on Kurlon. Now we have mentioned that we have a trajectory to reach 10%. I just want to understand, given that now it is within our fold, do we have some sense in revised timelines? When do we see this moving closer towards 10% and in terms of synergies, the fact that now it's within the fold, you all would have better access to data. How do you all see those synergies pan out? And how has it changed versus what we envisaged before the transaction?

Rahul Gautam: Arjun, I would say that the first job was to really get it to the normative levels and normal levels of about a INR1,000 crores and at about a 10% EBITDA. And I think on a run rate basis, we may have come very close to it already.

So I'm not seeing too much of time going by before we get to that levels. The synergies, some have started to be coming in. The impact would be felt in this quarter or maybe the quarter after that, which is the operation -- operating synergies, which is a procurement of raw material synergies, which may be on the population synergies, etcetera. So the impact should -- or has already begun. And I'm not going to revise the timeline, but I would say that by the time we closed this quarter, you would see that. Amit, is that right that we would begin to see these changes?

Amit Kumar Gupta: Yes, sir, you are right. So the advantage that we had here was that we started execution of synergy right on the very first day. That is the 21st of October. So that is my strategic advantage has led that in current quarter, though not for the full quarter. It will be spread over the quarter. But yes, in that part of the synergies will be in operation and yielding results.

Arjun Khanna: I'm sorry, could you please repeat that, sir, you're saying a large part of synergies are already within these numbers?

Amit Kumar Gupta: No, no. I'm not saying. So I'm referring to the current quarter, which is Jan to March quarter. So we started execution on 21st of October, like working on those synergies. And during this quarter, one-by-one those synergies are getting implemented. So what I'm saying is it will not be like all the synergies for 1/4 of a year. But yes, over a period of the quarter as it gets implemented, the net of it would be visible in the bottom line for this quarter.

Arjun Khanna: Sure. Very helpful, sir. Sir, the last question is just on the exports part of it. There was an antidumping duty proposed on mattress exports from India to the US. So I just wanted to understand, has it finally come? What is the duty that has been proposed for us? And in terms of our exports, we had set up a plant for the same. Could you talk about its current utilization? And what is our thought process on the same?

Nilesh Mazumdar: So basically on the export side, I think what I mentioned last -- in the last week, it continues to be the same, exports have become very, very difficult to carry out because the US, which was the main importer had already imposed it. The import duty is something like between 27% and 30%. And that is just too much for this product to what we call for this product to travel and be there i.e., is there going to be any change in that? Probably not.

And let me say that most of the manufacturing of these kind of mattresses has now become centralized in the US for the US market. I mean, would you believe is that they have even changed the NAFTA rules from imports from Mexico, which is next door are also being levied to some entities.

Coming back to your question of saying the unit that we had set up. So the unit was not a foaming unit. It was a mattress manufacturing unit and with all the modern equipment, etcetera. And let me say that today, we have centralized the production of Kurlon and Sleepwell mattresses in that unit and that's began excellently for supplying to the western part of India. Kurlon was supplying mattresses Bangalore to the west. Now it is from west to west. So that's a synergy that will be there.

But that unit is -- has already begun and it's completely being utilized. In fact, this is one of the units, which is also close to Mumbai, where most of you are located. We would have an open invitation for people to come and visit it. It's also one of the modern mattress manufacturing unit. So we are happy that we are able to do that.

Arjun Khanna: Sure. So essentially, the product has been -- I mean, the facility has been re-purposed?

Nilesh Mazumdar: Yes.

Arjun Khanna: That's clarified. Thank you.

Moderator: And the next question is from the line of Bhavin Rupani from Investec. Please go ahead.

Bhavin Rupani: My first question is related to Australia and Spain entry, sir. Could you provide some update over here as we could see revenue and margin pressures to continue in this quarter as well?

Rahul Gautam: Bhavin, thanks for the question. Let me first take up Spain, which is part of Europe. Europe has been experiencing almost 25% to 30% of recession. But I already mentioned that we are an extremely small part or we have a very small share of the entire European market, and therefore, the impact or not as far as the quantity is concerned, has not been much. In fact, we have retained all the quantity.

The issue there is that because of the raw material prices kind of coming down, the topline has reduced. I think it's by 10-odd percent in 12% and margins are retained absolutely. But however, they are on them, what's topline. And that's because of the prices of the material that has fallen.

The current position is that the trend of increasing or the curve changing the direction has already begun. We do take maybe take another 1 or 2 quarters before it gets to the normal levels. But we have not lost any volumes. In fact by the end of this quarter, we would actually be increasing volumes. So that's peak.

Bhavin Rupani: As far as Australia is concerned?

Rahul Gautam: It's a pretty steady state, is not increasing too much. But it is not increasing, it's decreasing a little bit. But that's just again because of the raw material prices and because of some regional disturbance that have happened. But it will be, as I said, it will be -- it won't increase tremendously. It won't decrease remember it would be a pretty steady state, and we would be seeing it kind of this quarter that is kind of come back.

But I think it's just the economy need to stabilize the global economies, which impact both Australia and Europe. And these things will be, as I said, on just moving steadily forward. Spain, of course, we would keep it increasing because we have a very small percentage of the market.

Bhavin Rupani: All right, sir. And any update on the capacity expansions over there has been done?

Rahul Gautam: Yes. In Australia, we've already done. It is commissioned, and we are at the moment in the process of transferring some materials and have also begun to look at a segment of the market, which we were not kicking to, which is the Furniture segment. And now we should see the increase in the volumes. And obviously, the topline results -- that unit is commissioned. It has started operating in the first week of January, around the 10th of January and the impacts would be seen in that.

Bhavin Rupani: Got it, sir. And just one clarification, sir. You have mentioned that in PPT, our volumes are approximately INR634,000 in Q3 FY '24. Mattress volumes is what I'm referring to. Is it a combination of both Kurlon and Sheela Foam?

Rahul Gautam: Nilesh, do you want to take that?

Nilesh Mazumdar: Yes. That is a combination of both.

Bhavin Rupani: And previous year?

Nilesh Mazumdar: Previous year.

Bhavin Rupani: [inaudible].

Amit Kumar Gupta: So it has been taken in these figures for the period for this Kurlon was in our control. So previous year does not include Kurlon volumes.

Bhavin Rupani: All right. So is it possible to provide the breakup of the current year for Kurlon and Sheela Foam?

Amit Kumar Gupta: Yes. So maybe we will send it separately.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Amit Kumar Gupta for closing comments.

Amit Kumar Gupta: Sorry, maybe Rahul sir, should I take it? Or would you like...

Rahul Gautam: Yes, please go ahead. Go ahead.

Amit Kumar Gupta: So thank you, everyone, for participating in this earnings conference call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our IR manager at Valorem Advisors. Thank you.

Moderator: On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.