



**Lamiflex**

**Joyce** 



**CMP: INR 915**

**Rating: BUY**

**Target Price: INR 2,614**

**Stock Info**

BSE	540203
NSE	SFL
Bloomberg	SFL:IN
Reuters	SHEF.NS
Sector	Furniture, Home Furnishing
Face Value (INR)	5
Equity Capital (INR cr)	54
Mkt Cap (INR cr)	10,153
52w H/L (INR)	1,364/ 856
Avg Daily Vol (in 000')	109

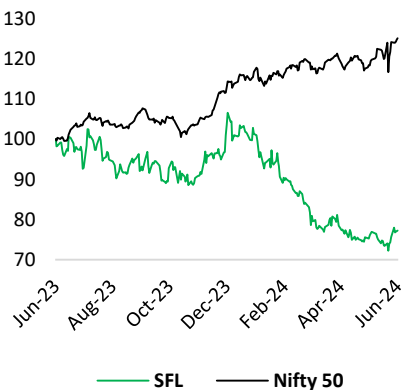
**Shareholding Pattern %**

(As on March, 2024)

Promoters	65.48
DII	24.52
FII	6.32
Public & Others	3.68

Stock Performance (%)	1m	6m	12m
SFL	2.7 (25.3)	(22.2)	
NIFTY 50	5.6	10.8	25.1

**Sheela Foam Price Chart**



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

**Inorganic expansion led to expanding market share in the existing market:** The company acquired Kurlon (97.43%) and Fulenco (35%) in October 2023 and August 2023 respectively. Kurlon is the third largest player in the Indian Market, with an MBO focus vs SFL's EBO focus. SFL holds a 19% share in the branded (organized) mattress market, and Kurlon holds an 11% share which brings the consolidated entity's share to 30% post acquisition.

**Synergies from Kurlon spur bottom-line growth:** The acquisition made it possible to streamline many back-end operations which will end up being margin accretive starting FY25. This will massively improve the base profitability of the company permanently as previously purchased raw materials will now be manufactured in-house, and warehousing/ logistical facilities will be shared.

**Tapping into new segments of the addressable market:** Both Kurlon and Furlenco are centralized in different geographies, price points, and marketplaces from SFL. Kurlon has a larger presence in the mass/ economy segment via rubberized coil mattresses (not PU Foam, which is SFL's forte) in south and east India, compared to SFL's presence in north and west India, and a more premium product offering.

**Furlenco turning profitable:** Furlenco was acquired alongside Kurlon to expand the total addressable market into furniture. Furlenco is the largest furniture rental company in the online space, but was struggling with profitability, and hence went for sale- then being purchased by SFL. SFL has unlocked synergies selling mattresses and foam to Furlenco which are then sold or rented to end users. The business has turned around well toward the end of FY24 and will be profitable in FY25.

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue from Operations	28,733	29,823	38,671	47,394	61,099
YoY	0%	4%	30%	23%	29%
Gross Profit Margin	37.78%	41.32%	42.41%	43.45%	44.49%
EBITDA Margin	10.38%	10.08%	12.02%	13.97%	15.92%
Adj. Net Profit	2,008	1,612	3,229	4,897	7,542
YoY	-8%	-20%	100%	52%	54%
Adj EPS (INR)	20.4	17.7	30.9	46.9	72.2
YoY	-8%	-13%	75%	52%	54%
P/E	44.89	51.82	29.27	19.31	12.53
P/B	5.55	3.17	2.86	2.50	2.09
Debt / Equity	0.36	0.50	0.41	0.35	0.29
Net Debt (includes lease liabilities and excludes investments)	5,288	14,491	12,372	8,427	2,091
ROE	12.48%	6.17%	9.78%	12.94%	16.64%
ROCE	6.89%	2.97%	5.27%	7.45%	10.22%

Source: Company Filings & Arihant Capital Research

**Valuation and Outlook:**

This company has arrived at an inflection point, not yet reflected in its valuations. Not only have they made a major acquisition that put their future growth rate leaps and bounds ahead of the market with Kurlon, but they also forayed into an ancillary market to leverage cross-selling opportunities with Furlenco.

For many decades they have enjoyed their position of market leadership in the Indian mattress space which has now grown to 21%, and plans to stabilize at 30% by FY25. Excluding the unorganized sector, their market share is 30% post-KEL's acquisition.

The margin improvement was visible toward the end of FY24 but will come into full effect from FY25 onward, owing to major synergy benefits from the Kurlon acquisition which will bring in economies of scale. Bottom-line improvement will also flow through as Furlenco continues on its path to profitability- turning PAT positive in FY25.

Overall, at the ground level as well, both Sleepwell and Kurlon remain the most in-demand brands in major suburbs which are largely organized. Their attempt to organize the unorganized space in non-urban areas with dedicated launches has also been exceptionally well received as a business that will expand rapidly in these markets.

Though their international businesses are facing a level of stagnancy and margin pressure, they are undertaking to rid of these issues over the next 1-2 years, and we should see margins return to these geographies in the medium term. Additionally, they are also improving the manufacturing footprint with debottlenecking, price hikes, and new product launches to cater to new, previously unexplored markets.

For these reasons, we initiate coverage on Sheela Foam with a Target Price of INR 2,614, yielding a 'BUY' rating, and an upside of 186% from the CMP of INR 915. We arrive at this value using a Discounted Cash Flow Valuation method.

FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase					Terminal Yr
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Year												
EBIT * (1-Tax Rate)	2,495	3,870	6,073	6,715	8,911	11,757	15,446	20,235	26,458	34,556	45,112	46,466
Dep	1,261	1,369	1,484	1,606	1,733	1,867	2,007	2,153	2,305	2,463	2,628	2,707
Purchase of Assets	1,756	1,856	1,956	2,056	2,156	2,256	2,356	2,456	2,556	2,656	2,756	2,839
Changes in Net Working Capital	583	417	661	302	238	158	27	(174)	(475)	(915)	(1,550)	(1,596)
FCFF	1,416	2,966	4,941	5,963	8,250	11,210	15,070	20,106	26,682	35,279	46,534	47,930
Terminal Value												642,298
<b>Total Cash Flow</b>	<b>1,416</b>	<b>2,966</b>	<b>4,941</b>	<b>5,963</b>	<b>8,250</b>	<b>11,210</b>	<b>15,070</b>	<b>20,106</b>	<b>26,682</b>	<b>35,279</b>	<b>46,534</b>	<b>690,228</b>
Enterprise Value (EV)	287,798											
Less: Debt	18,300											
Add: Cash	440											
Equity Value	269,938											
Equity Value per share (INR)	2,614											
% Returns	186%											
Rating	BUY											

Source: Company Filings, Arianth Research

**Investment Rationale:****Unlocking synergies through multiple inorganic expansions:**

The company acquired stakes in **Kurlon Enterprise Ltd (KEL) (97.43%) and House of Kieraya– Furlenco (Furlenco) (35%) in October 2023 and August 2023 respectively** as a part of the strategic initiative to realize synergies through lower operating costs due to discount, incentives on bulk procurement of materials, optimization of freight and distribution cost, reduction of wastages, etc., in addition, to gain in market position, expanding the addressable market by foraying into new products and price points, as well as widen geographic presence across different store formats. The total consideration paid was around INR 2,300 Cr (internal accrual and equity of INR 1,575 Cr and debt of INR 725 Cr).

**Kurlon acquisition will lead to sustainable opex cuts which will flow to the bottom line starting FY25:**

**Kurlon was acquired as it is a big competitor to SFL** and went on sale last year. They are expected to reach INR 1,000 Cr of the top line in FY25 with a 10% margin (7% as of Q4FY24). The company gets benefits of manufacturing strength, ease of procurement for materials that had to be previously imported, and backend synergies (cost savings of INR 50 Cr expected in FY25), along with entry into new markets, with new distribution modes- Kurlon has more of an MBO presence vs SFL's EBO presence.

**Kurlon manufactures Coir and EPE** which the company had to procure externally from MNCs and conglomerates, which can now be produced through the acquired facilities, this will bring in cost savings of INR 10-12 Cr.

This acquisition will also give them a **30-34% volume boost** that will lead them to be able to avail huge volume discounts, the benefits of which will be visible from FY25.

**The foam yield for SFL is 85% vs 75% for Kurlon.** With the excess capacity of SFL, it is easy to shift the manufacturing requirements of Kurlon to SFL, which will lead to a **9% yield improvement in the coming years, some of which will flow through to the bottom line.**

**Manufacturing facilities are scattered across select geographies** for both companies, such that they are closer to the core markets, and production is interchangeable between SFL and Kurlon Factories, this has greatly helped reduce logistic costs. Initially, due to lower business volume, SFL relied on individual truck owners and sourced trucks from the market as needed, with some owned trucks. However, with higher combined volumes across India of both SFL and Kurlon, they are now engaging with third-party logistics suppliers to handle their logistics requirements resulting in cost savings for them.

**Front-end rationalization took place** such that distributors were offered SFL and Kurlon products together. Distributors are also less required to undertake logistics and inventory management, which was made easier with the combined warehouses of SFL and Kurlon. Now they are only responsible for credit management and market development with less focus on inventory and distribution management. The company is not reducing channel commissions and benefits.

### The new facility in Jabalpur is now commissioned:

SFL has recently **set up a manufacturing plant at Jabalpur to cater to the traditional market (cotton mattresses) currently forming 60% of the total Indian mattress market size.** This plant will produce at a 10-15% lower cost compared to other facilities with a capacity of 20,000 MTPA, in addition to the current production of SFL- 50,000 MTPA (out of the total 129,000 MTPA), and Kurlon's 17,000 MTPA. This will boost their reach to non-urban areas where unorganized cotton mattresses are mostly consumed.

### Diversion of rural demand toward the organized sector:

The unorganized sector still accounts for 60% of the mattress market in India as of FY23 and is dominated by local (most cotton) mattresses in rural areas because they are cheap and easy to transport, and there is also a significant lack of awareness toward PU foam in these areas. SFL is aggressively working on diverting this unorganized demand toward the organized market which comprises 40% of the Indian Modern Mattress Market and is dominated by Spring, Rubberized coir, and PU foam.

**In an attempt to do so, they introduced good quality, low maintenance foldable foam mattresses under Tarang and a similar launch in Kurlon in Q4FY24 called Aaram.** These mattresses are in the price range of INR 2,000-2,500 vs INR 1,000 for a normal cotton mattress. These two are planned to become an INR 100 Cr business in the next year. In FY26 and FY27, it is expected to clock in INR 200 Cr and INR 300 Cr respectively.

### Government initiatives:

**Indian railways** have been boosting efforts to improve the infrastructure of coaches, and finding new space for substitution for earlier imported foams. Under this, 400 new energy-efficient Vande Bharat trains will be introduced by 2025, for which INR 40,000 Cr is allocated.

SFL's future seems promising with increasing opportunities in various applications, such as building and construction, bedding and furniture, transportation, electrical and electronics, footwear, and others.

**They are expected to be major suppliers for the Vande Bharat initiative,** producing fire retardant foam which will be a major demand catalyst on the B2B side. The PM Awas Yojana will also have a small level of positive impact on the company but will come with a 1-year lag as furniture is ordered after construction is completed- in the last stage of the real estate cycle.

### Refocusing the online business:

The company has **revamped its online offering and brought the business under new management.** Identifying it as a critical channel, they have onboarded CXO-level professionals to drive this segment. This has shown a visible impact on the market leadership position of 'Sleepwell' compared to other online players. The company initially had the brand 'SleepX' for its online presence, but this was recently replaced with 'Sleepwell' which initially led to some volume loss but is now on the path to recovery.

The company has also **launched new online offerings under Kurlon** which previously had no online presence. This will propel the growth of e-commerce, and going forward it is expected to be 10-15% of revenues.

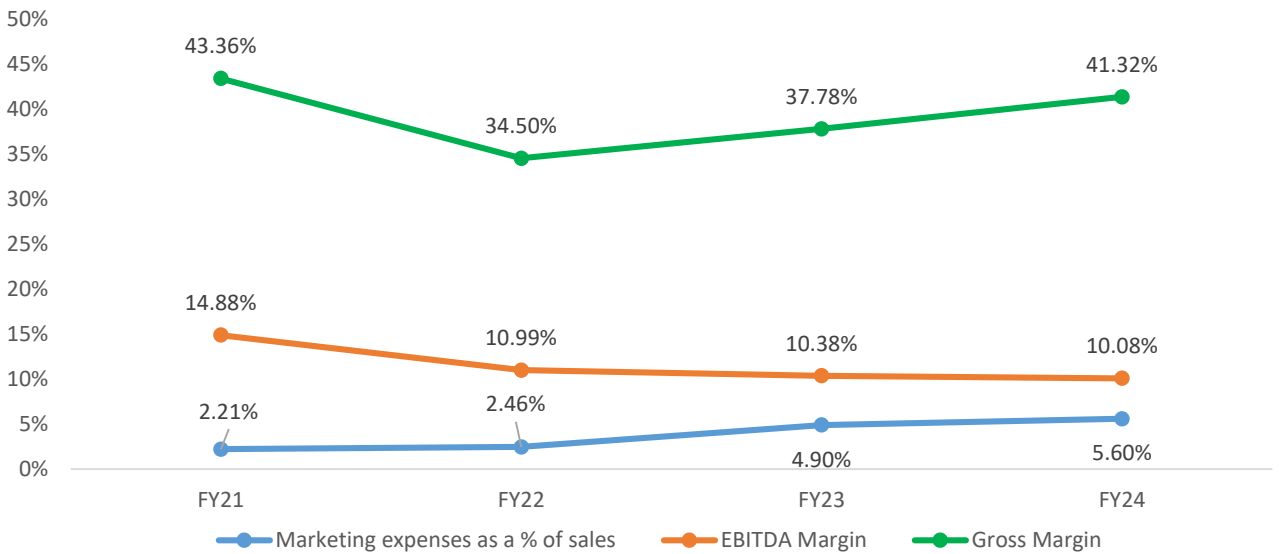
**More marketing Initiatives now, which will lead to scale benefits and margin expansion:**

The company is in its brand makeover phase- mostly via Kurlon- to revamp its appeal in a way that is more contemporary for a modern consumer base. Recently, they have worked with Ogilvy India and Piyush Pandey to create a new logo for Kurlon, as well as a tagline “Life Banegi Hula Hula”.



Source: Campaign India

Additionally, the company has been increasing its ad spending over the past couple of years, which has led to a level of margin stagnancy- but this is intentional.



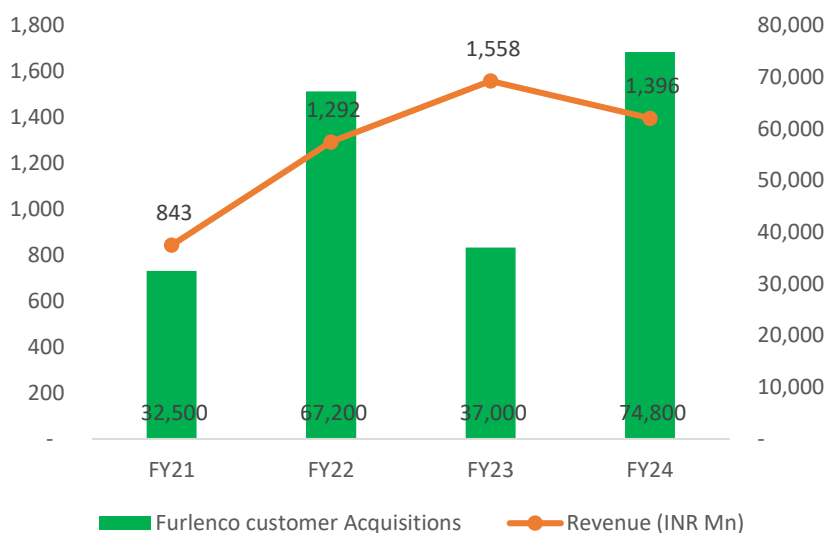
Source: Campaign India

**A lot of the benefits from the gross margin expansion have been invested into marketing recently which will lead to operating leverage benefits to accrue- leading to an EBITDA margin expansion from 10% in FY24 to 15% by FY27.**

**Addressable market expansion through Furlenco and Kurlon:**

The company has a 35% share in Furlenco- the online furniture rental and sale company- to strengthen its virtual presence. They have a 51% voting share and represent a majority of the board. It is a very established brand in the rental market and has matured over the past 10 years with a robust IT platform and a good design team. **They also have good capabilities in refurbishment and are on the cusp of being profitable- PBT positive in Q4FY24.** SFL's investment in Furlenco will provide the strategic advantage of forward integration with SFL providing mattresses and cushioning for Furlenco's furniture, expanding the addressable market of SFL. SFL has expanded the subscriber base of Furlenco by 50% since its acquisition. **The company also has the option to increase its stake in Furlenco by 9% at the same acquisition price. This is still under discussion. Currently, Furlenco is making monthly revenues of INR 15cr (vs INR 10-11 Cr at the time of acquisition) and plans to cross INR 20cr in the next 6 months, and be PAT positive in FY25. This will end up being a 40-50% contribution business. However, current proceeds from SFL are being directed toward Furlenco are being directed toward its debt reduction.**

**In FY25, Furlenco is expected to clock in INR 215 Cr top line, with an EBITDA of INR 35 Cr and a PAT of INR 10 Cr.**

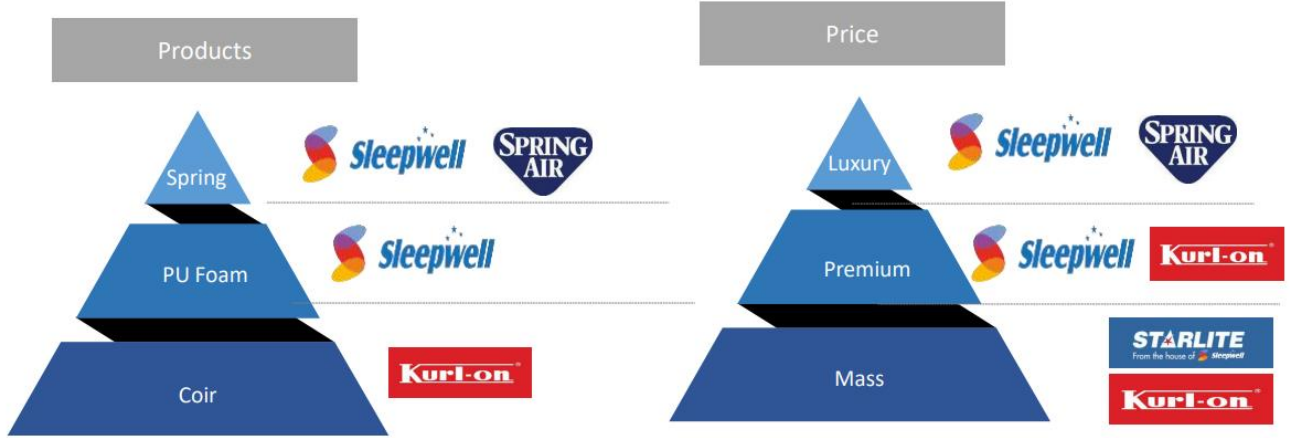


Source: Annual Report, Arianth Research

Furlenco (INR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	843	1,292	1,558	1,396	2,150	3,225	4,838
YoY		53%	21%	-10%	54%	50%	50%
EBITDA					350	548	822
EBITDA Margin					16%	17%	17%
PAT				-303	100	161	242
PAT Margin				-22%	4.65%	5.00%	5.00%

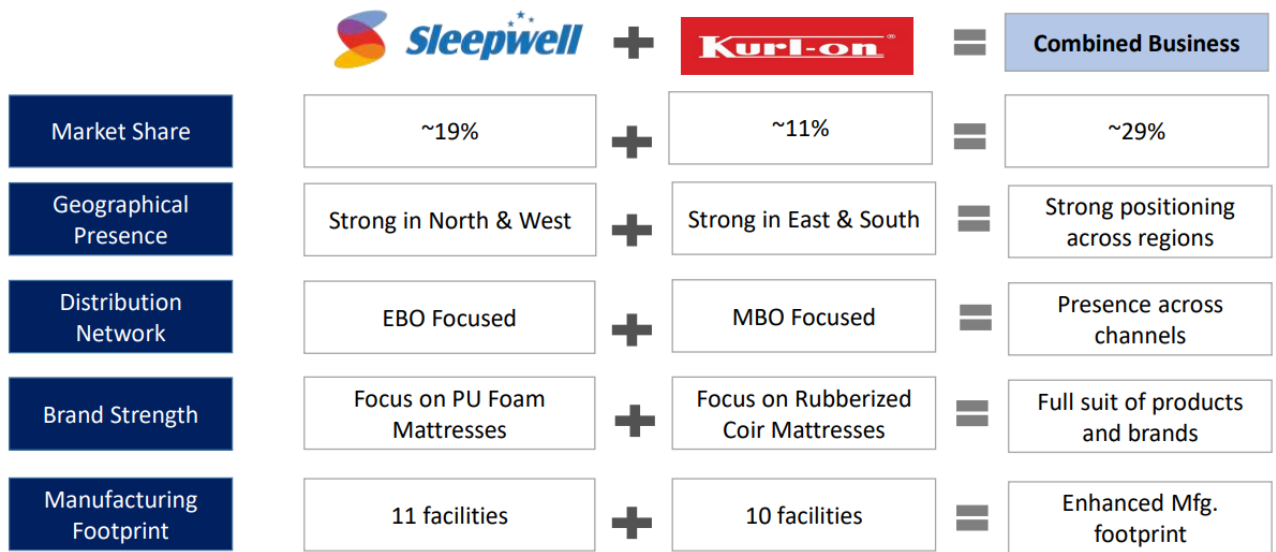
Source: Annual Report, Arianth Research

**The 97.43% share in Kurlon will give SFL access to its MBO network as well as the lower end of the customer segment that uses rubberized coir mattresses, which is KEL's focus area. This is in addition to the current EBO focus of SFL and the product offering which is dominated by PU foam used to manufacture higher-end, premium mattresses. SFL now has a combined product portfolio of rubberized coir and PU foam that caters to multiple price points and is present across multiple store formats.**



Source: Company Filings

Sheela Foam’s leadership position is significantly strengthened with Kurlon’s acquisition

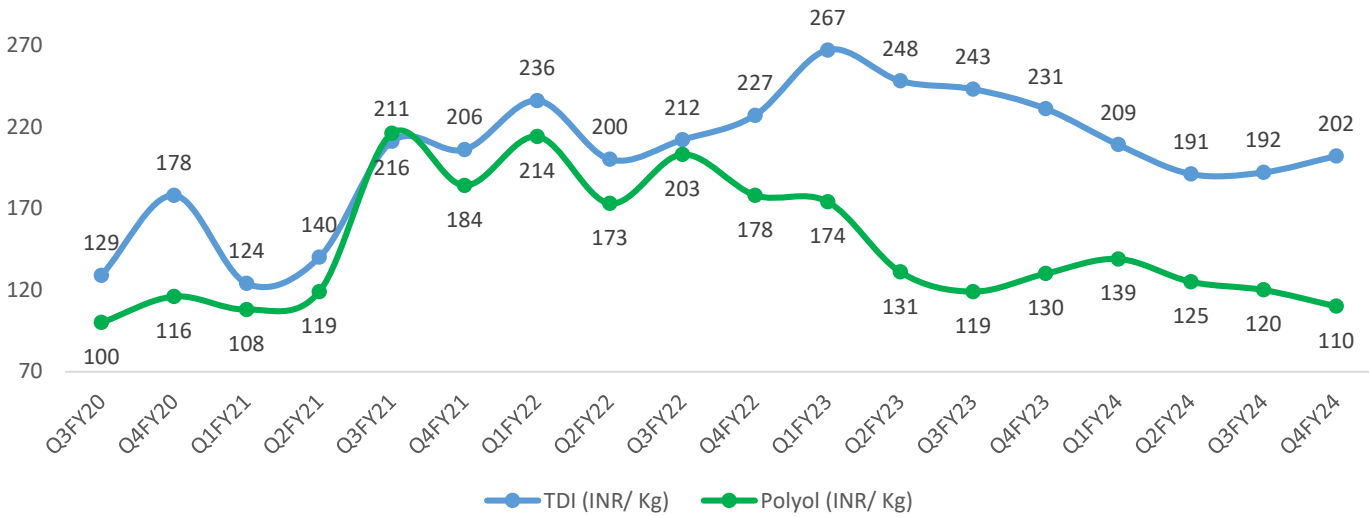


Source: Company Filings



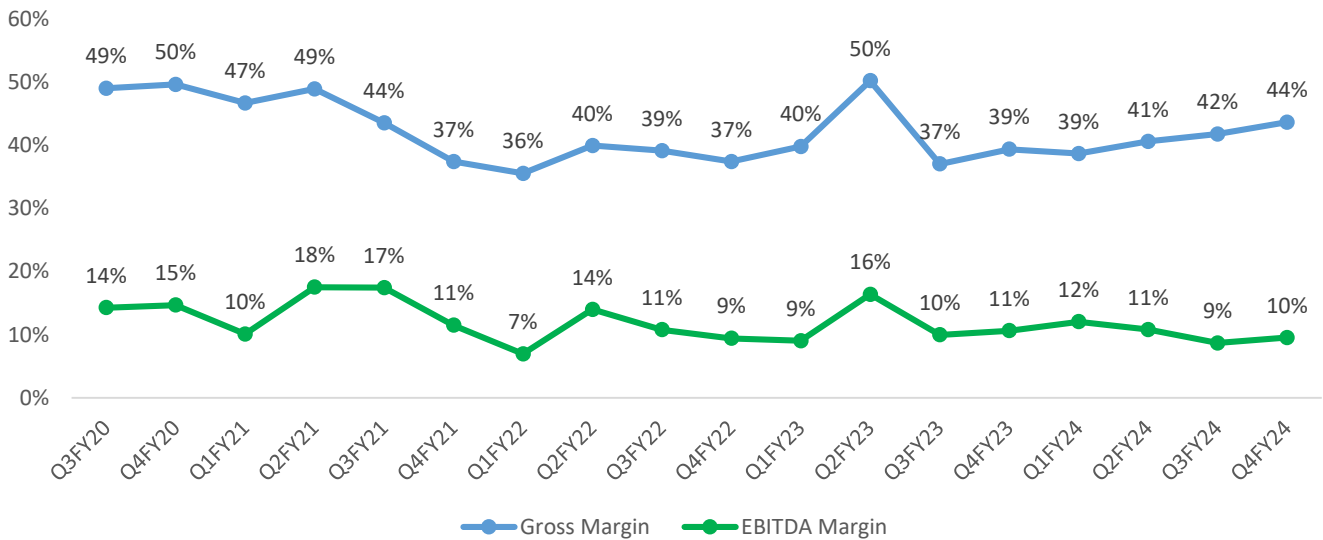
**RM prices easing up will lead to margin benefits:**

The main raw materials used by the company are TDI, Coir, EPE, and Polyol- with TDI and polyol being the major RMs- accounting for 70% of RM usage.



Source: Company Filings & Arihant Capital Research

The company procures ~90% of its raw materials domestically from Gujarat Narmada Valley Fertilizers & Chemicals (GNFC), which is the sole supplier in India. The company also procures a small portion of raw materials from global MNCs like BASF, Dow, Bayer, etc. As TDI is a crude oil derivative, its price is largely dependent on global demand and supply. **Over the past few quarters, prices of both TDI and polyol have been on a downward trajectory- reverting to close to FY21 levels due to lower crude prices coupled with inventory build-ups that suppliers are trying to de-stock. The benefits of lowered RM costs have trickled down into margins.**



Source: Company Filings & Arihant Capital Research

Price hikes in SFL are taken in 6-month intervals for mattresses depending on RM volatility, but immediately for the rest of the business segments, as they are B2B focused.

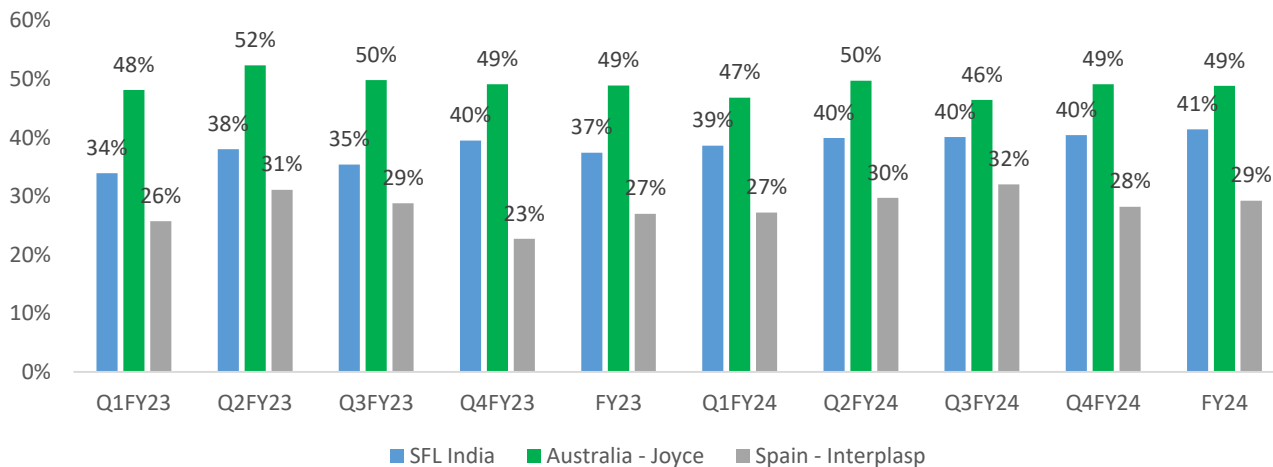
### International Businesses on the path to recovery:

Their operations in **Spain** are a small part of a large market (a 1% market share in Europe). This market was also facing lower RM costs which were being passed through which adversely hit margins. Additionally, they are undertaking debottlenecking at the facility here. Subsequently, they have increased its capacity from 14,000 MTPA to 22,000 MTPA, subject to further ramping up. This market is expected to bounce back in 1-2 years. Additionally, they are also looking at newer market areas- like the furniture segment and bed-in-a-box mattresses. Interplasp is also well placed to focus on expanding operations to meet the demand from Europe and the US, as **they have started exporting to the US with the 'Bed-in-a-box' mattresses strategy from its Spain plant, this is a new opportunity in the US as the country imposes trade restrictions on other countries. This business will need 1-2 years to show proper growth visibility.**

Contrasting their small market share in Spain, in **Australia**, they are market leaders in a large market (holding a 40% market share), where growth rates have reached stagnancy. **The company is looking forward to anti-dumping duties that could aid this flat growth. This market is on a path to recovery, expected to get normalized by FY25, with some further growth in FY26.** They have also forayed into New Zealand with the bed-in-a-box mattresses they had planned to introduce in Spain (alongside other products as well). This business needs 2 years to display proper growth visibility.

The year FY23 has visible cost pressures on the Spain business indicated by a lower gross margin at 27% due to lower RM costs being passed on, this recapture is now underway via the debottlenecking leading to a visible 200bps improvement in gross margin, now standing at 29%. We expect to see a rise in ASP and recovery in realizations from the international business over the next 2 years.

Gross Margin trend



Source: Company Filings & Arihant Capital Research

### Leap in market share and widened geographic presence:

Apart from production-related synergies, **the improvement in the market position of the SFL from 12-13% to 20-21% of the business (including the unorganized sector) will bolster SFL's bargaining power with the established dealer/distributor network of KEL. SFL holds a 19% share in the branded (organized) mattress market, and Kurlon holds an 11% share which brings the consolidated entity's share to 30% post acquisition.**

In addition to this, SFL's key geographies are North & West India whilst KEL's distribution is centralized in the East & South of India which has increased the geographic presence of SFL domestically to become a pan-India player.

**In the long term, the company is eyeing a stable market share upwards of 30% in the organized space, attainable in the next 2-3 years.**



Source: Company Filings

### Channel Dominance and new launches:

Sleepwell holds the position of the market leader, while Kurl-on also enjoys visibility, mostly due to Sleepwell's acquisition. Sleepwell holds dominance in **Memory Foam and Orthopedic mattresses**. Spring mattresses are another category, but SFL doesn't hold dominance there.

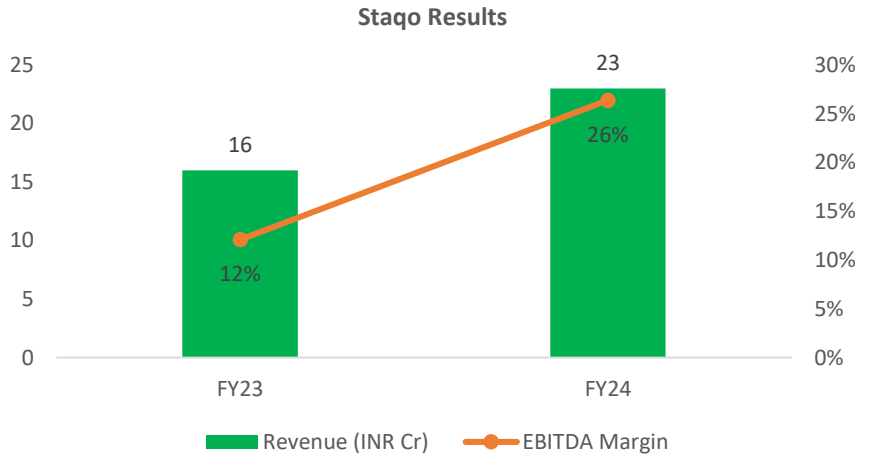
**Orthopedic mattresses**, designed to support the back, offer a comfortable yet affordable option for middle-class consumers, providing both comfort and aesthetic appeal without being overly firm. Most mattresses sold are in the range of INR 16,000- INR 20,000 (5-6 ft in length).

**Memory foam mattresses** are famous for their softness and their price range depends on the thickness and types of foams used. Usually, these mattresses have only 2 foams- HR (High Resilient) foam used as a base and memory foam for added softness later covered by a quilt. These mattresses cost more than orthopedic ones. **The company came up with a campaign wherein they are promoting the 'Sleepwell Pro Nexa', and 'Fitrest' Mattresses which are similar to memory foam and have already started to dominate channels of their initial launch in Q3FY24.**

Spring mattresses are generally used in hotels. These mattresses are the softest as springs are used. These mattresses differ by size and quality and suspension of the spring and feel good for the short term but in the long run, it can lead to back pain.

**IT Business picking up:**

The IT company Staqa has been performing very well recently. It started several years ago as an in-house IT wing to cater to the needs of the company. However, it has grown over time, and today, not only caters to all the needs of SFL at a much more reasonable cost than what it could have been if outsourced but it serves not only the India business but to all the companies of the group globally. It also services customers outside the group. Currently, it generates around 20% to 25% EBITDA margin, and SFL endeavors to grow it to a sizable company very fast.



Source: Company Filings & Arihant Capital Research

**Peer Review:**

**Sheela Foam has no listed peers that can be used for an apples-to-apples comparison. Hence, we have noted some of its peers in the unlisted space:**

**Ashoka PU Foam:**

- A proper peer of Sleepwell, manufacture a range of foams - from common grades to specialized foams like Soft foam, Hard foam, High resilience, Fire Retardant, and Visco Elastic (Memory foam).
- Has a 3,22,917 square feet manufacturing unit in Bareilly (U.P).
- The company doesn't have any stores and sells mattresses at its manufacturing unit, and online with the brand name 'Springtek'.

**Foam Home:**

- Manufacture types of mattresses and pillows.
- Launched innovations such as High Density Foam, Memory Foam, Gel, Latex and Globally Patented mattress technology, the Ergoshell.
- They have a manufacturing unit at Taloja, Mumbai. And have one 2,200-square-foot store at Tardeo, Mumbai.

**Sarva Foam Industries:**

- Sarva Foam is the largest manufacturer of Rebonded Foam in India and has manufacturing sites located across country with the total area of 18 lakh sq. ft. in Greater Noida, Silvassa, Bhopal, Bulandshahar, and Hyderabad.
- It is the preferred choice of raw materials provider for brands such as Sheela foam, Kurl-on and Duroflex.
- Over the last two decades, Sarva Foam has ventured into mattress manufacturing under the brand names of Bond Pro and Posture Mattresses, for people with back problems.

**Bhagwati Foam Industries:**

- The company is engaged in the manufacturing and distribution of a wide range of PU foam products for applications like mattresses, furniture, industrial applications & pillows.
- It has 2 production units in Palghar, with a minimum capacity of 100-150 mattresses per day.
- They have 3 stores in Mumbai (Worli, Andheri, and Thane) and sell their products through dealers.

**Duroflex:**

- They manufacture and sell Mattresses, Furniture, Bed Linen, Pillows, and Accessories.
- The company has a retail network and a global export channel.
- They have backward integrated manufacturing facilities across 8 locations.
- Virat Kholi is the brand ambassador.

Besides these, Sheela Foam has only two listed peers, however, they are considerably smaller in size and scale, and cannot be used for a proper comparison. Their details are as such:

INR Mn	Revenue		EBITDA		PAT	PAT 3yr CAGR	EPS (INR)	CMP (INR)	M.Cap	P/E (x)	P/B (x)	EV/EBITDA		DebtD/E (x)	ROCE	ROE	ATR (x)
	Revenue	3yr CAGR	EBITDA	Margin								(x)	(x)				
Sheela Foam	29,823	6.96%	3,005	10.08%	1,893	-8.48%	16.78	915	101,007	54.55	3.46	27.6	14,931	0.51	9.07%	7.31%	0.74
Tirupati Foam	1,040	12.01%	97	9.35%	19	1.35%	4.77	98	373	20.55	1.21	8.08	404	1.31		7.01%	1.2
Magenta Lifecare	91	-3.05%	9	9.60%	3	14.71%	1.62	46	240	28.33	6.05	20.8	45	0.87	11.10%	5.66%	0.68

Figures as of FY4, except for Magenta Lifecare, which is as of FY23 and 2 yr CAGR figures

Source: Company Filings, Arihant Capital Research

### Key Concerns and Risks:

- The **demand for rubberized coir Mattress has declined** as there's an issue with them developing a hollow in the surface. Accordingly, the company has slowed down coir mattress supply for both brands sleepwell and Kurl-on.
- **Organized sellers** have their own manufacturing and offer mattresses made with Sleepwell foam, selling them at a discounted price of 30-40% compared to Sleepwell's mattresses in their own brand name.
- Certain **local unorganized outlets** claim to replicate Sleepwell mattresses and even offer to apply Sleepwell branding, raising concerns about counterfeit products for the Sleepwell brand.
- **High inventory build-up** due to unsuccessful marketing and selling of products may pose a challenge.
- The **smooth and continuous supply of raw materials** is essential operations and any interruptions could have a negative influence. Imported raw materials, currency and exchange rate variations could potentially have an effect on profit margins.
- **Ancillary brands of the company like Starlite and Featherfoam are seeing a continuous dip in sales over the past few quarters**, as most marketing efforts are geared toward core brands of Sleepwell and Kurlon.

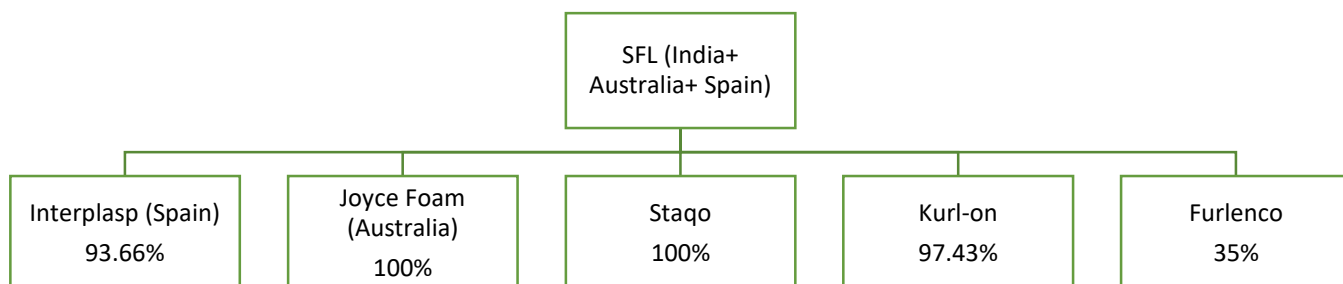
## Key Personnel

Personnel	Designation	Description
Rahul Gautam	Executive Chairman	He has been associated with Company since 1971 and has been Managing Director since April 1996. He has over 46 years of experience in the home comfort products and PU foam industry and is the Chairman Emeritus of the Indian Polyurethane Association.
Namita Gautam	Whole-Time Director	She has been associated with company for the past 34 years and has been a Whole-Time Director, since November 2003. During her tenure, she has headed the Human Resources, Marketing, and Projects departments of the Company. She currently leads our CSR initiative through the Sleepwell Foundation.
Rakesh Chahar	Whole-Time Director	He has been associated with Company since November 1990 and has been a Whole-Time Director since November 2003. He has more than 31 years of experience in the business of selling and marketing bedding products and polyurethane foam. He heads the Sales and Marketing function.
Tushaar Gautam	Managing Director	He has been associated with Company since January 2002 and has been a Whole-Time Director since April 2007. He oversees the operations of the Company and company's subsidiary Joyce Foam Pty Ltd and Interplasp Spain and serves on their Board of Directors. He has more than 20 years of experience in heading Production, Research and Development. He also served as CEO of Indian Operation.
Som Mittal	Independent Director	He has been associated with the Company since June 2016. He has several years of experience in the manufacturing and information technology sectors.
Ravindra Dhariwal	Independent Director	He has been associated with company since June 2016. He was the Group CEO of Bennett & Coleman, India's largest media company. He has vast experience in the fields of Sales and Marketing Management.
Anil Tandon	Independent Director	He has been associated with company since June 2016. Since 1995, he has been the Managing Director of Tex Corp Pvt Ltd, a leading organisation in the field of fastening products. He has several years of national and international experience in the zip-fastening products sector.
Lt Gen (Dr.) Vijay Kumar Ahluwalia	Independent Director	He has been associated with Company since March 2018. He has several years of experience in the Defence Services. He also served as a Judge of the Armed Force Tribunal and as Director General of Raffles Group of Institutions, Raffles University, Neemrana, Rajasthan.
Meena Jagtiani	Independent Director	She is working as an independent HR advisor. She has three decades of industry experience in the field of HR. She served in various corporate houses such as the Aditya Birla Group, Daksh e-Services Private Limited, and Korn/ Ferry International – the world's leading search firm before taking her role as an Independent Advisor.

Source: Company Filings & Arianth Capital Research

**Business Overview:**

- Sheela Foam Limited (SFL) is one of the largest manufacturers of Polyurethane Foam (PU) in India.
- The Company manufactures various foam-based home comfort products like mattresses, and furniture cushions, as well as technical grades of polyurethane foams for end-use in a range of industries like automobile, acoustics, etc.
- It also has a dominant position in other industries such as automotive, footwear, lingerie, and furniture, among others apart from mattresses.
- The household brands include: 'Sleepwell' for mattresses and home comfort, 'Feather Foam' a pure PU Foam, and 'Lamiflex' a polyester foam for lamination. Currently, '**Sleepwell**' and '**Kurlon**' are **flagship brands**, and all the rest are ancillary brands.
- Sheela Foam acquired Kurlon and Furlenco in October 2023 & August 2023 respectively.
- SFL also owns 100% share in '**Staquo**'. It was started several years ago as an in-house IT wing to cater to the needs of the company. However, it has grown over time and today, caters to all the needs of SFL at a much reasonable cost compared to outsourcing, and serves not only the India business, but to all the companies of the group globally.
- All of the 17 manufacturing capacities of Sheela Foam are overlooked by the wholly owned subsidiary- International Comfort Technologies (ICTPL), which was recently merged with the parent company.

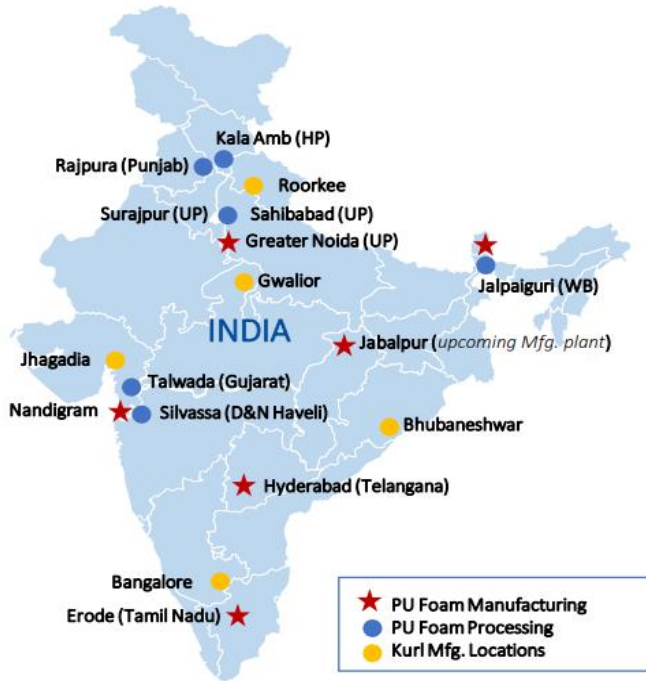


Source: Company Filings & Arihant Capital Research

**Acquisition of Kurlon:**

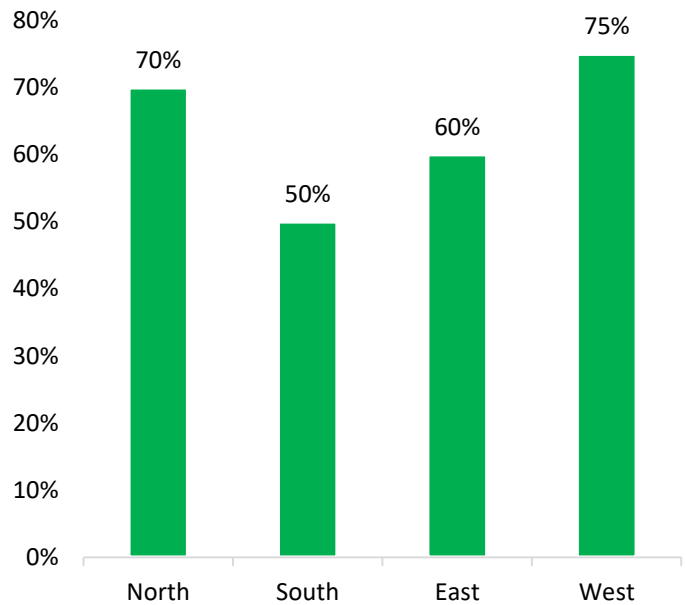
- SFL now has 21 manufacturing plants- 11 of Sheela foam (1,29,000 MTPA) and 10 of Kurlon (17,000 MTPA), with a total capacity of 1,46,000 MTPA.
- It is the market leader in the domestic mattress market with now market share of 30% (19% of SFL + 11% Kurlon).
- SFL with KEL's acquisition now has extensive pan India sales and distribution having a presence in both EBO through Sleepwell and MBO through Kurlon.
- They now have 100+ exclusive distributors, 6,100+ EBOs (5,600 – SFL and 500 – Kurlon), and 12,000+ MBOs (7,500 – SFL and 4,500 – Kurlon).
- Geographical presence: Sleepwell in the North and West and Kurlon in the East and South.
- KEL specializes in rubberized coir which is used to produce mattresses on the lower end of the product offering whereas SFL produces PU foam which is used in higher-end mattresses.





Source: Company Filings

Combined market share- SFL+KEL



Source: Company Filings & Aриhant Capital Research

**Acquisition of Furlenco:**

- SFL acquired a 35% stake in online furniture sales and rental company Furlenco. They have a 51% voting share and represent a majority of the board. SFL and Furlenco can expand on the existing referral programs, and create a partnership that can be mutually beneficial in expanding their customer base.
- Furlenco has had a well-established online brand for the past 10 years, a strong technical team, a design team, a marketing team, and a management team. They have a good refurbishing facility, which is important for redeployment. The company was making losses and recently turned PBT positive in February.

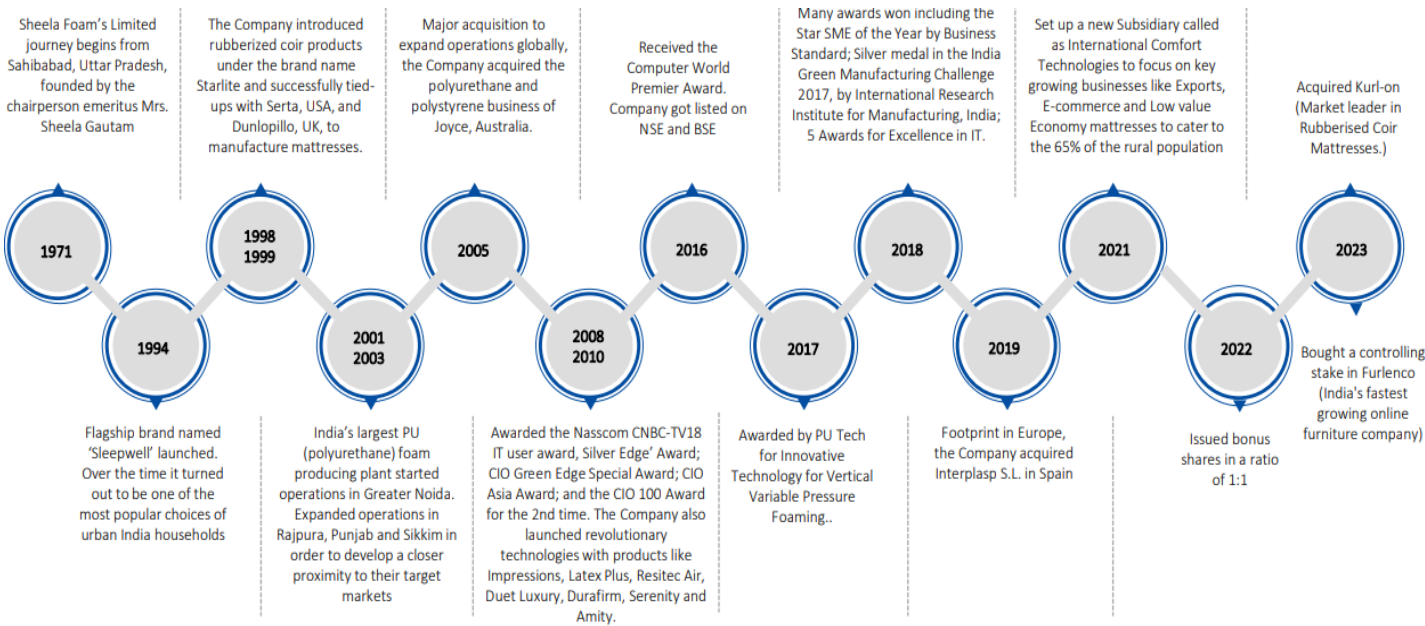
**Acquisition Funding Structure:**

- The total consideration for the two acquisitions amounts to approximately INR 23,352mn. The funding for acquisitions was done through Debt (NCDs) of INR 7,250mn, Equity (QIP) of INR 12,000mn, and the balance will be funded through internal accruals.

**International presence:**

- SFL holds a 40% market share in Australia as a PU foam player through its subsidiary- Joyce Foam PTE. Australia contributes ~15% of total revenue. Joyce Foam produces raw materials for branded mattress makers and has products catering to industries such as furniture, medical, Industrial, molded, and polystyrene.
- Sheela Foam's European presence is exemplified by its subsidiary Interplasp in Spain, renowned as one of Europe's top flexible polyurethane foam manufacturers.
- The constant development has allowed them to have five ranges of flexible polyurethane foams; Conventional foams, Soy foams, High-end foams, high resilience, Fire retardant foams, and Viscoelastic foams.
- SFL has 5 plants in Australia (11k MTPA Capacity), and 1 in Spain (22k MTPA Capacity).

**Timeline:**



Source: Company Filings

**India Business:**

The domestic business can be divided into:

Segross margin wise	FY19	FY20	FY21	FY22	FY23	FY24
Mattresses (B2C)	42%	44%	44%	41%	43%	47%
Furniture Cushioning/ Foam (B2B)	16%	15%	14%	13%	12%	10%
Technical Foam (B2B)	20%	18%	19%	21%	26%	21%
Foam Core (Comfort Foam & Home Comfort) (B2B)	23%	22%	23%	24%	14%	17%
Others- Home Comfort Products and scrap (B2B)	0%	0%	0%	0%	6%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

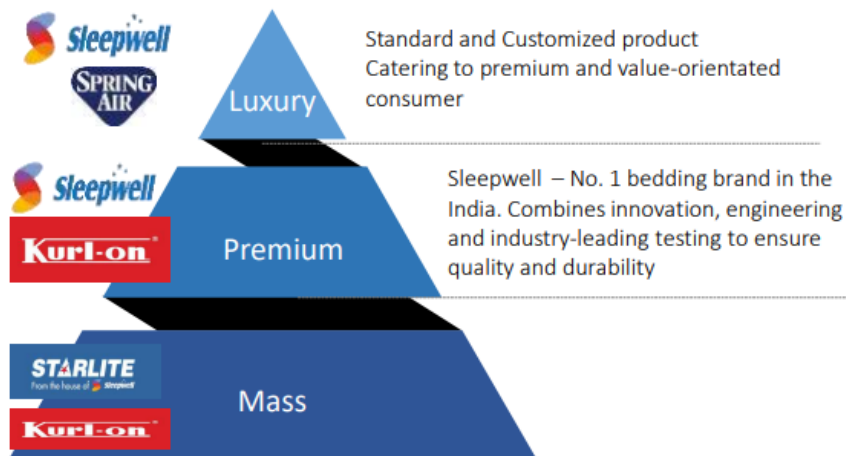
Source: Company Filings, Arihant Reserach

**Mattresses (B2C):**

Household Brand Sleepwell was established in 1994 and is now one of the most popular mattress brands in India (~25% market share in the organized mattress space). With KEL's acquisition, it has also added Kurlon products which are widely recognized. The product offering is priced at INR 8,000 to INR 1 lakh+. The brand portfolio of Sheela Foam is as such:



Source: Company Filings



Source: Company Filings

Mattresses (B2C)	FY19	FY20	FY21	FY22	FY23	FY24
SOR*	42%	44%	44%	41%	43%	47%
Volumes (000's)*	1,800	2,000	2,100	2,150	2,033	2,174
YoY		11%	5%	2%	-5%	7%
Realization (INR Per unit) *	4,183	3,893	3,548	3,855	4,299	4,844
YoY		-7%	-9%	9%	12%	13%

Source: Company Filings, Arihant Research  
\*FY24 Values include Kurlon, post-acquisition

**Foam Core (Comfort Foam & Home Care products- B2B):**

These are Industrial-grade products that are used in mattress manufacturing, sofa manufacturing, etc. The product portfolio includes Pillows, Mattress Protectors, Bolsters, and Back Cushions, and has expanded with the acquisition of Kurlon.

Foam Core (Comfort Foam & Home Care products- B2B)	FY19	FY20	FY21	FY22	FY23	FY24
SOR	23%	22%	23%	24%	14%	17%
Volumes (MT)	20,735	19,567	19,047	22,826	12,019	20,529
YoY		-6%	-3%	20%	-47%	71%
Realization (INR Per Tonne)	198,698	195,738	202,079	210,856	232,132	184,130
YoY		-1%	3%	4%	10%	-21%

Source: Company Filings, Arihant Research

**Technical Foam (B2B):**

These products find applications in home furnishings, car seats, clothes, accessories, auditoriums, hospital beds, and various other industries.



Source: Company Filings

Product	Product Lines	End User Industries
<b>Automotive Foam</b>	Poly-ester Foam, Poly-ether Foam	Seat cover, Sound absorption systems, Sun visors, Headliners, Door trims, Lamination systems
<b>Reticulated foam</b>	Ester-based foam, Ether-based foam	Filtration systems, Ceramic foam filters, Outdoor furniture, Microphones and headphones, Safety fuel tanks, Ink cartridges
<b>Ultra Violet Stable foam</b>	-	Sportswear, Innerwear and lingerie, Clothing, Swimwear, Comfort accessories for shoes
<b>Slientech foam</b>	Ester-based PU Foam	Automotive, Diesel generator canopies, Theatres, auditoriums, indoor stadiums, Broadcasting rooms and recording studios, Industrial silencers, Aco

Source: Company Filings

Technical Foam (B2B)	FY19	FY20	FY21	FY22	FY23	FY24
SOR	20%	18%	19%	21%	26%	21%
Volumes (MT)	11,785	11,500	10,178	13,422	15,872	16,051
YoY		-2%	-11%	32%	18%	1%
Realization (INR Per Tonne)	305,473	280,174	317,646	320,295	329,133	290,948
YoY		-8%	13%	1%	3%	-12%

Source: Company Filings, Arihant Research

#### Furniture Cushioning/ Foam (B2B):

In this business they manufacture foam for Sofa Sets, Chairs, Custom Sofas, Sofa cum bed, etc. The range of products is as follows:

- Primo- A unique composition and extra thickness for comfort and support.
- Resitec - Using High Resilience (HR) Cushioning Technology, it provides personalized comfort.
- Cool Gel-S - Cool Gel-S particles dissipate heat easily, and offer a cool feeling.



Source: Company Filings

Furniture Cushioning/ Foam (B2B)	FY19	FY20	FY21	FY22	FY23	FY24
SOR	16%	15%	14%	13%	12%	10%
Volumes (MT)	7,597	7,939	5,724	6,139	5,770	5,712
YoY		5%	-28%	7%	-6%	-1%
Realization (INR Per Tonne)	380,413	342,235	412,648	427,105	428,250	395,658
YoY		-10%	21%	4%	0%	-8%

Source: Company Filings, Arihant Research

**International business:**

Geography Wise SOR	FY19	FY20	FY21	FY22	FY23	FY24
SFL India	85%	81%	70%	70%	71%	75%
Australia - Joyce	15%	15%	17%	15%	15%	14%
Spain - Interplasp	0%	5%	14%	15%	14%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company Filings, Arihant Research

**Australia- Joyce Foam (B2B):**

SFL holds a 40% market share in Australia as a PU foam player through its wholly owned subsidiary- Joyce Foam PTE. Joyce Foam produces raw materials for branded mattress makers and has products catering to industries such as furniture, medical, Industrial, molded, and polystyrene.

The company acquired the business of manufacturing of PU Foam and polystyrene products of three Australian companies, namely, Joyce Corporation Ltd, Joyce Indpac Ltd and Marfoam Pty Ltd through Joyce Foam in 2005.

It has 5 production centers at Adelaide, Canberra, Melbourne, Perth and Sydney, and a 11,000 MTPA production.

Australia- Joyce Foam	FY19	FY20	FY21	FY22	FY23	FY24
Revenues (INR Mn)	3,277	3,157	4,130	4,295	4,379	4,080
YoY	-	-4%	31%	4%	2%	-7%
EBITDA Margin	-	-	-	12.76%	9.30%	6.00%

Source: Company Filings, Arihant Research

**Spain- Interplasp (B2B):**

Sheela Foam has a presence in Europe through its wholly-owned subsidiary 'Interplasp'. It is one of the best European flexible PU foam manufacturers. It has a manufacturing facility at Yecla in Spain, one of the most cost-effective manufacturing locations in Europe.

They manufacture the following PU Foams:

- CONTACT PLUS – Conventional foams
- CONTACT BIO – Soy foams
- CONTACT HR – High -end foams, high resilience
- CONTACT BS – Fire retardant foams
- CONTACT DREAM – Viscoelastic foams

Spain- Interplasp	FY19	FY20	FY21	FY22	FY23	FY24
Revenues (INR Mn)	-	1,032	3,360	4,300	3,954	3,280
YoY	-	-	226%	28%	-8%	-17%
EBITDA Margin	-	-	-	7.24%	11.30%	10.20%

Source: Company Filings, Arihant Research

### Industry Overview:

#### Foam market in India:

- The Indian foam industry's future seems promising with increasing opportunities in various applications, such as building and construction, bedding and furniture, transportation, electrical and electronics, footwear, and others.

#### Organized mattress market in India:

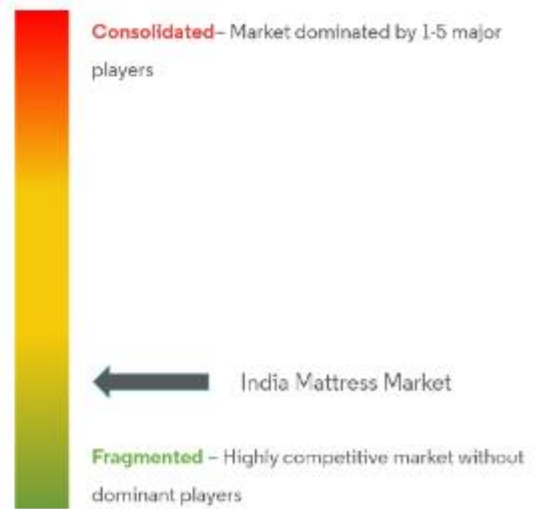
- The Indian modern mattress market is expected to grow at a CAGR of 10%+ and is en route to attaining an INR 25,000 Cr mark by the year 2030.
- **The branded market is just 40% of the total Indian modern mattress market.** There are 25 players in the branded market with **Sleepwell and Kurlon occupying a dominant share- around 30%.**
- Indian organized mattress market is distributed in 3 parts: **50% PU Foam mattresses, 28% Rubber Coir, and 22% Spring.**
- The unorganized sector dominates the country's mattress industry and has a major share of the Indian mattress market. **Mattresses from this unorganized sector usually use cotton filler**, as it is the cheapest of the many options that are now available. ~60% of the Indian mattress market is attributable to cotton mattresses.
- Indian industry offers competitive prices and hence, can expand into global markets. **Asia-Pacific is expected to be the fastest-growing market.**
- **An increasing number of residential units is propelling the demand for mattresses** all over the country. Residential consumers accounted for the bulk of the share, while the remaining was shared by institutional customers, which included hotels, hospitals, and educational institutions. Among the different sizes available, king-size mattresses are the most preferred.
- **One of the most significant opportunities for the mattress industry is in rural India with its large and growing population.** The majority of India's population lives in rural areas signifying a huge potential for the industry. As incomes have risen, rural consumers have begun to demand more comfortable and hygienic high-quality mattresses. The industry in rural India is still in its early stages of development, however, there is a lot of growth potential.
- There is a **growing trend towards customization**, with companies selling custom mattresses made to fit specific body shapes and preferences.
- Almost **half of the consumers prefer foam mattresses** while the next preferred type is the coir mattress. A large chunk of small-town consumers and those in the South and East prefer coir mattresses.
- **Most customers prefer buying a mattress within a price range of INR 5,000 – INR 10,000.** On average, they pay INR 9,500 for an organized sector brand and INR 6,500 for an unbranded one (end consumer price includes GST).
- **Cash is still king** for 73% of the consumers buying mattresses while only 13% pay with plastic money.
- In budget 2022-23, 80 lakh houses will be completed for the identified eligible beneficiaries of PM Awas Yojana, both rural and urban and INR 48,000 Cr is allocated for this purpose which will be beneficial for the modern mattress segment in the last leg of the real estate cycle (after construction of the houses completes).

## India Mattress Market Leaders

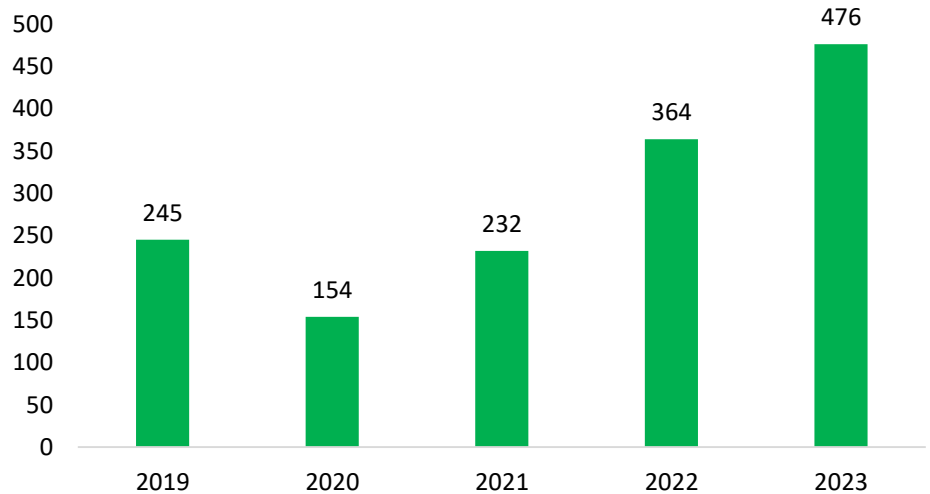
- 1 Springfit
- 2 Coirfit Mattress
- 3 Springwel
- 4 Duroflex
- 5 Sheela Foam

Source: Mordor Intelligence

### Market Concentration



### Residential housing sales (000's)- a propellant of mattress demand



Source: Statista, Arihant Capital Research

#### PU foam market:

- Polyurethane foams exhibit clean incineration and high recyclability for reduced waste, pollutant filtration, and greater sustainability. The penetration of polyurethane foams is anticipated to rise owing to properties such as superior insulation that make them ideal for walls and roofs in new homes.
- Applications of polyurethane foams in electric vehicles (EVs) are more than the normal vehicle i.e. new applications. As governments invest to incentivise EV usage, increasing the production of EVs in the future would also drive demand for PU foams in the upcoming years.

- Asia-Pacific is anticipated to be the fastest-growing market for polyurethane foam. Factors such as rising demand for polyurethane foams from various end-user industries and the enlarging footprint of the global players in polyurethane foams are likely to facilitate the polyurethane foam market's growth. Government support in the form of subsidies and tax incentives is expected to encourage the manufacturing sector in countries such as India and China, which is further expected to promote biobased polyurethane to replace conventional polymers.
- **Threats:** Transportation and warehousing- PU foam and mattresses are voluminous in nature and makes warehousing and transportation difficult. Long-distance transportation incurs high expenses; Raw material prices: The cost of raw materials, including foam, cotton and latex, can significantly impact manufacturers' profitability. Volatility in these prices can lead to higher costs that are difficult to pass on to customers; Economic instability: Inflation, recession, or changes in government policies, can adversely affect India's mattress industry. This can lead to reduced consumer spending, lower demand and decreased profits; Counterfeit products: The proliferation of counterfeit products poses a key threat to the mattress industry in India. These products may be of inferior quality, which can damage the reputation of legitimate manufacturers and affect consumer trust.

#### **Furniture rental market:**

- India Furniture Market is driven by increasing working-class population, growing demand for online shopping, and changing lifestyles. The country's expanding residential and commercial projects are also boosting demand for furnishings.
- The market faces several challenges- the biggest being the high cost of raw materials, which leads to higher manufacturing costs and price of the final product, the lack of skilled labor, which has resulted in lower productivity and quality standards. The unorganized sector of the market which accounts for a significant portion of the market share, faces challenges such as, lack of access to finance, limited technology adoption, limited marketing, and distribution channels. Another challenge is the lack of standardization and regulation. There is no centralized body responsible for ensuring compliance, which leads to lower quality products in the market. The lack of a transparent supply chain makes it difficult for manufacturers to ensure the authenticity of their raw materials and for customers to track the source of their furniture.
- The Rental Market is segmented based on- category (residential, office, hospitality & institutional furniture rental, etc.), tenure (1 year, 1-2 years, 2+ years), distribution channel (online and offline), region (north, south, east, west). Residential furniture rental is currently witnessing the strongest growth, which can be attributed to the increasing number of millennials who prefer to rent furniture instead of buying it, the rise of the sharing economy, and the growing popularity of co-living spaces. Additionally, the ease of online ordering and doorstep delivery of furniture has made it more convenient for customers to rent furniture for their homes.
- Companies such as Furlenco, Rentomojo, CityFurnish, Rentickle, Fabrento, and Pepperfry Rentals are focusing on the Residential Market.



**Rubberized coir market:**

- Rubberized coir mattresses are made from natural coir fibers, which are coated or infused with a layer of latex rubber. The future outlook of the rubberized coir mattress market is positive as the demand for eco-friendly and sustainable products is increasing, and rubberized coir mattresses fit into this category. They offer several benefits -they are hypoallergenic, resistant to dust mites, and provide good ventilation, which can help regulate body temperature during sleep. Factors such as increasing disposable income, growing urbanization, and changing consumer preferences towards more natural and organic products are expected to support the market's growth. The market consists of hard and soft mattresses, and finds application in both residential and commercial sectors (hotels).
- Key players in the competitive rubberized coir mattress market are Coirfit, Kurlon, and Century Fiber Plates.

Income statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue from Operations</b>	<b>28,733</b>	<b>29,823</b>	<b>38,671</b>	<b>47,394</b>	<b>61,099</b>
YoY	0%	4%	30%	23%	29%
COGS	17,879	17,502	22,272	26,804	33,918
YoY	-5%	-2%	27%	20%	27%
Personnel/ Employee benefit expenses	2,829	3,441	4,279	5,007	6,148
YoY	11%	22%	24%	17%	23%
Manufacturing & Other Expenses	5,044	5,875	7,472	8,961	11,304
YoY	21%	16%	27%	20%	26%
<b>EBITDA</b>	<b>2,982</b>	<b>3,005</b>	<b>4,648</b>	<b>6,623</b>	<b>9,729</b>
YoY	-5%	1%	55%	42%	47%
<b>EBITDA Margin (%)</b>	<b>10.38%</b>	<b>10.08%</b>	<b>12.02%</b>	<b>13.97%</b>	<b>15.92%</b>
Depreciation	896	1,158	1,261	1,369	1,484
% of Gross Block	11	6	6	6	6
<b>EBIT</b>	<b>2,085</b>	<b>1,848</b>	<b>3,388</b>	<b>5,253</b>	<b>8,244</b>
<b>EBIT Margin (%)</b>	<b>7%</b>	<b>6%</b>	<b>9%</b>	<b>11%</b>	<b>13%</b>
Interest Expenses	211	686	618	608	611
Non-operating/ Other income	856	1,171	1,547	1,896	2,444
Extraordinary expense	-	-227	-	-	-
Share of associates	-	-106	35	56	85
<b>PBT</b>	<b>2,731</b>	<b>2,454</b>	<b>4,352</b>	<b>6,597</b>	<b>10,163</b>
Tax-Total	723	614	1,122	1,701	2,620
<b>PAT</b>	<b>2,008</b>	<b>1,839</b>	<b>3,229</b>	<b>4,897</b>	<b>7,542</b>
<b>Adj. Net Profit</b>	<b>2,008</b>	<b>1,612</b>	<b>3,229</b>	<b>4,897</b>	<b>7,542</b>
<b>PAT Margin</b>	<b>7%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>
Shares o/s/ paid up equity sh capital	98	103	103	103	103
Adj EPS (INR)	20	18	31	47	72
Balance sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Sources of Funds</b>					
Equity Share Capital	488	544	544	544	544
Reserves & Surplus/ Other Equity	15,599	29,263	32,462	37,311	44,780
<b>Networth</b>	<b>16,087</b>	<b>29,807</b>	<b>33,005</b>	<b>37,854</b>	<b>45,324</b>
Borrowings	5,711	14,931	13,441	13,233	13,284
Other non current liabilities	475	1,111	1,111	1,111	1,111
<b>Total Funds Employed</b>	<b>22,272</b>	<b>45,849</b>	<b>47,557</b>	<b>52,198</b>	<b>59,719</b>
<b>Application of Funds</b>					
Gross block	7,920	18,680	20,336	22,093	23,949
Less: accumulated depreciation	3,630	4,788	6,048	7,418	8,902
<b>Net Fixed Assets</b>	<b>4,290</b>	<b>13,892</b>	<b>14,288</b>	<b>14,675</b>	<b>15,047</b>
Capital WIP	2,875	1,656	1,756	1,856	1,956
Investments	1,169	9,339	9,339	9,339	9,339
Goodwill	2,740	16,889	16,889	16,889	16,889
Other non current assets	615	2,871	2,871	2,871	2,871
<b>Current assets</b>	<b>14,333</b>	<b>8,748</b>	<b>11,077</b>	<b>16,320</b>	<b>25,077</b>
Inventory	3,313	3,394	4,227	4,977	6,159
Days	68	71	69	68	66
Debtors	2,820	3,638	4,505	5,262	6,448
Days	36	45	43	41	39
Other Current Assets	7,774	1,227	1,227	1,227	1,227
Bank	3	49	49	49	49
Cash	423	440	1,068	4,805	11,194
<b>Current Liabilities</b>	<b>4,836</b>	<b>7,546</b>	<b>8,663</b>	<b>9,752</b>	<b>11,459</b>
Creditors	2,594	3,875	4,993	6,082	7,789
Days	53	81	82	83	84
Other current liabilities	2,036	3,380	3,380	3,380	3,380
Provisions	205	290	290	290	290
<b>Net Working Capital</b>	<b>9,497</b>	<b>1,202</b>	<b>2,414</b>	<b>6,568</b>	<b>13,618</b>
<b>Total Liabilities and Capital</b>	<b>22,272</b>	<b>45,849</b>	<b>47,557</b>	<b>52,198</b>	<b>59,719</b>
<b>Total Assets</b>	<b>26,023</b>	<b>53,396</b>	<b>56,220</b>	<b>61,951</b>	<b>71,179</b>
Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit Before Tax	2,731	2,332	4,317	6,541	10,078
Depreciation & Ammortization	896	1,158	1,261	1,369	1,484
Interest Expense	211	686	618	608	611
Interest Income	856	1,171	1,547	1,896	2,444
Tax	723	614	1,122	1,701	2,620
Extraordinary and Other items	-	-333	35	56	85
OCF before WC changes	2,259	2,058	3,561	4,978	7,193
WC changes	5,788	8,312	583	417	661
OCF	3,529	10,371	2,977	4,561	6,532
Capex	524	9,674	1,656	1,756	1,856
FCF	4,053	696	1,321	2,805	4,676
Change in other Assets	2,620	23,129	100	100	100
Change in Equity	76	11,881	-31	-47	-73
Change in Debt & other financing activities	1,371	10,568	-561	1,080	1,885
<b>Net change in cash</b>	<b>15</b>	<b>17</b>	<b>628</b>	<b>3,737</b>	<b>6,388</b>
<b>Opening Cash Balance</b>	<b>408</b>	<b>423</b>	<b>440</b>	<b>1,068</b>	<b>4,805</b>
<b>Ending Cash balance</b>	<b>423</b>	<b>440</b>	<b>1,069</b>	<b>4,805</b>	<b>11,194</b>

Source: Annual Report, Arianth Capital Research

Key Ratios					
<b>Solvency Ratios (X)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Debt / Equity	0.4	0.5	0.4	0.3	0.3
Net Debt / Equity	0.3	0.5	0.4	0.2	0.0
Debt / EBITDA	1.9	5.0	2.9	2.0	1.4
Net Debt / EBITDA	1.8	4.8	2.7	1.3	0.2
Debt/ Asset	0.2	0.3	0.2	0.2	0.2
<b>Liquidity Ratios (x)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Current Ratio	3.0	1.2	1.3	1.7	2.2
Quick Ratio	2.3	0.7	0.8	1.2	1.7
<b>Important Metrics</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Net Debt (includes lease liabilities and excludes investments)	5,288	14,491	12,372	8,427	2,091
FCF	(4,053)	696	1,321	2,805	4,676
EV	275,226	284,429	282,311	278,365	272,029
<b>DuPont Analysis</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Sales/Assets (X)	1.06	0.56	0.69	0.77	0.86
Assets/Equity (X)	1.69	1.79	1.70	1.64	1.57
Net Profit Margin	6.99%	6.17%	8.35%	10.33%	12.34%
RoE	12.48%	6.17%	9.78%	12.94%	16.64%
<b>Per share ratios (INR)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Reported EPS	20.4	17.7	31.3	47.4	73.0
Adjusted EPS	20.4	17.7	30.9	46.9	72.2
Dividend	0.2	0.2	0.3	0.5	0.7
BV	164.9	288.6	319.6	366.5	438.8
Cash	4.3	4.3	10.3	46.5	108.4
Revenue	294.5	288.7	374.4	458.9	591.6
<b>Profitability ratios</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Net Profit Margin	7%	6%	8%	10%	12%
Gross Profit Margin	38%	41%	42%	43%	44%
EBITDA Margin	10%	10%	12%	14%	16%
EBIT Margin	7%	6%	9%	11%	13%
PAT Margin	7%	6%	8%	10%	12%
ROE	12%	6%	10%	13%	17%
ROCE	7%	3%	5%	7%	10%
ROIC	6%	3%	5%	7%	10%
ROA	7%	3%	6%	8%	11%
<b>Activity ratios</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Inventory Days	68	71	69	68	66
Debtor Days	36	45	43	41	39
Creditor Days	53	81	82	83	84
<b>Valuation ratios (X)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
EV / EBITDA	92.3	94.6	60.7	42.0	28.0
EV / EBIT	132.0	154.0	83.3	53.0	33.0
EV / Net Sales	9.6	9.5	7.3	5.9	4.5
EPS (INR)	20.4	17.7	31.3	47.4	73.0
Adj EPS (INR)	20.4	17.7	30.9	46.9	72.2
CMP	915.3	915.3	915.3	915.3	915.3
P/E	44.9	51.8	29.3	19.3	12.5
P/B	5.6	3.2	2.9	2.5	2.1

Source: Annual Report, Aриhant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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