PL Capital
PRABHUDAS LILLADHER

Management Meet Update

Sheela Foam (SFL IN)

June 25, 2026

Key Data	SHEF.BO | SFL IN
BSE Code	540203
NSE Code	SFL
52-W High / Low	INR 769 / INR 461
Face Value	5
Sensex / Nifty	76,991/ 24,021
Market Cap	INR 80.18 bn/$ 8mn
Shares Outstanding	109.2mn
3M Avg. Daily Value	INR 244.7mn

Shareholding Pattern (%)

Promoter's	65.69
Foreign	4.15
Mutual Funds	17.37
Domestic Institution	3.19
Public & Others	9.60
Promoter Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	15.1	45.9	24.2	(0.9)
Relative	15.1	43.9	33.5	3.5

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25	FY26
Sales (INR mn)	28,637	28,684	29,780	34,247
EBITDA (INR mn)	3,149	2,982	3,005	2,499
Margin (%)	11.0	10.4	10.1	7.3
PAT (INR mn)	2,173	1,989	1,824	961
EV (INR mn)	87,637	87,637	87,637	87,637
Total Debt (INR mn)	4,665	5,711	14,931	14,624
C&C Eq. (INR mn)	411	425	490	475
EPS (INR)	11.1	20.4	16.8	8.8
Gr. (%)	-54.3	83.1	-17.7	-47.3
DPS (INR)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
RoE (%)	16.9	13.3	8.1	3.2
RoCE (%)	24.2	16.8	16.2	14.1
EV/Sales (x)	3.1	3.1	2.9	2.6
EV/EBITDA (x)	27.8	29.4	29.2	35.1
PE (x)	65.9	36.0	43.7	83.1
P/BV (x)	5.14	4.48	2.7	2.6

Focus shifting from integration to expansion

Quick Pointers

- Continues to expand distribution as Kurl-On moves beyond integration
- Volume growth to pick up in FY27

We recently interacted (in a group meeting) with the management of Sheela Foam Ltd (SFL). The management remains optimistic on the company's medium-term growth prospects, driven by market share gains, distribution expansion, e-commerce penetration, and the successful integration of Kurl-On. SFL has already realized ~INR1.9bn of the targeted INR2.5bn synergy benefits from Kurl-On acquisition, with the balance expected to be captured by H1FY27. SFL continues to aggressively expand its retail footprint, supported by the unorganized-to-organized transition (U2O, previously called Small Town India initiative), and deeper penetration of Kurl-On in North and West India.

To tap the large value mattress opportunity, the company has launched Tarang and Aaram mattresses, targeting the sub-INR10,000 segment, while premiumization and market share gains remain key focus areas. E-commerce continues to emerge as a meaningful growth channel, supported by strong growth across both marketplaces and owned platforms. The management also highlighted Furlenco as a strategic growth platform within the broader home comfort ecosystem, targeting revenue of INR5.0–5.5bn by FY27. International operations in Australia and Spain remain focused on profitability improvement through operational efficiencies and pricing discipline. Despite recent raw material inflation, the management expects margins to remain supported through price pass-through mechanisms and operational efficiencies. Not rated.

SFL is India's largest branded mattress player and a leading manufacturer of polyurethane foam products. Through brands such as Sleepwell, Kurl-On, Feather Foam and Lamiflex, the company caters to both consumer and industrial markets. At its core, the business leverages a dual-brand framework, positioning Sleepwell as a premium, innovation-driven brand and Kurl-On as a value-focused brand for mass segments, ensuring balanced volume and value growth across high-growth regions. The company is executing a strong premiumization strategy focused on luxury mattresses, foam-based solutions, and high-margin adjacent categories to drive value-led growth. Simultaneously, it is looking to increase domestic market penetration through an extensive dealer network driving the U2Otransition.

SFL is adopting an omni-channel approach that seamlessly integrates physical retail expansion—including new showrooms and company-owned, company-operated stores—with a scaling e-commerce platform to capture consumers researching online and buying offline. In order to protect margins and ensure sustainable, long-term profitability, the company is pairing this commercial push with targeted backend investments in raw material capabilities, supply chain resilience, and operational excellence.

Sani Vishe
sanivishe@plindia.com | +91-22-66322222

Akshay Deshpande
akshaydeshpande@plindia.com | +91-22-66322222

Business overview

India's leading mattress and PU foam company

Founded in 1971, SFL is India's largest mattress company with a market share of ~30% in branded domestic markets. SFL is also one of world's leading manufacturers of polyurethane (PU) foam products. SFL operates across mattresses, comfort foam, technical foam, and furniture cushioning, serving both retail consumers and industrial customers through a diversified portfolio of brands and an extensive distribution network. SFL's flagship brands include Sleepwell, Kurl-on, Feather Foam and Lamiflex.

SFL operates 19 manufacturing units across India, Spain and Australia with a total production capacity of 178,000 MTPA. International operations are carried out through Joyce Foam Products (Australia) and Interplasp (Spain) which together provide geographical diversification and access to developed markets. SFL has a ~40% market share in branded Australian mattress market.

Exhibit 1 : **Product portfolio**

Source: Company, PL

SFL has a robust distribution network, with over 11,000 dealer touchpoints and 5,500 brand outlets as of FY26,. The company continues to expand its reach, bolstering its marketing and digital presence across Tier 1 and 2 cities in India, and growing exports to Europe and North America. In FY26, the company added 600 net new showrooms in the retail side. Its Small Town India initiative (now called U20) operates across 8,400 dealers, 230 distributors, 5,500 towns and 24 states.

Key takeaways from management meeting:

Mattress industry in India

- Indian bedding market is estimated at INR450–500bn, of which roughly one-third comprises modern mattresses (foam, coir, latex, spring, etc.).

- Organized players account for only about one-third of the modern mattress segment, implying a large opportunity for market share gains through formalization.

- The Management identified 2 key structural growth drivers: a) migration from traditional cotton mattresses to modern mattresses and b) continued shift from unorganized players to organized brands, supported by rising consumer awareness and replacement demand.

- In terms of channels, the online mattress segment has been growing significantly faster than the offline market in recent years.

Mattress segment for SFL

- For SFL, mattress volume has been growing in double-digits, although value growth has been lower due to a) increased contribution from online channels where ASPs are lower, b) expansion into value segments such as Tarang and Aaram, and 3) declining raw material prices impacting realization.

- Sleepwell remains the flagship premium mattress brand of the company and enjoys stronger positioning in North and West India. The brand is focused on premium foam-based products and continues to benefit from growing consumer preference for branded sleep solutions.

- To further capitalize on premiumization trends, the company is evaluating the launch of a dedicated luxury mattress brand. The management indicated that the premium offering may be housed in separate exclusive stores to create clear brand differentiation and enhance customer experience.

- Kurl-On is positioned distinctly from Sleepwell and is viewed as a 'natural sleep' brand due to its stronger association with coir and latex mattresses. Geographically, Kurl-On has stronger brand equity in South and East India, complementing Sleepwell's dominance in North and West India.

- The management noted that integrating Kurl-On was operationally challenging due to differences in business models. Historically, Kurl-On had stronger exposure to multi-brand outlets, while Sleepwell was more focused on exclusive brand outlets. However, the integration is progressing well and the company expects to achieve full synergy benefits in coming quarters.

- SFL's Tarang and Aaram brands are focused on addressing the large cotton mattress replacement opportunity, which still constitutes nearly two-thirds of the overall bedding market. The company has built a dedicated distribution network for these brands and has already scaled the business to ~INR100cr.

E-commerce business

- Online sales stood at ~INR2,400mn in FY26.

- The company's own website currently contributes ~INR500mn and is targeted to reach ~INR1,000mn in FY27.

- While ASPs in online channels are lower than offline channels, the management remains committed to expanding digital penetration in line with evolving consumer purchasing behavior.

- Further, the management expects INR3,2003,400mn revenue in FY27 from online channels, INR5,000mn revenue in the medium term and long-term potential of INR7,000mn.

Foam business

- The business delivered particularly strong performance during Q4FY26. The management attributed this to rising raw material prices and supply disruptions which forced several smaller players to shut operations, benefiting organized manufacturers.
- Raw material price fluctuations continue to be passed through to customers, although pricing dynamics vary across different foam categories.
- A key highlight is the substantial latent capacity available in the foam business. Through debottlenecking and limited capital expenditure, existing facilities can support nearly 2.5x current production volume.
- This could provide significant operating leverage and growth potential without requiring large-scale manufacturing investments.
- The company is targeting ~12% growth in foam. Historically, foam has grown at 10–12%, but the management believes growth could exceed normal levels over the near term given consolidation opportunities in the industry.

International business

- The company operates through subsidiaries in Australia and Spain.
- The management characterized both markets as mature and stable. Consequently, revenue growth expectations remain modest, generally in the low-single-digit range.
- Profitability in these markets is expected to remain stable under normal market conditions. While the management remains open to evaluating strategic alternatives for the Australian business, there is currently no active sale process underway.

Furlenco

- Furlenco represents SFL's strategic investment in the furniture rental and subscription ecosystem.
- The company has invested ~INR4,300mn in Furlenco and owns ~43% of the business.
- Key operating metrics shared by the management include: FY26 revenue at INR3,700mn, PAT of ~INR330mn, and annual cash generation of INR800–1,000mn.
- The management highlighted that Furlenco has significantly reduced debt, resulting in lower finance costs and improved profitability.
- For FY27, the management expects revenue growth of 30–40%., with PAT margin of 15–16%.
- The company continues to view Furlenco as a long-term strategic investment and an important component of its broader home comfort ecosystem.

Outlook

- The management remains optimistic about sustaining healthy growth through volume expansion and market share gains in the mattress business. Under a stable raw material environment, the company believes mattress revenue can grow close to 18%, while 12% growth is considered comfortably achievable.

- For Tarang and Aaram, the management is targeting INR2,000mn revenue in FY27 and INR5,000mn revenue over the next 3–5 years.

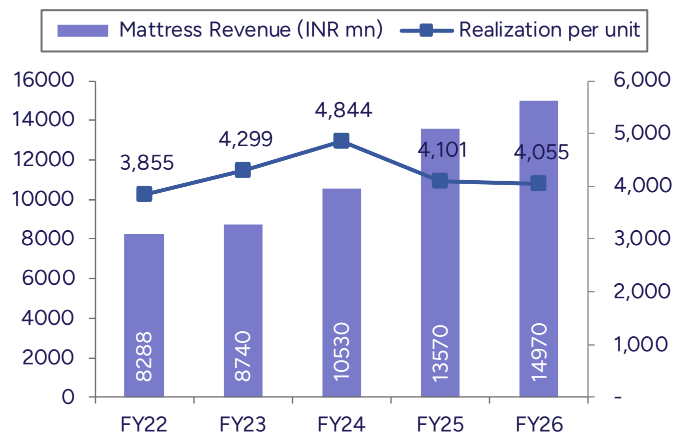
- The company is targeting ~12% growth in foam and ~18% growth in mattresses, resulting in blended growth aspiration of ~15%.

- Margin expansion is expected to be driven through operating leverage, with gross margins likely to remain broadly stable at 40–42%.

- From a balance sheet perspective, the international businesses still carry debt. The management expects India operations to become net-cash/net-debt positive within ~2 years, while overseas operations could take 4–5 years to achieve a similar position.

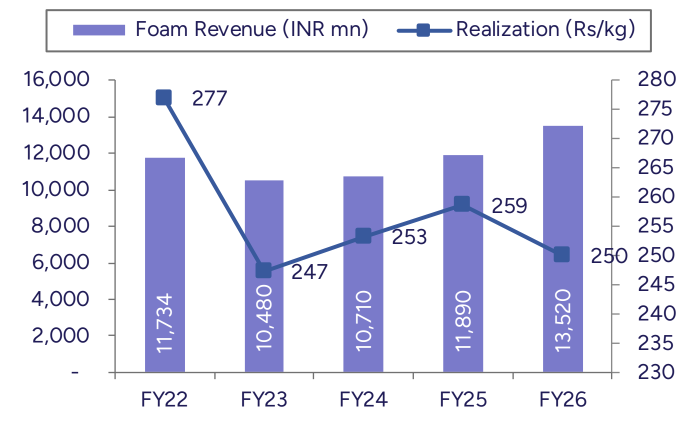
Story in Charts

Exhibit 2 : Mattress revenue growth driven by volume



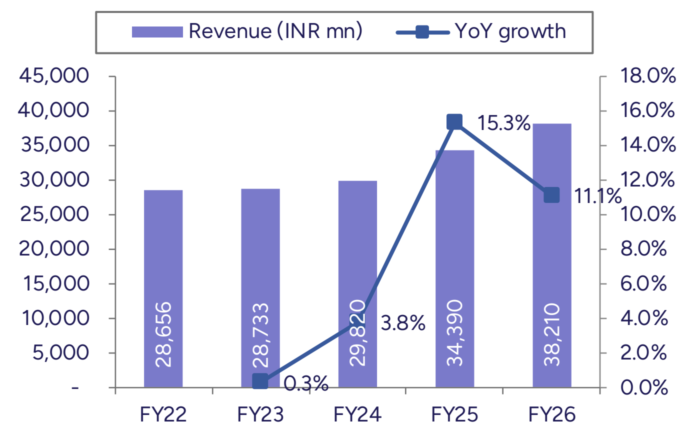
Source: Company, PL

Exhibit 3 : Foam revenue grows despite lower realization



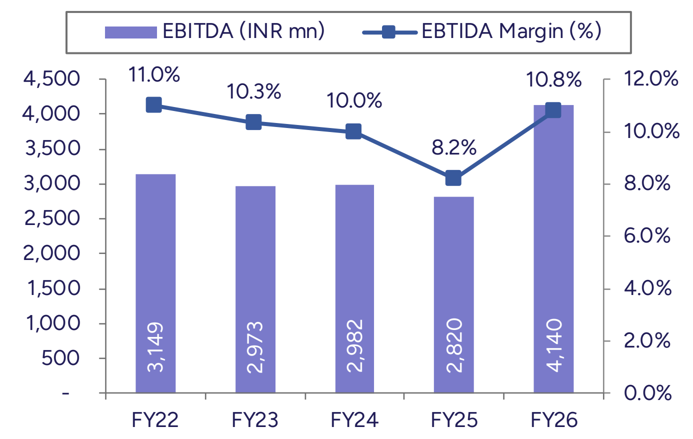
Source: Company, PL

Exhibit 4 : Double-digit revenue growth in FY25-26



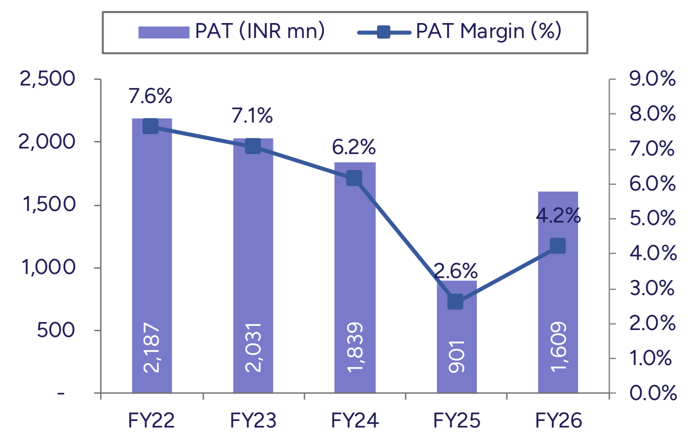
Source: Company, PL

Exhibit 5 : EBITDA margin rebounds as synergies start to accrue



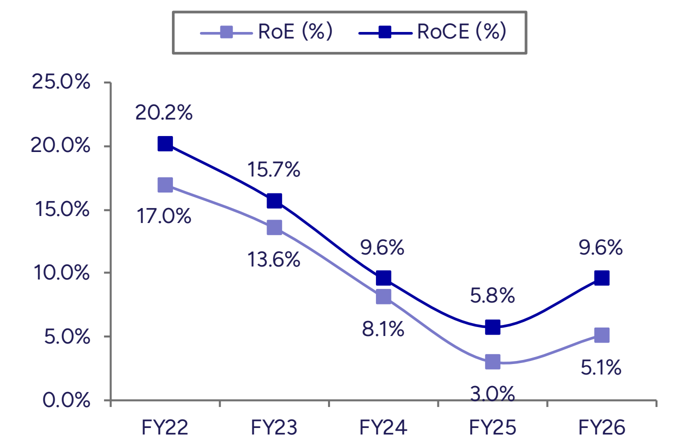
Source: Company, PL

Exhibit 6 : PAT margin remains below historical levels



Source: Company, PL

Exhibit 7 : Improving capital returns indicate recovery



Source: Company, PL

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BUY	:	> 15%
Accumulate	:	5% to 15%
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Corporate Office: 6th Floor, Tower 2B South Annex, One World Centre, 841, Senapati Bapat Marg, Lower Parel, Mumbai - 400013

Registered Office: 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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