

SHEELA FOAM LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.1016.40 (As on 9th June 2023)

TARGET PRICE : Rs.1271.00

FACE VALUE : Rs.5

BSE CODE : 540203

NSE CODE : SFL





Incorporated in 1971, Sheela Foam Ltd. is the market leader and the largest manufacturer of Polyurethane Foam (PU) in India. The Company offers flagship household brands such as: 'Sleepwell' for mattresses and home comfort, 'Feather Foam' a pure PU Foam and 'Lamiflex' a polyester foam for lamination. It has a strong presence and market share in Australia through its wholly-owned subsidiary, Joyce Foam Pty Ltd. and also in Spain through its subsidiary, Interplasp S.L.

ABOUT THE COMPANY

The Company manufactures various foam-based home comfort products like mattresses, furniture cushions, as well as technical grades of polyurethane foams for end-use in a range of industries like automobile, acoustics, etc. The Company has an integrated manufacturing facility 123,000 MTPA with a robust distribution network of 100+ exclusive distributors, 5,400+ exclusive brand outlets, and 7,850+ multi-brand outlets. The Company has a global manufacturing footprint with 11 nationwide manufacturing plants in India, 5 in Australia, and 1 in Spain.



Company Snapshot



Experienced Management



'Sleepwell' mattresses a household Brand and one of the most trusted brands in India



Backward Integrated Player with a wide product basket



Largest manufacturers of PU Foam in India



30-35% Market Share in the Mattresses segment



40% market share in Australia



Presence across multiple geographies



Low Gearing ratio



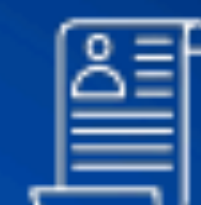
Consistent Positive cash flow generation



Strategic move to focus on high margin products



Marquee Investors

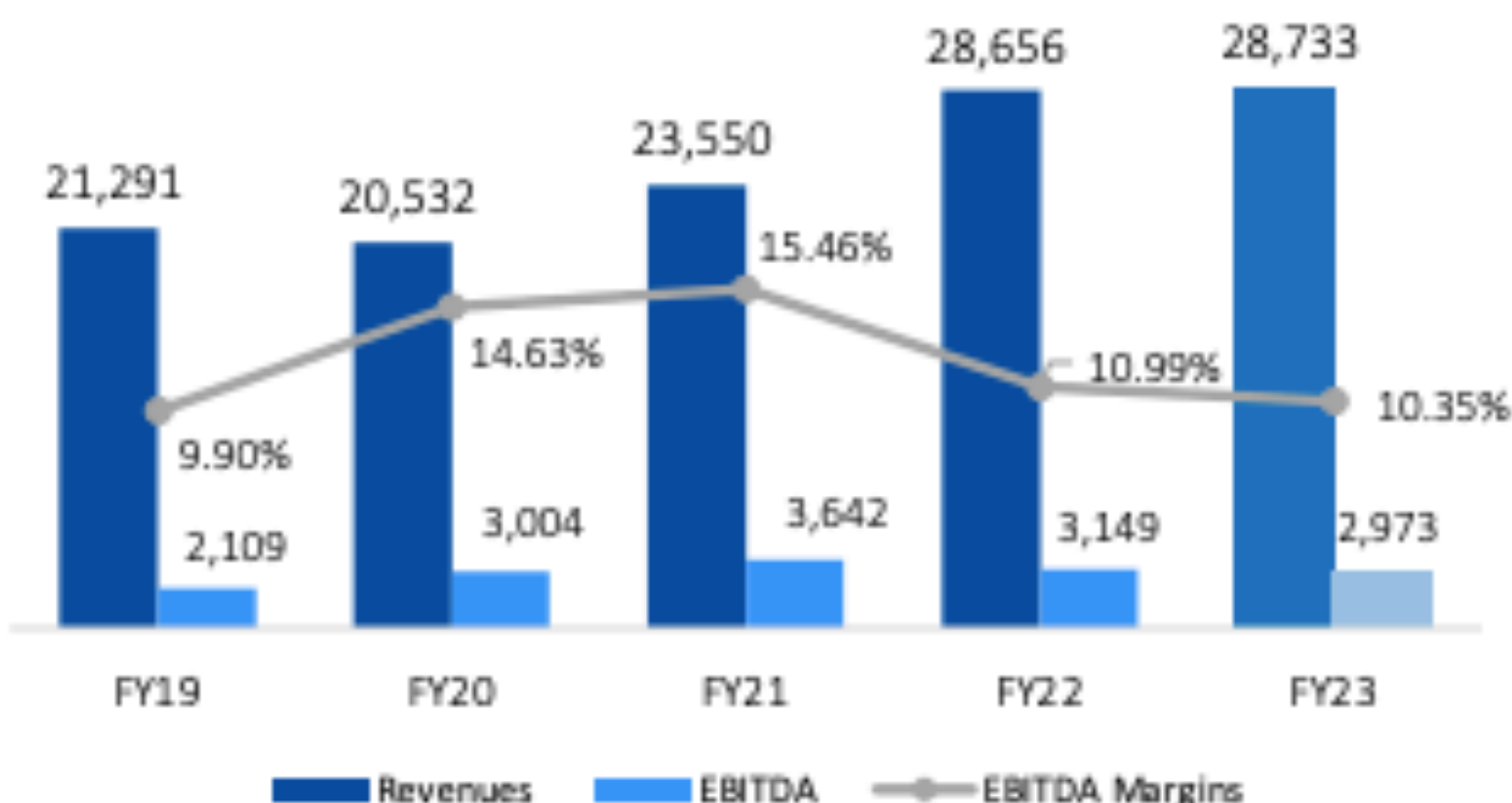


Proven track record in Acquisitions and Integration

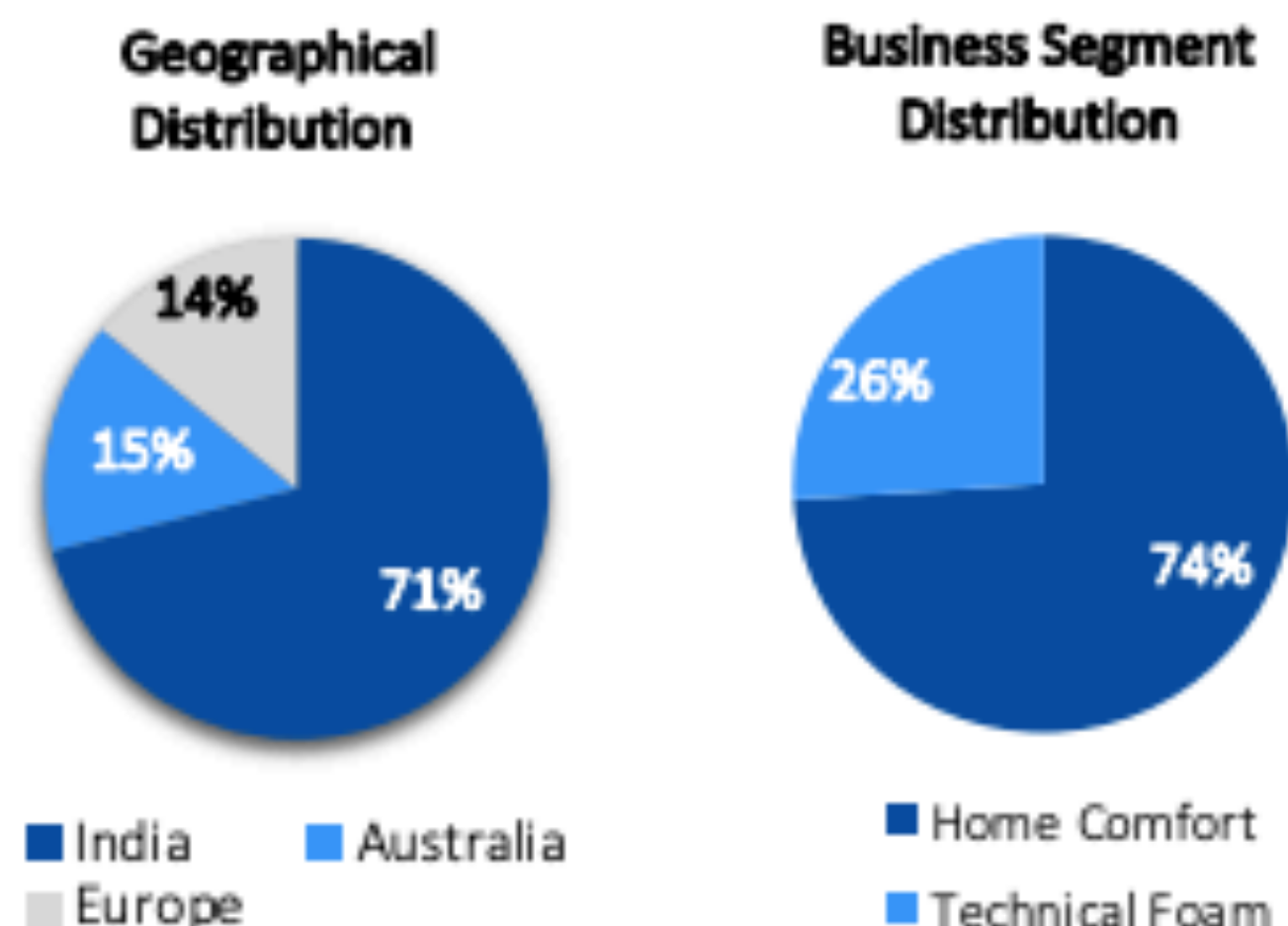
Company Overview

- Incorporated in 1971, Sheela Foam is the market leader and the largest manufacturer of Polyurethane Foam (PU) in India.
- The Company manufactures various foam-based home comfort products like mattresses, furniture cushions, as well as technical grades of polyurethane foams for end-use in a range of industries like automobile, acoustics, etc.
- The flagship household brands include: **'Sleepwell'** for mattresses and home comfort, **'Feather Foam'** a pure PU Foam and **'Lamiflex'** a polyester foam for lamination.
- The company has a global manufacturing footprint with 11 nationwide manufacturing plants in India, 5 in Australia, and 1 in Spain.
- It has a strong presence and market share in Australia through its wholly-owned subsidiary, Joyce Foam Pty Ltd. and also in Spain through its subsidiary, Interplasp S.L.
- The company has an integrated manufacturing facility 123,000 MTPA with a robust distribution network of 100+ exclusive distributors, 5,400+ exclusive brand outlets, and 7,850+ multi-brand outlets.

Revenue, EBITDA (INR Mn) and EBITDA Margins (%)



FY23 Revenue Breakup



India Operations

Sleepwell
Launched in 1994

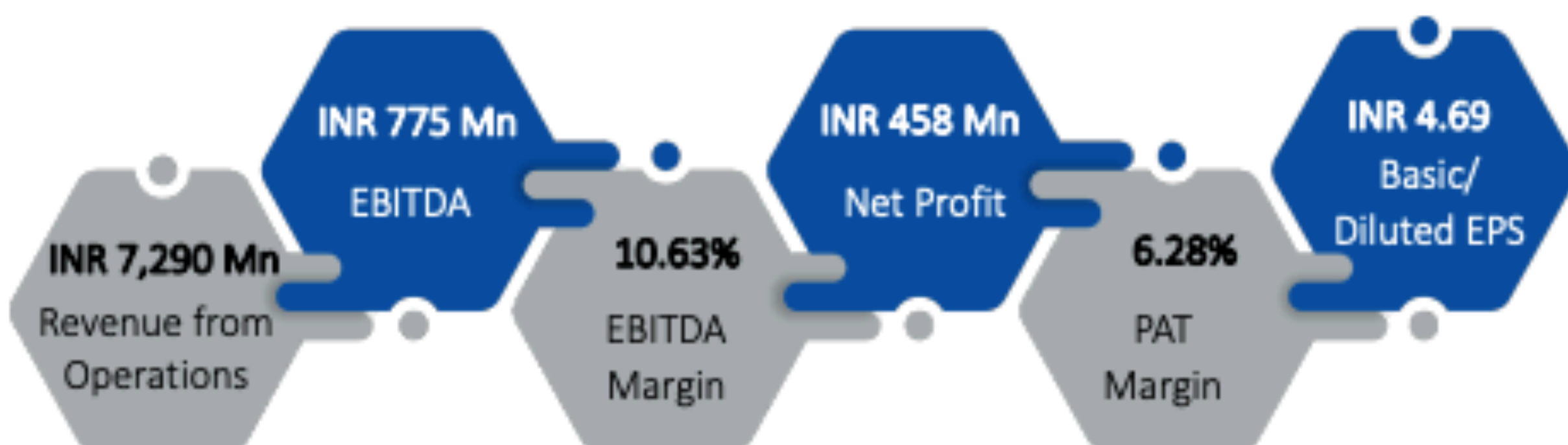
- 11 Manufacturing Plants
- 123,000 MTPA of Total Capacity
- 30 – 35% Market share in India

Global Operations

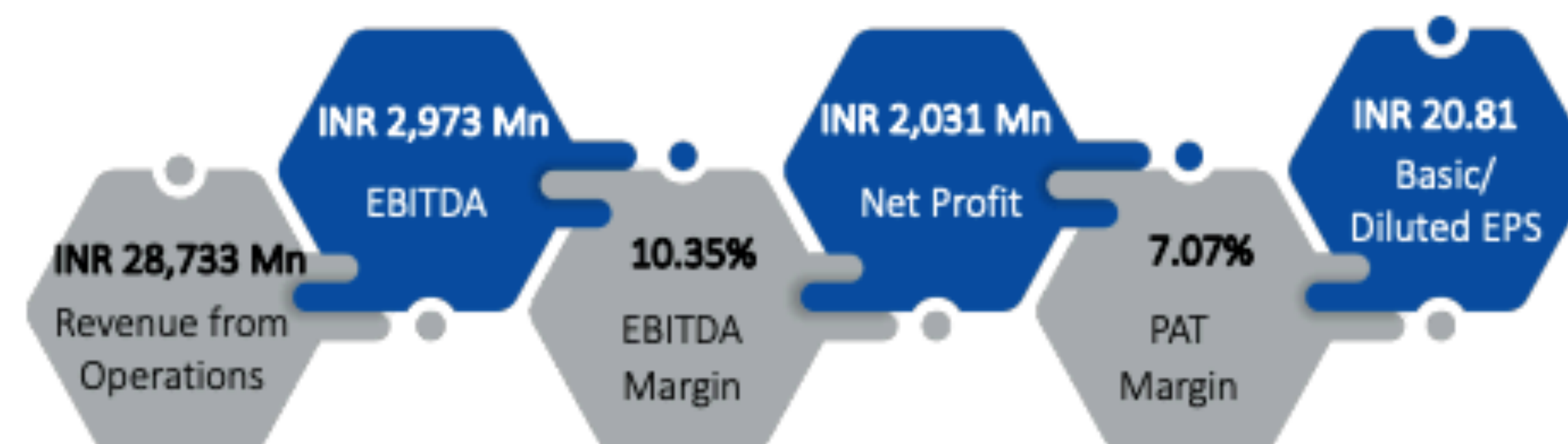
- 5 Manufacturing plants in Australia with a capacity of 11,000 MTPA
- 40% Market share in Australia
- 1 Manufacturing plant in Spain with a capacity of 22,000 MTPA to cater to European and US markets

Q4-FY23/FY23 Financial and Operational Highlights

Q4-FY23 Consolidated Financial Performance



FY23 Consolidated Financial Performance



Q4-FY23/FY23 Operational Highlights

- Revenue growth was almost flat both on a QoQ and YoY basis primarily because of a higher base in FY22 due to pent up demand post Covid-19
- Consolidated Gross Margins improved from 37% to 39% in Q4-FY23 on a QoQ basis and from 34% to 39% on a YoY, primarily because of lower raw material costs.
- EBITDA Margins also improved on a QoQ basis both on Standalone and Consolidated business, indicating an improvement in run rate. This is in spite of elevated costs relating to marketing and one-time M&A and forex related accounting costs.
- The secular trend of unorganised to organised shift, coupled with focus on long term strategic initiatives and execution ensured growth in SFL mattress and foam market share.
- Overall business outlook remains positive provided by India's GDP forecasts, coupled with secular themes of formalisation and consolidation, which remains relevant to the Indian Mattress market.
- Significant amount of work is done by SFL in the areas of product mix and design. The company will continue to pursue in this direction in addition to focus on diversification

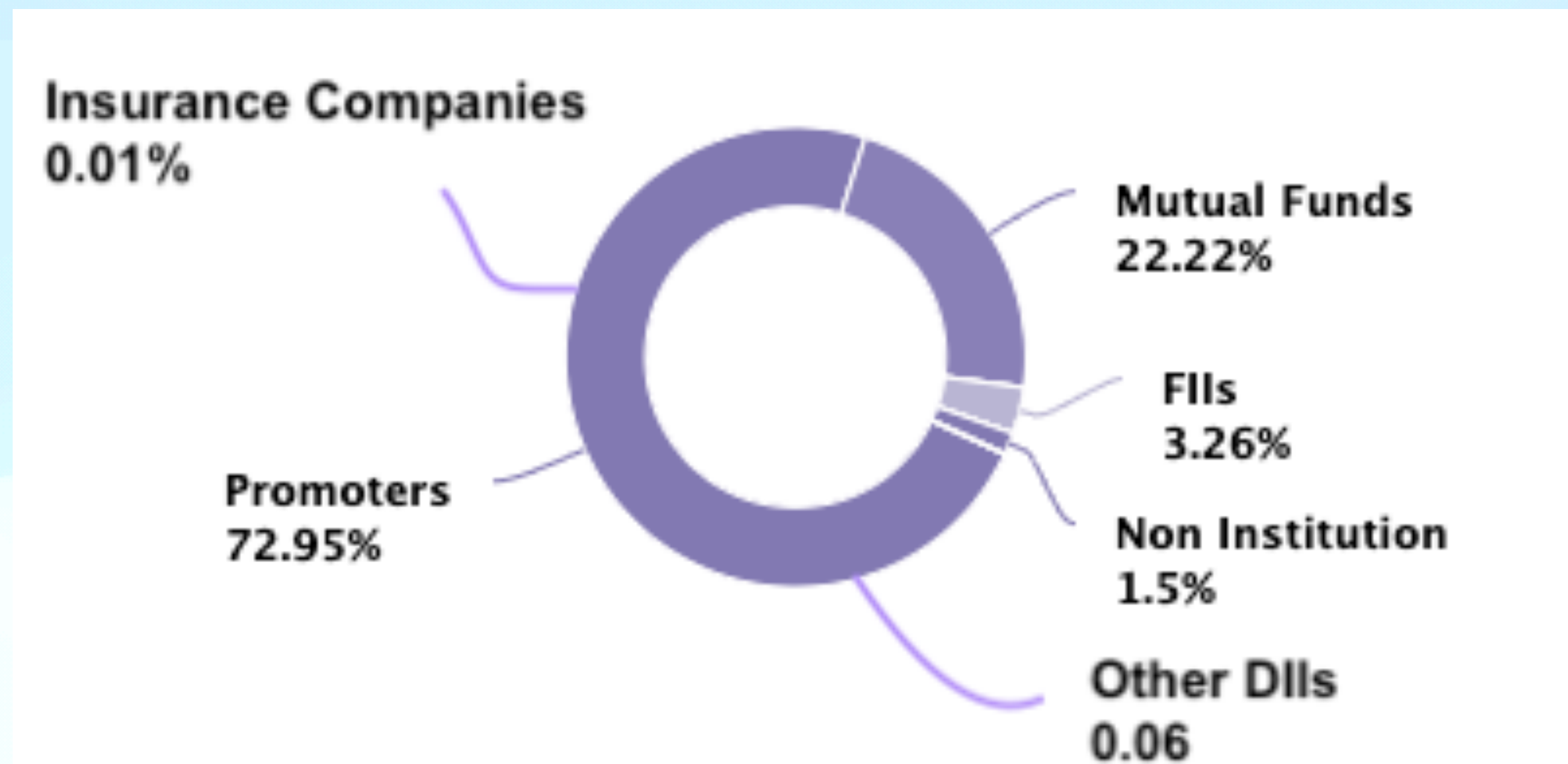
Yearly Results

YEARLY RESULTS OF SHEELA FOAM (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	2,873.32	2,981.81	2,435.36	2,173.63	2,141.45
Total Income From Operations	2,873.32	2,981.81	2,435.36	2,173.63	2,141.45
EXPENDITURE					
Consumption of Raw Materials	1,618.30	1,798.50	1,367.35	1,088.10	1,138.24
Purchase of Traded Goods	180.63	53.54	18.00	17.98	46.62
Increase/Decrease in Stocks	-12.09	-9.78	-6.00	-1.44	-11.67
Employees Cost	279.15	257.69	231.71	220.35	177.32
Depreciation	89.62	80.78	72.87	59.04	39.53
Other Expenses	510.05	566.92	461.99	548.23	581.45
P/L Before Other Inc., Int., Excpt. Items & Tax	207.66	234.16	289.44	241.37	169.96
Other Income	86.50	79.16	52.08	39.99	29.09
P/L Before Int., Excpt. Items & Tax	294.16	313.32	341.52	281.36	199.05
Interest	21.07	16.97	17.68	13.00	9.62
P/L Before Exceptional Items & Tax	273.09	296.35	323.84	268.36	189.43
Exceptional Items	--	--	--	-11.99	--
P/L Before Tax	273.09	296.35	323.84	256.37	189.43
Tax	70.03	77.64	83.69	62.08	55.68
P/L After Tax from Ordinary Activities	203.06	218.71	240.15	194.29	133.75
Net Profit/(Loss) For the Period	203.06	218.71	240.15	194.29	133.75
Minority Interest	-2.54	--	--	-0.86	--
Net P/L After M.I & Associates	200.52	218.71	240.15	193.43	133.75
Equity Share Capital	48.78	24.39	24.39	24.39	24.39
Reserves Excluding Revaluation Reserves	1,551.61	1,368.17	1,159.90	895.35	705.71
EPS BEFORE EXTRA ORDINARY					
Basic EPS	20.81	44.83	49.23	39.83	27.41
Diluted EPS	20.81	44.83	49.23	39.83	27.41
EPS AFTER EXTRA ORDINARY					
Basic EPS.	20.81	44.83	49.23	39.83	27.41
Diluted EPS.	20.81	44.83	49.23	39.83	27.41

Key Financial Ratios

KEY FINANCIAL RATIOS OF SHEELA FOAM (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	20.81	44.84	49.23	39.83	27.41
Diluted EPS (Rs.)	20.81	44.84	49.23	39.83	27.41
Cash EPS (Rs.)	30.00	61.40	64.17	51.93	35.52
Book Value [ExclRevalReserve]/Share (Rs.)	164.89	287.03	244.60	190.15	149.66
Book Value [InclRevalReserve]/Share (Rs.)	164.89	287.03	244.60	190.15	149.66
Revenue from Operations/Share (Rs.)	294.52	611.24	499.22	445.57	438.98
PBDIT/Share (Rs.)	39.34	80.79	84.95	69.78	48.91
PBIT/Share (Rs.)	30.15	64.23	70.01	57.68	40.80
PBT/Share (Rs.)	27.99	60.75	66.39	52.55	38.83
Net Profit/Share (Rs.)	20.81	44.84	49.23	39.83	27.42
NP After MI And SOA / Share (Rs.)	20.55	44.55	48.73	39.65	27.42
PROFITABILITY RATIOS					
PBDIT Margin (%)	13.35	13.21	17.01	15.66	11.14
PBIT Margin (%)	10.23	10.50	14.02	12.94	9.29
PBT Margin (%)	9.50	9.93	13.29	11.79	8.84
Net Profit Margin (%)	7.06	7.33	9.86	8.93	6.24
NP After MI And SOA Margin (%)	6.97	7.28	9.76	8.89	6.24
Return on Networth/Equity (%)	12.52	15.60	20.07	21.03	18.31
Return on Capital Employed (%)	14.50	17.27	22.26	22.21	24.28
Return on Assets (%)	7.39	9.16	11.45	11.71	11.51
Total Debt/Equity (X)	0.29	0.24	0.17	0.21	0.04
Asset Turnover Ratio (%)	1.33	1.15	117.31	131.63	184.32
LIQUIDITY RATIOS					
Current Ratio (X)	2.10	1.47	1.55	1.97	2.00
Quick Ratio (X)	1.61	0.91	0.96	1.38	1.46
Inventory Turnover Ratio (X)	6.05	4.82	7.72	9.58	11.44
Dividend Payout Ratio (NP) (%)	0.00	0.67	0.00	0.00	0.00
Dividend Payout Ratio (CP) (%)	0.00	0.48	0.00	0.00	0.00
Earnings Retention Ratio (%)	0.00	99.33	0.00	0.00	0.00
Cash Earnings Retention Ratio (%)	0.00	99.52	0.00	0.00	0.00
COVERAGE RATIOS					
Interest Coverage Ratios (%)	18.21	23.22	19.31	21.65	20.68
Interest Coverage Ratios (Post Tax) (%)	18.21	23.22	19.31	21.65	20.68
VALUATION RATIOS					
Enterprise Value (Cr.)	10,145.94	17,260.67	9,796.90	6,489.62	6,146.26
EV/Net Operating Revenue (X)	3.53	5.79	4.02	2.99	2.87
EV/EBITDA (X)	26.44	43.80	23.64	19.06	25.76
MarketCap/Net Operating Revenue (X)	3.38	5.69	3.96	2.91	2.87
Retention Ratios (%)	0.00	99.32	0.00	0.00	0.00
Price/BV (X)	6.07	12.18	8.14	6.89	8.41
Price/Net Operating Revenue	3.38	5.69	3.96	2.91	2.87
Earnings Yield	0.02	0.01	0.02	0.03	0.02

Shareholding Pattern an on Mar'23



Summary

- ❖ With deliverance of steady performance in Q4 of FY'23, the Company's Net Sales were Rs.729.04 crs in Mar'23 as compared to Rs.763.62 crs in Mar'22. However, the Net Profits were Rs.44.81 crs in Mar'23 versus Rs.49.30 crs in Mar'22. In addition to this, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.48.78 crs in Mar'23 juxtapose to Rs.24.39 crs in Mar'22.
- ❖ As per healthy financials and fair fundamentals, the Company is available at a good price of Rs.1016.40 with its 52 week low of Rs.906.60 and 52 week high of Rs.1711.50.
- ❖ Since the Promoters are holding majority stake around 72.95% as well as its consistent performance, it is fair to assume that the Management is committed to growth of the Company.
- ❖ The Shareholding Pattern as on Mar'23, shows the FIIs and the Other DIIs cumulatively stood with 3.32% stake. Whilst, the Mutual Fund Houses held 22.22% holdings.
- ❖ It is reassuring to see that Sheela Foam Ltd. is held by KOTAK MF, SBI MF, DSP MF, UTI MF, SUNDARAM MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 12.52% & 14.50% respectively as on Mar'23.

Disclosure

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