



**Sheela Foam Limited**  
**Q3 FY26 Earnings Conference Call**

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**Mr. Rakesh Chahar**  
Deputy Managing Director

**Mr. Amit Kumar Gupta**  
Group Chief Financial Officer

**Q&A PARTICIPANTS LIST:**

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## **Moderator**

Good evening, ladies, and gentlemen, I am Madhuri, moderator for the conference call. Welcome to the Sheela Foam Limited Q3 FY26 Investors Call. As a reminder, all participants will be in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing, "\*" and then "0", on your touch phone telephone. Please note this conference is being recorded.

I would now like to hand over the floor to Mr. Gulshan. Thank you, and over to you, sir.

## **Gulshan Singh**

Yes, thank you, ma'am. Good evening, and very warm welcome to everyone. On behalf of Sunidhi Securities, I welcome you all to Sheela Foam Limited Q3 FY26 Earnings Conference Call. Today, we have with us a management represented by Mr. Rahul Gautam, Chairman and Managing Director, Mr. Rakesh Chahar, Deputy Managing Director, and Mr. Amit Kumar Gupta, Group CFO. We thank Sheela Foam for giving us the opportunity to host the call. I would now like to hand over the floor to the management for their opening remark, post which we will open the floor for a Q&A.

Thanks, and over to you Rahul sir.

## **Rahul Gautam**

Thank you, Gulshan, and thank you Madhuri. Good afternoon, ladies, and gentlemen. At the outset, let me thank you all for attending this conference call to discuss our operational and financial results for Q3 and for the 9 months ending December 25. I do hope you have gone through the results and the earnings presentation, which has been uploaded on our website. I am pleased to inform you that the merger of Kurlon is now complete in all respects with all requisite filings duly made with the Registrar of Companies.

Kurlon has emerged as a significant turnaround for the group. Prior to Kurlon acquisition, SFL on a consolidated basis was at an EBITDA margin between 10-11%. At the time of acquisition, Kurlon's EBITDA was in the mid-single digit. We have continuously improved Kurlon's operations and have achieved a consolidated core EBITDA of the combined Indian operations of 10% for the last 9 months, which is completely in line with SFL margins of pre-acquisition of Kurlon. This we achieved with a 7% plus top line growth, and we will continue to focus on accelerating this growth going forward.

The synergies and integration benefits realised through this acquisition have created a meaningful value for the company. And we are confident that Kurlon will continue to contribute positively to our long-term growth and shareholder value. Our India business core margins have remained firmly in the double-digit

range in Q3 and have been sustained consistently over 10% in the past 9 months as well. This reinforces our confidence to sustain margins while driving growth.

Our business segments have also shown remarkable growth this year, the volume growth for mattresses has been 11% YoY for the 9 month period. Value realization has also been almost at similar levels of 9% during this period with marginal impact of higher growth in the U2O segment, which is the unorganized to organized segment, which was erstwhile called as STI. Price increases across Sleepwell and Kurlon products were implemented towards the end of Q3, and we expect their full impact to get reflected in Q4.

On the retail front, we added approximately 600 net new showrooms over the last 9 months, and remain on track to increase to approximately 700 showrooms by the end of the financial year. Kurlon showroom expansions, particularly in Northern India, continue to gain strong traction, underscoring the brand's consumer strength. In addition, we plan to operationalize select company owned, company operated stores over the next 6 months to further gain some retail wisdom.

Additionally, we are developing pillows as a focused growth category within the home comfort segment with collaborations which are underway. Our E-Commerce business grew by 53% YoY over the last 9 months reaching net revenues of around 180 crores for the 9 month period, driven by a focused strategy, targeted consumer marketing, and portfolio expansion at value accretive price points.

Our unorganized to organized business, the U2O, which I had mentioned earlier, formerly known as STI, now operates through over 8,000 dealers in more than 5,000 towns in 24 states. The segment grew by nearly 100% over the last 9 months, reaching a turnover of 75 crores by December '25, and reaching a run rate of 120 crores supported by continued product innovation across mass, value and economy segments.

In Foam, volumes grew by approximately 20% YoY in Q3 FY26 and by 12% over the 9 month period. Value growth stood at 12% in Q3 and 6% for 9 months impacted by lower raw material prices compared to a similar period of last year. With input costs firming up and reset price increases in place, we expect value growth to be in line with volume growth in Q4. We are continuously expanding our customer pipeline by identifying, investing, and developing new market opportunities to create a healthy sales pipeline. Overall, we remain confident in growth outlook of our India operations supported by strong brands, expanding distribution, and a disciplined execution as we continue to focus on sustainability and profitability in the growth.

Turning to our international business, our business in Dubai and the wider GCC region continues to progress in a steady and encouraging manner. We are already present through exclusive retail stores across each of the Emirates, providing us with a strong on ground foundation. In addition, we have entered into collaborations with leading local large format retail chains, which will further deepen our presence

across the GCC over the next three to six months. To support this growing footprint, we have taken deliberate steps to enhance the responsiveness of our supplying chain.

I am pleased to share that we have commenced local manufacturing, which we have outsourced for the proprietary Sheela Foam and Kurlon Sleep Solutions through a partnership with a UAE-based manufacturer. These initiatives are already helping us to reduce fulfillment timelines and improve service levels. Alongside our physical expansion, we have strengthened our digital and e-commerce presence across platforms such as Amazon and noon.com, and our own website which is also in full operation in Middle East. We remain focused on developing the GCC region into a meaningful and sustainable market guided by prudent execution and long-term value creation.

Turning over to Australia and Spain, I am pleased to share that both Australia and Spain businesses have delivered a marked improvement and a clear turnaround in their performance during third quarter. EBITDA margins for both geographies were around 12% in Q3, and stood approximately 10% for the first 9 months of the fiscal year. This improvement has been driven by disciplined execution across multiple levers. We have effectively leveraged our long-standing supplier relationships in India, diversified sourcing from alternate and cost-efficient markets, and maintaining consistent oversight to keep fixed costs and operating overheads well controlled.

In Australia, a focused effort on waste reduction has translated into tangible operational and financial gains. In Spain, improved pricing discipline and better sales realizations have supported the overall performance. Together these outcomes reflect the commitment of our teams to build a resilient and sustainable international business.

As I had shared with you in the previous quarter that Furlenco had embarked on a plan to raise 125 crores of equity to support its next phase of growth. I am pleased to inform you that this initiative received a very encouraging response from the investor community. Sheela Foam also infused INR 30 crores alongside other esteemed investors. This confidence from new investors putting fresh monies reinforced our belief in Furlenco's long-term vision and strategy. This capital infusion would be sufficient to propel Furlenco to 500- 550 crores top line. Currently, we are already moving at about a run rate of 400 crores per annum.

I am also happy to share that Furlenco continues to progress steadily on its growth journey. As on date, it is at an annualized revenue run rate of 400 crores, which I just mentioned. For the first 9 months of this fiscal, Furlenco delivered a PAT of INR 18 crores and generated cash profits of 68 crores, which were reinvested for the growth of the business. Furlenco has built a strong scalable online business model; however, in the Indian consumer landscape, an omni channel approach integrating both online and offline touch points have proven to be the most effective routes to scale.

Consumers typically begin their purchase journey online, but prefer to visit physical stores to finalize decisions. As a result, leading digital first brands are now investing significant capital to establish offline presence. Furlenco enjoys a distinct strategic advantage through access to Sheela Foam's extensive retail network. Together Sheela Foam and Furlenco have developed a structured program to establish Furlenco's presence across large number of Sleepwell and Kurlon stores.

This partnership enables Furlenco to achieve a rapid capital efficient and diversified offline expansion. Significantly accelerating its omni channel growth. We remain deeply committed to building a sustainable and scalable business and keep leveraging across functional spend.

Staqo, our technology and digital solutions subsidiary, continues to grow and expand to play a critical role in strengthening enterprises, IT, analytics, and digital capabilities across sectors. It remained focused on platform consolidation, process automation, and data led decision support for business. I am pleased to share that till date it has been empowering more than 3 lakh subscribers on their enterprise solution Presence360. We see Staqo as a key enabler of productivity gains and long-term value creation for the Sheela Group.

Turning to our ESG initiatives, sustainability remains a core pillar of our long-term strategy and we continue to make steady progress against our selected sustainable development goals. We have operationalized a 500kW solar power plant at our Jabalpur facility, and are in the process of installing an additional 1,000kW of renewable energy capacity across other locations. We have also commissioned a 30kW sewage treatment plant at Nandigram reinforcing our commitment to responsible resource management. Equally important to us is our responsibility towards inclusive and sustainable social development.

Our CSR efforts are anchored around two focus areas; emotional wellness and skill development. I am pleased to share that our skill development initiative have enabled and empowered nearly 64% of participating young men, and women across various programs helping them secure meaningful employment or start their own entrepreneurial ventures. In the area of emotional wellness, our digital led initiatives have reached over 562 million individuals complimented by approximately 250 on-ground workshops engaging more than 14,000 participants. These efforts reflect our belief that a long-term value creation must go hand in hand with positive societal impact.

I will now request our Group CFO, Amit, to take you through our financial highlights.

Over to you, Amit.

## **Amit Kumar Gupta**

Thank you, sir. Thank you for your inputs on our business and strategy. Just to update on the financials, our volumes and profitability in Q3 and 9 months FY'26, are well on our anticipated growth trajectory with sustainable margins. On a consolidated basis, our revenue grew by 7% on a YoY basis from 2,590 crores to 2,771 crores. And on a stand-alone basis, our revenue saw a growth of 6% from 2,013 crores to 2,143 crores.

As already appraised by Rahul ji, our mattress volumes continued to grow by 11% for Q3 and 9 months. Our foam volume saw substantial growth of 20% in Q3 and 12% for the 9 months. Our consolidated core EBITDA continues to be in double digit at 10.9% for Q3, expanding by 220 basis points YoY, growing from 84 crores to 117 crores. For the 9 months ending December '25, core EBITDA stood at 10.6%. On a YoY basis, it grew 34% from 219 crores to 293 crores, resulting in margin expansion of around 213 basis points.

I am pleased to share that our consolidated PAT for Q3'26 was reported at 53 crores, a substantial jump of 3x on a YoY basis. Consequently, our 9 month PAT stands at INR 69 crores. This was due to higher profitability along with reduction of our interest cost in Q3 FY26 as we repaid our debt liabilities. Historically, our business has been a strong and consistent generator of cash. Following Kurlon acquisition, our fixed asset base more than doubled resulting in higher depreciation charge and consequently a lower reported PAT.

However, this does not reflect the underlying cash generating strength of the business. To provide a clear picture, our consolidated cash PAT, which is defined as PAT plus depreciation plus noncash taxes or deferred taxes stood at 209 crores for the last 9 months translating into a cash EPS of approximately INR 19 per share. Additionally, interest costs are declining meaningfully as acquisition related debt is being repaid, which will further support improvement of reported PAT going forward. With the uptick in the raw material prices towards the end of the last quarter, along with price increases that we have taken in both metrics and foam segments, we expect additions to both revenue and profitability going forward. As part of asset monetization, we have recently sold the land parcel in Jhadagia, Gujarat.

Till date, we have been able to garner a total of around 100 to 125 crores from asset monetization, which has all gone to reduce our debt level. With this, I request the moderator to open the floor for question and answer.

## **Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press "\*" and "1" on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing "\*" and "1" again. Participants are

requested to kindly restrict with two questions in the initial round. First question comes from Raghav Maheshwari from Kamayakya Wealth Management, please go ahead.

**Raghav Maheshwari**

Hi, thanks for the opportunity. First of all, congratulations on a great set of numbers. Sir, my first question is on the margin side. Are these margins sustainable going forward? And what drove this uptick in the margin when we look at YoY?

**Rahul Gautam**

Amit?

**Amit Kumar Gupta**

We have been continuously improving margins for the last three quarters. As we had been discussing in our earlier calls also, the driver of these are two; one, improvement in our cost structure from the synergies that we had gained because of Kurlon acquisition, and, secondly, a growth in the top line. We have reached a 10% sort of a margin, but our journey still continues, and we hope that not only retention, but we should be moving towards improving these margins in the quarters going ahead.

**Raghav Maheshwari**

Thank you, and sir, the next question is regarding the mattress segment. Sir, I wanted to understand which mattress segment are you seeing the most of the growth coming in, like is it Tarang or Aaram or some other price segments?

**Rakesh Chahar**

So, it is coming both from the offline, which is -- Kurlon is growing a bit faster. Because the nature of the business is MBO based, and, we have taken a drive on making the showrooms for Kurlon. So that has worked out well, and the second would be on the e-com site, where we have experienced good growth on the brand.com. So there, our growth has been upwards of 50%. And the last, but not the least, would be the U2O, unorganized to organized, so there also, we have experienced good growth. The accumulation of all this has resulted in the number growth.

**Raghav Maheshwari**

But I wanted to understand which price segment mattress is seeing the most traction as of now in the current demand landscape?

**Rakesh Chahar**

Our ASPs have gone up on the off line. There is a different approach for the ACoS where we are driving the ASP. Our ASPs have gone up both for Sleepwell and Kurlon in offline. So, the numbers are going up on the higher side. The ASPs have gone up, and as far as the e-com is concerned, there is a premiumization. Our ASPs in the e-com has also gone up, and has also gone up in U2O. So, we are basically targeting a little higher premium in all these key segments.

**Rahul Gautam**

If I just add to what Rakesh sir has said, the offline segment, the median value is around 14000-15000, and on the online segment, it's more like 9000-10000. For the growth to happen, it will always be around the median numbers here. But the constant effort is to keep pushing that up, and that is what we will see in the coming times. You know, that 15000 going to 16000, 17000, and on the other side the 9000-10000 segment going to about 10000-11000.

**Raghav Maheshwari**

Okay, sir, that helps. And then lastly, [inaudible 00:23:27]

**Rahul Gautam**

Raghav, you will have to speak, it's not coming through clearly, just have to speak a little louder, please.

**Raghav Maheshwari**

Sir, this is about the rate increase that you were talking about in the initial note. Sir, what sort of impact are we going to see in Q4 numbers because of this rate increase? I mean, can you put it in percentage? Like, how much percentage?

**Rahul Gautam**

I mean, the price increases are not any phenomenal price increases. I generally take the inflation, which is a low number, and some raw material changes that come. But it is of the order of between 4-5% here.

**Raghav Maheshwari**

Okay, so, there is no major impact on the [[interest]], right?

**Rahul Gautam**

Not really, no. And, please appreciate that as far as mattresses are concerned, anything of the order of this 5% or something like that is not a determining factor for somebody who is buying a mattress here. He looks at a range, he looks at a price point and around that INR 100-200 here and there, that is not impactful. But we are mindful of this that price should be not exorbitant. They should be within the, price segment that you are looking at, and at the same time we do account for the inflation that needs to be catered to.

**Raghav Maheshwari**

Okay, sir, those are my questions, sir, all the best.

**Moderator**

Thank you, sir, the next question comes from Ravi Purohit from Securities Investment Management Private Limited, please go ahead.

**Ravi Purohit**

Hi, thanks for taking my question. Sir, now that the Kurlon acquisition is done, and [inaudible 00:25:25] is also done, and we are seeing benefits, can you just kind of share some thoughts on the combination of this Furlenco investment with Kurlon and Sleepwell, all of this put together, how do you kind of envisage our growth numbers over the next few years?

And I think we had maintained or we had spoken about expansion in the margins over the medium term. Do we kind of still stick to those ranges of 13-15% EBITDA margin? If you could just share some more insights. And also for Furlenco, I think, we have made further investments in the last one year. So, what valuation have we invested in for Furlenco? And what is our long-term kind of plan on Furlenco?

**Rahul Gautam**

Amit

**Amit Kumar Gupta**

Yes, you are right. Post Kurlon acquisition, we had talked to the investors, and we set ourselves a target of 15% growth with a 15% EBITDA margin, on which we have been speaking very strongly. That journey is currently underway. We are halfway towards it. Our target still remains the same, and now we see it with a little more clarity than what we did in the last quarter or the quarters before. So, the visibility is now

better. Secondly, on the valuation of Furlenco, the recent issuance was done at a valuation of 1050 crores for the company, in which we participated to the extent of 30 crores, and the remaining 95 crores were brought in by new investors which the company had got into the cap table.

**Ravi Purohit**

Okay. Amit ji, one clarification, in our P&L, we have this 180 crore annual amortization and depreciation, right? I think you have mentioned in the previous calls that we do not need any further CapEx to invest. So, can you just kind of help us understand how much is the typical maintenance CapEx that we will need to kind of spend every year? So, this 180 crore depreciation and amortization amount minus that maintenance CapEx, effectively the cash [[that]] comes back to the business, right, in terms of helps in deleveraging? If you could just quantify and help us understand how much is maintenance CAPEX that we expect to spend every year over the next few years on the total?

**Amit Kumar Gupta**

Yes, you are right we have capacity post Kurlon coming into our fold. We have now capacity sufficient to take us to 2X to 2.5X of our current capacity except for certain debottlenecking CapEx, which we might do or need to do here and there. Some improvement CapEx, which we would always do, which has a payback period of 1.5-2 years.

So, there are always opportunities in the business, and thereafter, the maintenance CapEx. With all these together, we anticipate around 100 odd crores CapEx in India, and around 25 odd crores overseas. So, a total of 125 odd crores including the efficiency and the debottlenecking CapEx. Maintenance CapEx should be around 30-40% of this.

**Ravi Purohit**

Okay, sir, I think you had mentioned in the last call that we had reduced our debt by about 400 odd crores in the 1<sup>st</sup> week of October. Subsequent to the sale of this land in Gujarat, if you could just quantify how much has our debt dropped off between, let's say, 30<sup>th</sup> September and till date, totally?

**Amit Kumar Gupta**

Yes, we paid our debt by around 400 crores. Because there were 400 crores of cash investment lying in our balance sheet. We, had raised more capital at the time of Kurlon acquisition because it was an acquisition equivalent of our size, and we needed to keep cash on the balance sheet. But as Kurlon stabilized, that cash was no more usable, and hence, we used it to pay off the debt. That is in the first week of October, which I mentioned in my last call.

As regards to your second question, so Jhagadia, we recently sold, and we also sold two or three properties in Bangalore and around that area. Together, we have, got a cash of around 100-125 crores, which has fully gone to pay our debt. Now if you ask me what is the debt levels today, I can tell you that the net debt levels in India are less than 300 crores, and overseas is around 325-350 crores. So, the total net debt at a consolidated level should be somewhere between 600-650 crores excluding lease capitalization.

**Ravi Purohit**

Okay., congratulations on a good set of numbers, and all the best for the future.

**Amit Kumar Gupta**

Thank you.

**Rahul Gautam**

Thank you, Purohit.

**Moderator**

Thank you, sir, the next question comes from Bhavin Rupani from Investec, please go ahead.

**Bhavin Rupani**

Yeah, hi sir. Thank you so much for the opportunity. Given we do not have any major CapEx plans in your term, any plans or thoughts to declare dividend?

**Rahul Gautam**

Good question. And we just finished a Board meeting yesterday. So, I would say that definitely the whole process is being reviewed, and obviously, we will take a final call as the year gets over. But I don't know how much I can say, but let us say, our thoughts are very similar to yours.

**Bhavin Rupani**

All right. And given stock prices also corrected over past one year, would management ever look to buyback options? Any thoughts over here also would be really helpful.

**Amit Kumar Gupta**

We have not given any thought to it as of now. Currently, we were involved in improving the businesses and going forward, though that will be our focus area, but we will let you know whenever any of this type of intent is discussed in the company.

**Rahul Gautam**

Amit, there was something in this budget also about buyback options?

**Amit Kumar Gupta**

Yes, buyback is now treated as capital gains.

**Rahul Gautam**

It is capital gains.

**Bhavin Rupani**

Alright. Sir, my next question is on Aaram and Tarang. Can you please share proportion of volume contribution which comes from this category for this quarter as well as last year Q3?

**Rahul Gautam**

I think [inaudible 00:32:12] will take that. But, primarily, let's just stick to the last quarter.

**Amit Kumar Gupta**

No, sorry. We have given an indication of how much this category has grown and what is the total value of this category. Beyond that, we have not been sharing information as to volume numbers, not because we cannot share, but primarily because it becomes a more detailed information, then led to every circular sort of a discussion which we do not want to get into. So, my request would be that we will continue to communicate the growth in these two areas and the amount that these two categories bring to us as revenue. But as regards to volume, my suggestion would be that we'll look at a consolidated total mattress volume.

**Bhavin Rupani**

Alright, fair point, sir. And one more question on synergies. Of the total 2.5 billion of synergies that we have been talking about post Kurlon acquisition, you had indicated almost 2 billion is already in the

numbers and balance of 0.5 billion to be reflected by Q4. So, what is the status over your and what is incremental synergies still pending, which can be reflected in future quarters going ahead?

**Amit Kumar Gupta**

So, you are right, and we are perfectly on track. 200 crores is what we had realized till the last quarter. In this quarter, we had not forecasted because the remaining synergy of around 30-40 crores was primarily on account of the introduction of the new material, and the setting up of the machinery, which was already ordered from overseas. That machine is on way and almost on the phase of reaching our facility, and we hope to install it by the mid of this quarter. So, you may see some results of that in the current quarter, but full results would be available in the first quarter of the next financial year. However, all this will be done, implemented, executed and converted by the end of the current financial year.

**Bhavin Rupani**

Fair point. Sir, last question, you indicated our long-term vision is for 15% revenue growth, 15% EBITDA margins. But would you like to give any guidance for FY27-28 on revenue and EBITDA margins?

**Amit Kumar Gupta**

So as far as growth rate is concerned, we are continuously working to enhance our growth rate to 15%. Now very difficult to commit the quarter on which it will be achieved, but we will try to achieve earlier than later. As far as the margins are concerned, as specified earlier, we would be reaching around 14-15% in FY28, but somewhere in between the current margins and 15% in the next year.

**Bhavin Rupani**

Alright, thank you so much, sir.

**Rahul Gautam**

Thank you.

**Moderator**

Thank you, sir, the next question comes from Rahul Agarwal from Ikigai Asset, please go ahead.

**Rahul Agarwal**

Yeah, hi, thank you so much, and very good evening to all of you. Few questions got answered. So just to clarify, firstly on the growth outlook, I still see some gap on volume and value growth for the mattress business as well as for the foam business. Any comments on how does it converge going forward? You obviously talked about price hikes, but should we assume that largely volume will be equal to value growth going forward, let's say, next 2 years on foam and mattress separately?

**Amit Kumar Gupta**

As I mentioned, and if even if you see the average raw material price in '24-'25 was higher than what we have seen in '25-'26, around 15 -20%. In mattress, we do not pass a lot that almost gets absorbed, and that is why you see a parity between value and volume in the mattress segment. But in the foam segment, it has to be passed off to the ultimate consumers, whichever category it may be. So, there is a disparity between the volume and the value growth in the foam segment. The current increase in prices to some extent will offset that disparity, but we are still a little bit lower than the average price of '24-'25.

So, you may not see them exactly mapping up, but if the price goes up further in the next 2-3 months, yes, it may. But in Current prices, there would still be some gap, though the gaps will be narrowed.

**Rahul Agarwal**

Just on the mattress side, I still see, like, a 7% value growth and 11% volume. So, what explains that gap if we are not basically [inaudible 00:37:12] selling price, but our raw material price is lower?

**Amit Kumar Gupta**

No, it is not on mattress. It is, 7% value growth. Mattress is around 9% value growth and 11% volume growth, if I am correct.

**Rahul Gautam**

Yeah, that is right.

**Rahul Agarwal**

Okay, so –

**Amit Kumar Gupta**

So that is primarily -- So, there is a 2% gap. See 1 or 2% gap monitoring is very difficult because even in the mattress segment, if you see, there are mattresses which are sold across the segments. So, starting

right from INR 4,000 to INR 40,000, INR 60,000, INR 70,000. So, it may happen at times that you sell a higher priced mattress or a lower priced mattress, which may create a percent or 2% disparity.

And to some extent, because the growth of our U2O segment and the online segment was higher than the offline segment, that also impacts the value and volume growth. But empirically, if you see, on a YoY basis, or even on a QoQ basis, you will find that there is not much of a difference between the two. Because on one side, there is a U2O and E-Commerce segment. On the other side, we are premiumising our offline segment. Even the E-Comm segment what Rahul ji just mentioned. The quantum of deterioration because of selling low price segment is offset by the premiumization of the higher segment. So, 1% or 2% may be there, but you will not see a material difference between value and volume growth.

**Rahul Agarwal**

Got that. And just in terms of overall revenue growth, with 9 months, I believe, on a consolidated basis, we have grown about 7%, is that correct on value basis?

**Amit Kumar Gupta**

Yes.

**Rahul Agarwal**

I am just thinking when you guide for a 15% growth, over a medium term, let us say, 3 years, are we talking about, the same number like to like, 7 to moving up to 15, or are we talking about anything else here?

**Amit Kumar Gupta**

Yeah, we are talking about 7 to moving up to 15. Based on past year growth, suppose this year we landed at, the next year we anticipate it to be 1.15x.

**Rahul Agarwal**

Okay, that clears. The second question on the cost side, I mean, a lot of line items in the P&L are flattening out on a YoY, QoQ basis. As you said, your margins also are expected to go up further from here on. And there is some bit of savings which are left to be benefited from starting from the new machines, but overall, how do you look at your cost items going into next 2-3 years? Will that reflect largely inflation growth going forward or is the company investing more into marketing, advertisements, Sleepwell, and that should also play out over the next 2 years?

**Amit Kumar Gupta**

Rahul, this is a function of what is the growth that you achieve. So based on a 15% growth, I can say, that in fixed cost, because in other cost, there are both fixed and variable. In fixed cost, it should be pure inflation, plus minus 2%. On a variable cost, it would not be fully proportional to the growth in revenue, but, yes, it will be higher than inflation. So, you would see a mix sort of a bet. For example, if top line grows by 15%, you should see a 10% growth in the cost.

**Rahul Agarwal**

Got it, there is still some bit of [[up]] level is what we are thinking in terms when the growth goes to 15%, maybe we will get that operating leverage benefit going into next 2 years, right?

**Amit Kumar Gupta**

Yeah, so that will come one, but this is a very flexible sort of cost structure because we have marketing expenses here, which are totally flexible. If the growth is not achieved, we can always scale it back. So, if the growth is, say, for example, which we do not even want to say now, the growth instead of 15%, let us say 10%, I think we should be able to retain our cost at around 6-7% growth. If you see our cost structure this year, you would not see any inflation except for that impact [inaudible 00:41:34] instrument, our cost structure is more or less flat as compared to last year. So, that flexibility our structure offers, that in case things don't turn out to be good, you can always scale them back.

**Moderator**

Thank you, sir, the next question comes from Rishi Mody from RDM Advisory, please go ahead.

**Rishi Mody**

Hi, am I audible?

**Rahul Gautam**

Yes, please.

**Rishi Mody**

Yeah, Amit ji, first question for you. We have gotten a 16 cr other income in this quarter. I remember last quarter, you had guided that post the debt paydown, we will have some 7-8 cr per quarter other income. So, is there anything which is nonrecurring as a part of the 16 cr?

**Amit Kumar Gupta**

This 16 cr has different components. It has wastage sale. There are, some investments in the 1<sup>st</sup> week of October. There were so some incomes from those investments. Then, 4-5 heads are there. I would not see them as very volatile. This time, it has been good 15.66 crores. It should not be INR 8-9 crores, as I told last quarter, there are certain improvements that we have done to this. So, it should be in the 10-12 crores range.

**Rishi Mody**

Okay, got it, so, we can pin down and say 40-50 cr for the coming year, at least on the other income piece?

**Amit Kumar Gupta**

Minimum, you can do that.

**Rishi Mody**

Got it. Second, on the raw material pricing and the subsequent price hike that we have taken, like, we have taken a 4-5% price hike as Rahul ji mentioned right now. And you are not seeing an impact on the volumes yet, but has the market as a collective taken these price hikes, say, the new-age players, Sleep Company, Wakefit, DuroFlex, all of these guys? Or it is us who has led this price hike and others have not followed?

**Rakesh Chahar**

So, on the mattress offline side, most of the brands including the regional players have taken price hike. On the home side, which is much quicker because there have been multiple price increases to offset the raw material increase. Online, the price increase has not happened so far. So, on the online, we are operating at a similar level, and we are just waiting for some more visibility on the raw material before any action is taken. So right now, online is the only one where the price increase has not been passed on.

**Rishi Mody**

All right, and on the off line piece, the competitive intensity given now one of the players is listed and the other one is coming to listing, and they would want to show profitability, has that kind of reduced in your opinion? Or like they are rationalizing pricing or the competitive intensity still remains high on the discounting front?

**Rakesh Chahar**

I think that there is no change as such that they have reduced the competitive activity. That is there. But I think with some more time, it will play out. I am assuming that we have also gone through that process that some discipline in terms of both top and bottom line does come in. So, we are hoping that it will be more level playing field going forward.

**Rishi Mody**

Got it. And we have not vacated any price points, last time, I remember we vacated some price points, which was exploited by competition. So, our range remains at almost every price point, is it not still the case?

**Rakesh Chahar**

Yes, we have not vacated anything.

**Rishi Mody**

Got it. Tushar, I am assuming you are leading the COCO stores charge. So just if you could explain what are you all doing differently versus, say, a premium franchise owned franchise operated store? Is this like a large experiential store and then the order flows through the franchisee, or the order comes directly to us? How are the unit economics looking for these COCO stores?

**Rahul Gautam**

This is Rahul answering, Tushaar here is not available at the moment. So, these COCO stores were actually inherited with the Kurlon transaction. And they were almost about 40-50 of them, and then eventually closed down a few, and we are currently running 24 of them. The exact format of them is that they are a little bigger. They do sell mattresses, which are both Sleepwell and Kurlon, and they also sell accessories, which should we call them as experience stores? Probably not. Should we call them as large EBOs? Probably not because they also sell a sizable quantity of accessories. I think this format is just evolving.

We are going to address the issue. But at the moment, there is no crystal clarity on exactly how we want to do it, but they are profitable. They make a positive EBITDA, and they are lending a lot of information and lot of experience, which as a company or as an organization, we are absorbing. So, I think you should see more clarity on this in another quarter or another couple of months' time.

**Rishi Mody**

Got it.

**Moderator**

Thank you, sir, participants are kindly requested to restrict with two questions in the initial round. And the next question comes from Pranav Doshi from ARDEKO Asset Management, please go ahead.

**Pranav Doshi**

Hi, thank you for the opportunity, and congratulations on a good set of numbers. So first of all, on the international business, I just wanted to ask that, let us say, in both Australia and Spain, our other expenses in absolute terms, they remained almost exactly the same while our revenue has increased. So, let's say, going ahead, how do you look at the cost structure in these businesses and I like what kind of a leverage do you expect going ahead? Is it a one off or can this sustain going forward?

**Amit Kumar Gupta**

So, Pranav, there is lesser inflation in those countries. So, costs don't increase to that level. Our intent would be to restrict them as much as possible. Because you don't see every year a 10-15% growth there. Normal growth expectation would be around 5-6 odd percent from those countries. To maintain profitability, our intent would be to restrict it. But that being said, there are certain inflationary impacts, so you may see minor increases in overhead costs there.

**Pranav Doshi**

Okay. So, then can we sustain like the 12%, 12.5% EBITDA margin that we have done in this quarter or is it at the higher end would you say, sir?

**Amit Kumar Gupta**

No, I would say that in overseas operations, like even if you see the nine month average, it is around 10% odd. So we anticipate it to be at approximately 12% going forward.

**Pranav Doshi**

Okay, great. And just on our EBO strategy, so what would be the total number of EBO's that we are operating as of Q3 FY26 as of the end of that?

**Rahul Gautam**

So, the total number, if I put both the brands together, Sleepwell and Kurlon, so that total number would be close to 3,800. Out of which, the majority is in Sleepwell, about 2,900. And this I am talking about the showroom format where we have our display – according to display, and Kurlon is about 900. So total about 3,800 is the showroom format, is there.

**Pranav Doshi**

Okay.

**Rahul Gautam**

Then you have category exclusive dealers in Sleepwell, which is a large number, which is 2,500. But these are small format retail, which are dealing in multiple categories, like handloom shops and also keeping a mattress of Sleepwell. So there, these are classified as EBO's who are -- who don't have a display as such. They just stack the mattresses vertically of our brand.

**Pranav Doshi**

Right. So sir, my question was that, let us see even for Q2 in the presentation, we had mentioned that we are operating 5,300 EBO's, and I think that is the number that you've touched upon even today. And even incrementally, let's say you were hoping to add 800 EBO's for the year, and now I think we are -- you cut it down to 700. So like, can you explain what is the strategy, and why have we cut down our target, and how are we looking at it?

**Rahul Gautam**

See, as far as the Sleepwell is concerned, right now the strategy is to expand the showroom format, so both for Sleepwell and for Kurlon. So we had taken up a target like you rightly said, about 800, and we are hopeful of closing at 700. And these will be all different format, a Shopee format and a world gallery format. For Kurlon, it will be home and Korner. So this expansion is a key driver for growth, because we, even now our penetration in terms of number of outlets is still not there where we want to be. So at least for next three years, I see this drive to continue on expansion.

**Pranav Doshi**

Okay.

**Moderator**

The next question comes from Rishi Mody from RBM Advisory. Please go ahead.

**Rishi Mody**

Yeah hi, thank you for giving me the chance again. Rahul ji, if I remembered correctly, you once mentioned that the Australia subsidiary of yours, given its kind of matured in growth and possibly on profitability, you were looking to exit or sell that business. Is that still in the plan or are we seeing something else there?

**Rahul Gautam**

Number one, things on ground keep changing all the time, and since its not a -- not many companies that operate there. There are primarily three big people. One is us, the other is the main competitor, and the third is a little smaller one, and then we have some three, four other very, very, very small people.

The ground reality is changing for sure. So the main competitor is -- it appears that he is wanting to exit. He had put up his business for sale about a year back. Did not find any takers, and it's a bit of a complex business that he runs. As I said, it is looking like that it is shrinking. So we are watching the situation. If it is getting us a lot more business, both in terms of volume as well as in value, we may want to.

But at the same time, we have -- I mean, are we close to the thought? Absolutely not. But this is a new angle to it or a new tangent to it, which is there. So, it gets profitable. It gets okay. It continues to grow. After all, we are heavily invested in there, in two big plants which are there. So we'll wait and watch on that.

**Rishi Mody**

Okay, got it.

**Rahul Gautam**

But it is possible that somebody may kind of come along and wants to invest in that business, which may be a larger business than what we run. So, we'll wait and watch that.

**Moderator**

Thank you, sir. The next question comes from Viral Shah from Inam Holdings. Please go ahead.

**Viral Shah**

Yes, thank you for the opportunity, sir. Sir, just a clarification to one of the previous questions. You mentioned 15% revenue growth and 15% EBITDA margin. So, you mentioned that this is on a consolidated basis, right, and not just the Sheela Foam and the Kurlon branded business? So just to clarify that.

**Amit Kumar Gupta**

This is India business. [indiscernible 00:55:02] Yeah, because this is 80% of the business, so it may be instead of 15%, it is 14%, 14.5 % on a consolidated basis, because overseas business could also be at 10%, 12% sort of a level. But when we say 15%-15%, it is India business, because overseas business can't grow at 15%.

**Viral Shah**

Okay, but when you say India business, you include the rest of the part of the business also, which is the technical forms, intermediate grades and all, furniture, [Indiscernible 00:55:30] everything?

**Amit Kumar Gupta**

Exactly. So total Sheela Foam plus Kurlon.

**Viral Shah**

Okay, perfect. Thank you for this clarification. The second is on the TDI and polyol prices. Can you just guide what were the per kg price in Q3, and how are they behaving currently?

**Rahul Gautam**

Rakesh?

**Rakesh Chahar**

So Q3 TDI was -- towards the end it was about 210 and currently also it is at the same level. But unfortunately one of the major suppliers to Indian market, GNFC, they had a shutdown. So because of which the prices of the market have shot up, because there is a supply gap which is there. So currently it is people who are getting imports or getting some from GNSC. That is still at about 210. Otherwise, the market price is today upwards of INR 240. But this is a temporary phenomenon. We are all hopeful that the plants will resume production by 20<sup>th</sup> of February, and then I think they should be again stability.

**Viral Shah**

Sure, and what will the polyol prices be?

**Rakesh Chahar**

Polyol is currently, again towards the end of Q3. It was around 118, 120 at the port, and today it is about 123, 124. So that is the level that it is operating today.

**Viral Shah**

Perfect, great. Thank you so much for this.

**Moderator**

Thank you, sir. The last question comes from Bhavin Rupani from Investec. Please go ahead.

**Bhavin Rupani**

Hi. Thanks for the chance again, sir. Sir, on Comfort Foam and Technical Foam, this segment has reported 27% and 20% volume growth in Q3. So how should one understand this? Can you throw some light over your other reason behind the sharp jump over here?

**Rakesh Chahar**

I think the market is, of course, large and growing. It's a highly competitive part of the industry. We have -- lets say -- I would say we have renewed or reviewed focus on distribution and a few grades of foam etc., which have made this growth possible. But these possibilities will always kind of exist or may present as an opportunity to you, and that's this part of it. But once this organization or reorganization has taken place, the growth should continue.

**Bhavin Rupani**

All right, that's it sir. Thank you so much.

**Amit Kumar Gupta**

Thanks, Bhavin.

**Moderator**

Thank you, sir. There are no further questions. Now I hand over the floor to Mr. Rahul for closing comments.

**Rahul Gautam**

Thank you. Thank you, ladies and gentlemen, for taking out this time to engage in this session. I hope we have been able to answer all the queries to your satisfaction. In case you have any further queries, you may get in touch with our investor relations team or the Group CFO. And as always, I must confess that it was a huge learning exercise for us too. Thank you very much, and have a good day!

**Rakesh Chahar**

Thank you.

**Moderator**

Ladies and gentlemen, this concludes your conference for today. Thank you for your participation, and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you, and have a pleasant evening!

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- Note:**
1. This document has been edited to improve readability
  2. Blanks in this transcript represent inaudible or incomprehensible words.