September 08, 2026

To

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

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

Subject: Credit Rating - India Ratings and Research (Ind-Ra)

Dear Sir/Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that India Ratings and Research (Ind-Ra), the Credit Rating Agency, has vide its communication dated September 08, 2026, reaffirmed the Company's credit rating for its debt instruments at IND AA/Stable.

We further confirm that there has been no change in the rating from the previous rating disclosed by the Company on September 10, 2025.

A copy of the Credit Rating Letter received from Ind-Ra is enclosed herewith for your information and record.

The details required under SEBI Circular No. **SEBI/HO/DDHS/DDHS-PoD/P/CIR/2025/0000000137** dated October 15, 2025 are enclosed herewith as **Annexure A**.

This is for your information and record.

Thanking you,
Yours truly,

For Sheela Foam Limited
MD IQUEBAL AHMAD
Digitally signed by MD IQUEBAL AHMAD
Date: 2026.09.08 18:49:12 +05'30'
Md. Iquebal Ahmad
Company Secretary & Compliance Officer

SHEELA FOAM LTD.
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Sleepwell

Annexure A

A) Current Rating Details:

ISIN	Name of the CRA	Credit rating	Outlook	Rating action (new, upgrade, downgrade, reaffirm)	Date of credit rating	Verification status of CRAs (verified/ not verified)	Date of verification
INE916U08012	India Ratings and Research	IND AA/Stable	IND AA/Stable	Affirmed	08.09.2026	Verified	08.09.2026

B) Earlier Rating Details:

ISIN	Name of the CRA	Credit rating	Outlook	Rating action (new, upgrade, downgrade, reaffirm)	Date of credit rating	Verification status of CRAs (verified/ not verified)	Date of verification
INE916U08020	India Ratings and Research	IND AA/Stable	IND AA/Stable	Affirmed	09.09.2025	verified	09.09.2025
INE916U08038	India Ratings and Research	IND AA/Stable	IND AA/Stable	Affirmed	09.09.2025	verified	09.09.2025
INE916U08012	India Ratings and Research	IND AA/Stable	IND AA/Stable	Affirmed	09.09.2025	verified	09.09.2025

India Ratings & Research
A Fitch Group Company

India Ratings Affirms Sheela Foam's Bank Loan Facilities and NCDs at 'IND AA'/Stable; Withdraws Issuer Rating.

Sep 08, 2026 | Sheela Foam Limited | Furniture | Home Furnishing

India Ratings and Research (Ind-Ra) has affirmed Sheela Foam Limited's (SFL) bank loan facilities and non-convertible debentures at 'IND AA'/Stable, while withdrawing the Long-Term Issuer Rating as follows:

Details of Instruments

Instrument Description	Regulator of Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating Assigned along with Watch/Outlook	Rating Action
Long Term Issuer Rating^	#	-	-	-	-	-	Withdrawn
Bank loan facilities	RBI	-	-	-	7,000	IND AA/Stable/IND A1+	Affirmed
Non-convertible debentures*	Refer ISIN annexure	-	-	-	1,812.50 (reduced from 7,250)	IND AA/Stable	Affirmed

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

^Issuer ratings have been withdrawn basis specific request from Issuer. This is consistent with Ind-Ra's Policy on Withdrawal of Rating.

*Details in annexure

Analytical Approach

Ind-Ra continues to fully consolidate SFL and its subsidiaries while arriving at the ratings because of the strong operational and strategic linkages among them.

List of Key Rating Drivers

Strengths

- Improved scale of operations, likely to improve further
- Strengthened market position; increase in online branded mattress sales during FY26
- Improved credit metrics in FY26, likely to improve further
- Strong base of distribution network
- Strong record of acquisitions historically

Weaknesses

- Exposure to cyclicality and economic downturns
- Susceptibility to volatility in raw material costs; forex risk

Detailed Description of Key Rating Drivers

Improved Scale of Operations, likely to Improve Further: SFL's consolidated revenue increased to INR38,208 million in FY26 (FY25: INR34,392 million; FY24: INR29,823 million), largely supported by 65% yoy growth in U20 mattress's volumes, coupled with 49% yoy growth in e-commerce sales volume. The performance remained largely in line with Ind-Ra's expectations.

The management expects the revenue run-rate to grow 10%-12% yoy in the Indian operations for FY27, led by improving brand presence and same stores sales. Ind-Ra expects the consolidated revenue to increase to INR42,000 million-43,000 million in FY27 and rise 8%-9% yoy in FY28.

In 1QFY27, SFL's consolidated EBITDA margins remained at 10.6% (FY26: 10.3%; FY25: 8.3%; FY24: 10.1%), supported by better absorption of fixed costs overheads and improved profitability at foreign subsidiaries. This was achieved, despite a moderation in consolidated gross margins, primarily due to an increase in raw material prices following adverse geopolitical conditions. The company's gross consolidated margins declined to 40.6% in 1QFY27 (FY26: 43.7%; FY25: 41.7%; FY24: 41.3%). The management expects the EBITDA margins to improve further during the seasonal months, backed by higher absorption of fixed costs and its cost control measures. Ind-Ra expects the EBITDA margins to be 10%-11% in FY27. SFL's consolidated net working capital cycle remained stable at 60 days in FY26 (FY25: 60 days; FY24: 63 days), despite increase in inventory days to 67 days in FY26 (64 days; 71 days), on account of stretch in payable days to 49 days (40 days; 53 days), following working capital efficiencies. Ind-Ra expects the cycle to remain stable over the near-to-medium term.

Strengthened Market Position; Increase in Online Branded Mattress Sales in FY26: SFL is the largest manufacturer of polyurethane foam (PU) foam and mattresses in India with its well-established brand, Sleepwell and Kurlon. The company has a dominant position in other industries such as automotive, footwear, lingerie, and furniture, among others, apart from mattresses. According to the management, SFL has a market share of around 30% in the overall branded modern mattress segment in India along with the acquisition of KEL. Ind-Ra opines SFL's market share will continue to benefit from a gradual shift to the organised sector from the unorganised one, supported by increasing consumer awareness about the health benefits of quality mattresses. Also, with the launch of the affordable mattress brands, Tarang and Aaram, SFL's market share will improve in the unorganised segment. Furthermore, SFL holds around 40% market share in Australia, being a flexible PU foam player through its subsidiary, Joyce Foam PTE (Australia).

Improved Credit Metrics in FY26; likely to Improve Further: SFL's gross debt decreased to INR7,137 million in FY26 (FY25: INR12,165 million; FY24: INR12,813 million), largely on account of the repayment of NCD, which was taken for acquiring KEL. The NCDs are likely to be fully paid off by mid-FY27. The consolidated gross adjusted debt (including leases) reduced to INR9,079 million at FYE26 (FY25: INR14,624 million; FYE24: INR14,931 million). The company's consolidated net leverage (net debt/EBITDA) reduced to 1.9x in FY26 (FY25: 3.3x; FY24: 3.1x), owing to the improved EBITDA and reduced gross debt levels, despite a decline in its cash and cash equivalents to INR1,703 million at FYE26 (FYE25: INR5,160 million; FYE24: INR5,762 million). SFL's consolidated interest coverage (EBITDA/Interest) improved to 4.1x in FY26 (FY25: 2.4x; FY24: 4.4x) owing to the improved EBITDA levels.

Ind-Ra believes the consolidated EBITDA margins would improve in FY27, driven by cost optimisation measures across the entities and the complete realisation of acquisition synergies, thereby strengthening the company's credit profile. Also, with the synergistic benefits accruing, KEL's performance is likely to improve, thereby strengthening the overall group profile. Ind-Ra expects the net adjusted leverage to further improve by end-FY27 and to be below 1x, mainly led by an improvement in the EBITDA and a reduction in its debt levels, the lower working capital requirement of the business-to-consumer (B2C) business, strong investments balances, and SFL's moderate capex plan. Ind-Ra expects the interest coverage to improve further in FY27, supported by reduced gross debt levels and sustained EBITDA levels.

Strong Base of Distribution Network: SFL had largely been operating on the exclusive brand outlets (EBO) model, while KEL had been operating on the multi-brand outlets (MBO) network, prior to acquisition. The company is keeping a mix of EBO and MBO, having total touchpoints of over 11,000. Both brands would be sold in the urban market through over 5,000 EBOs and over 6,000 MBOs. The company will further expand its distribution reach in the northern and western regions of India. On the distribution front, the management has aligned KEL's channel policies with those of SFL for promoting zonal distributions. This has provided the company bargaining power with zonal distributors, supported by large volume offered by combined entity. Ind-Ra expects the cumulative benefits to increase the EBITDA margin 2%-3% in the next three years. However, the management believes a portion of this increase will be allocated towards advertisement and promotion spend to further strengthen the Sleepwell and Kurlon brands.

The acquisition of KEL has helped SFL to further widen its market presence across India in the mattress industry with a wider distribution network while providing it the access to coir mattresses, thus diversifying its product portfolio. Moreover, the acquisition of a substantial stake in the furniture manufacturing and renting company, House of Kieraya (Furlenco) has provided cross-selling opportunities to SFL and will increase its reach in the furniture market.

Strong Record of Acquisitions Historically: SFL has historically had a strong track record of acquisitions and generating benefits out of them. SFL had acquired Joyce Foam in 2005 and International Foam Technologies Spain S.L. in 2019. Both the entities are profit-making, with an EBITDA margin of 9.9% and 10.4, respectively, in FY26. Moreover, SFL has always maintained strong financial discipline while being involved in acquisitions. Ind-Ra takes comfort from the company's ability to generate returns out of acquired entities.

Exposure to Cyclicality and Economic Downturns: SFL's major revenue generating segment is its home comfort line (72% of FY26 revenue), which primarily includes mattresses, pillows and cushions. As these are discretionary products, they remain exposed to economic downturns and highly depend on the purchasing power of its consumers. Furthermore, the business is cyclical, with the peak sales being generated over October-January. Hence, any impact on the gross domestic product, leading to decreased purchasing power of the customers, or any change in customer preferences might impact SFL's top line.

Susceptibility to Volatility in Raw Material Costs; Forex Risk: SFL's major raw material includes polyol and toluene diisocyanate (TDI), which account for 60%-70% of the total manufacturing cost. These raw materials are manufactured from the by-products of crude oil, and hence, any movement in crude oil prices might impact the price of these raw materials, thus impacting SFL's EBITDA margins. However, there are other factors too, including supply chain issues, which impact the prices. While the company has been able to pass on price hikes to its customers, thereby mitigating input price volatility partially, the same remains subject to competitive pressures. Furthermore, 10%-15% of the total raw material requirement is imported, exposing the company to fluctuations in forex rates.

Liquidity

Adequate: SFL held strong cash balances of INR1,703 million in FY26 (FY25: INR5,160 million; FY24: INR5,762 million). The average monthly utilisation of the company's total working capital limits of around INR8,720 million was 20% for the 12 months ended June 2026. The company has been generating positive free cash flow (Ind-Ra-calculated) over the past decade (except in FY20, when the company funded an acquisition in Spain, and in FY24 due to its significant capex). The free cash flow improved to INR2,440 million in FY26 (FY25: INR1,120 million; FY24: negative INR3,189 million).

As the company streamlines its distribution channels, given the low working capital requirement of the B2C segment (considering dealer deposits and advances), SFL's capex is likely to be limited to INR900 million-1,000 million over FY27-FY28. Ind-Ra expects the free cash flow to remain positive over FY27-FY28. On a consolidated basis, SFL has total debt repayment obligations of INR4,370 million in FY27 which is likely to be met by a mix of internal accruals, investments and cushion in bank lines.

Rating Sensitivities

Positive: A significant improvement in the revenue as well as profitability while reducing the consolidated net leverage below 1.0x could be positive for the ratings.

Negative: Developments that could, individually or collectively, lead to a negative rating action include:

- a decline in the revenue and profitability or an elongation of the net working capital cycle on a sustained and consolidated basis
- any significant debt-funded acquisition, leading to the consolidated net leverage remaining above 1.5x on a sustained basis

Any Other Information

Standalone Financials: SFL reported revenue of INR29,623 million in FY26 (FY25: INR26,752 million; FY24: INR18,795 million), EBITDA of INR2,977 million (INR1,794 million; INR2,009 million), interest coverage of 4.2x (1.8x; 4.8x) and net leverage of 1.5x (2.5x; 2.3x).

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on SFL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

SFL, established in 1971, is a leading manufacturer of PU foams in Asia Pacific. The company has secured a dominant position in key industries such as mattresses, automotive, footwear, lingerie, and furniture. The company specialises in the production of a diverse range of foam-based home comfort products, such as mattresses and furniture cushions. SFL operates in flagship brands, including Sleepwell and Kurlon for mattresses and home comfort, Feather Foam for pure PU foam, and Lamiflex for polyester foam used in lamination. The company has a global reach, with 12 manufacturing plants nationwide in India, five in Australia, and one in Spain.

Key Financial Indicators

Particulars	FY26	FY25
Revenue (INR million)	38,208	34,392
EBITDA (INR million)	3,934	2,856
EBITDA margin (%)	10.3	8.3
Interest coverage (x)	4.1	2.4
Net leverage (x)	1.9	3.3
Source: Ind-Ra and SFL		

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
Rating Type	**Rated Limits (INR million)**	**Current Rating**	**09 September 2025**	**21 March 2025**	**24 Septemb er 2024**	**25 Septemb er 2023**	**17 August 2023**	
Issuer Rating	Long term	-	WD	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable
Non-convertible debenture s	Long-term	1,812.5 0	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	-
Bank loan facilities	Long-term/Short-term	7,000.00	INDAA/Sta ble/IND A1+	INDAA/St able/ IND A1+	INDAA/St able/ IND A1+			

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Bank wise Facilities Details

The details are as reported by the issuer as on (08 Sep 2026)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	Sumitomo Mitsui Banking Corp.	Fund Based Working Capital Limit	1500	IND A1+
2	State Bank of India	Fund-based working capital limits	2000	IND AA/Stable
3	ICICI Bank	Fund-based/Non-fund-based limit	1000	IND AA/Stable / IND A1+
4	Kotak Mahindra Bank	Fund-based/Non-fund-based limit	1000	IND AA/Stable / IND A1+
5	Yes Bank Ltd	Fund-based/Non-fund-based limit	600	IND AA/Stable / IND A1+
6	Kotak Mahindra Bank	Term loan	130	IND AA/Stable
7	NA	Proposed Bank loan	770	IND AA/Stable / IND A1+

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Annexure

Instrument Type	ISIN	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating/Outlook
Non-convertible debentures*	INE916U08020	SEBI	6 October 2023	8.45% p.a. payable yearly	6 October 2025	1,812.5	WD
Non-convertible debentures*	INE916U08038	SEBI	6 October 2023	8.45% p.a. payable yearly	6 April 2026	1,812.5	WD
Non-convertible debentures	INE916U08012	SEBI	6 October 2023	8.45% p.a. payable yearly	6 October 2026	1,812.5	IND AA/Stable

Instrument Type	ISIN	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating/Outlook
Non-convertible debentures	Unallocated	SEBI	-	-	-	1,812.5	WD
Total non-convertible debentures	-	-	-	-	-	1812.5#	-
Source: SFL *Paid in full #Total does not include withdrawn ISINs							

Contact

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About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA AND POLICIES

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

Evaluating Corporate Governance