August 07, 2026

To,

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Subject: Transcript of Investors' Conference Call for Quarter ended June 30, 2026 Financial Results.

Dear Sir/Madam,

Please find below the transcript of Investors' conference call organized on August 05, 2026 post declaration of financial results for the quarter ended on June 30, 2026 for your information and records.

Thanking You,

Yours truly,
For **Sheela Foam Limited**

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"Sheela Foam Limited

Q1 FY27 Earnings Conference Call"

August 05, 2026

MANAGEMENT: **MR. RAHUL GAUTAM – CHAIRMAN AND MANAGING DIRECTOR – SHEELA FOAM LIMITED**
MR. TUSHAAR GAUTAM – VICE CHAIRMAN AND JOINT MANAGING DIRECTOR – SHEELA FOAM LIMITED
MR. RAKESH CHAHAR – DEPUTY MANAGING DIRECTOR – SHEELA FOAM LIMITED
MR. AMIT KUMAR GUPTA – GROUP CHIEF FINANCIAL OFFICER – SHEELA FOAM LIMITED

MODERATOR: **MS. SAVITA SINGH – DOLAT CAPITAL MARKETS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Sheela Foam's Limited Q1 FY27 Earnings Conference Call hosted by Dolat Capital Markets Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Ms. Savita Singh from Dolat Capital Markets Limited. Thank you, and over to you, ma'am.

Savita Singh: Thank you, Manav. Good afternoon, everyone. I am Savita Singh, on behalf of Dolat Capital, welcome you all to the Q1 FY27 Earnings Conference Call of Sheela Foam Limited. I would like to thank the management for giving us this opportunity to host the call.

Today from the management team, we have with us Mr. Rahul Gautam, Chairman and Managing Director; Mr. Tushaar Gautam, Vice Chairman and Joint Managing Director; Mr. Rakesh Chahar, Deputy Managing Director; and Mr. Amit Kumar Gupta, who's the Group CFO.

I will now hand over the call to the management team for their opening remarks. Over to you, sir.

Rahul Gautam: Thank you, Savita. Thank you very much. Good afternoon, ladies and gentlemen. At the outset, let me thank you all for joining this conference call to discuss our operational and financial performance for the first quarter of FY 2027. I trust you have had the opportunity to go through our results and the earnings presentation, which has been uploaded on our website.

This year has begun on an excellent note for us. I'm happy to share that for the first time in the group's history, Sheela Foam has reported a consolidated revenues of more than INR1,000 crores and EBITDA of more than INR100 crores in the first quarter of any fiscal year. The group recorded a PAT of INR62 crores for the quarter, a substantial jump year-on-year.

For the first quarter of this year, our standalone Indian business delivered revenue growth of 20% and standalone EBITDA growth of 13% on a year-on-year basis. Within this, the mattresses value grew by 15% and the volumes by 6%, while our foam business grew by 26% in value and 4% in volume terms.

Despite the challenges of a volatile raw material prices amid the ongoing Middle East situation, we delivered EBITDA growth and a higher absolute EBITDA compared with last year's first quarter. The moderation in margin was on account of the sharp fall in raw material prices during the quarter.

Foam witnessed higher growth than mattresses, which pulled gross margins down. However, this growth was cash accretive and supported better EBITDA generation. One might argue that in a falling raw material environment, we too could have chosen to moderate our foam growth to protect margins.

However, we took a different view. Sheela Foam did not become the industry leader by optimizing for a single quarter. It earned that position by being a partner it's customers can depend upon through every phase of the cycle.

Consistency of supply is a commitment we do not compromise with, and it is precisely why we continue to carry inventory and serve our customers without interruption. This is what distinguishes us from the unorganized sector, which tends to produce foam only when it is opportune to do so.

That is when raw material prices are low. For us, leadership means standing by our customers most reliably at the very moment others choose to step back. We are among the finest research houses in the country in polyurethane foam and our foam serves as a brand and a benchmark in the furniture and other foam-based industries.

While it is our constant endeavor to increase our market share in mattresses, we will always pursue opportunities that generate incremental cash flows. Our e-commerce business continues on a strong growth journey.

Sales on our websites, which we call as Brand.com, grew by 69% year-on-year basis, while sales on platforms grew by 19% year-on-year. The category registered an overall year-on-year growth of 30% in Q1 FY27 with volumes growing by 23%. We are focused on increasing our category share and expanding the breadth of our portfolio.

We are also poised to enter the Furniture segment under our flagship umbrella brands, synergizing and leveraging Furlenco's - designs, manufacturing and logistics capabilities. As a first step, we have launched sofa beds under both the Sleepwell and Kurlon brands, and the early market response has been encouraging.

Scaling this business is a natural extension of our existing strengths. Our extensive EBO and COCO network provides a ready physical footprint to take these products across the country, while our own brand websites and platforms will drive our online presence. By building on existing infrastructure, we are able to pursue this opportunity in a capital-efficient manner, keeping incremental investments to a minimum.

Our U2O, that is the unorganized to organized business, has now expanded to nearly 10,000 dealers across the country. This vast and growing network helped us clock 81% year-on-year growth with volumes growing by 19%.

This substantial growth was driven by the expansion of our portfolio with the introduction of 5- and 6-inch mattresses in the category, which have been received exceptionally well by value-conscious consumers moving up the chain and resulting in better category realizations.

Coming to our foreign subsidiaries, both Australia and Spain delivered an exceptional operating performance during the quarter. In Australia, Joyce revenue grew by 31% to INR120 crores with an EBITDA margin of 12.8% for the quarter compared with 6.8% in the quarter 1 of last year.

In Spain, the revenue stood at INR133 crores, a growth of 54% over last year, with the EBITDA margins improving to 14.7% compared with 5.7% in quarter 1 of last year. Some small part of this growth could be attributable to currency changes as well.

The improvement in performance is due both to the strategic yield improvement programs and supply chain restructuring initiatives implemented over the last year and to the fact that our international businesses carry higher inventory, allowing lower cost inventory to run longer, thereby clocking higher gross margins. In addition, the frequency of foam price changes in international market is much lower than in India, which allows higher prices to sustain for longer periods.

On Furlenco, the business continues to do well and is deepening its presence in newer cities. Its acquired subscriber base has grown by 36%, while revenue rose by 38%, and the EBITDA grew by 65% year-on-year.

Our IT business, Staqo, also continues to evolve and grow exceptionally well. It registered a revenue growth of 67% in quarter 1 FY27 over last year while maintaining a healthy EBITDA run rate of around 28% to 30%. The user base of our flagship ERP product, Presence 360, has crossed 3.2 lakh users, reflecting its wide acceptance and strong market traction.

Coming to ESG, it gives me immense pleasure to share that in 2026, Sheela Foam received a category upgrade to strong in the CRISIL ESG ratings. Also, in the S&P Global Corporate Sustainability Assessment, Sheela Foam moved up to 61st percentile this year from a 51-percentile last year. Separately, as assessed by Sustainalytics, our company received a category upgrade of risk rating and Sheela Foam's industry rank improved to 218 from 351 a year earlier.

Encouragingly, all 3 agencies have moved us up with our risk band lowered and our management score strengthened, a recognition that reflects our steadfast focus on sustainable growth. This external recognition is the outcome of a deliberate long-term approach to sustainability that we have embedded across the group.

We have anchored our efforts to a clear sustainability 2030 road map built around 4 United Nations Sustainable Development Goals that are most material to our business. On the environmental front, we continue to expand our renewable footprint through captive solar generation and revamp processed around water and waste management. These are not one-off measures, but a structural shift in how we consume energy, water and materials.

With that, I will now request our Group CEO -- CFO, Mr. Amit Kumar Gupta, to take you through our financial highlights. Over to you, Amit.

Amit Gupta: Thank you, sir, for your inputs on our business and strategy, an update on the financials. Our profitability in Q1 continued growing on a strong trajectory supported by healthy top line and EBITDA growth. For the first quarter, our consolidated revenue grew by 26% year-on-year to INR1,032 crores and consolidated EBITDA grew by 45% to reach INR109 crores - a milestone for the group, as addressed by Rahul ji earlier. EBITDA margin expanding by 139 basis points to 10.6% from 9.2% in Q1 of last year. This was driven primarily by enhanced sales, better value realization and a robust tightly driven cost structure.

On a standalone basis, revenue grew by 20% year-on-year to INR761 crores, while EBITDA grew by 13% to reach INR68 crores. As apprised on our last call, with the closure of our derivative hedging instrument, there will be no mark-to-market impact on the derivative and hence, our core EBITDA is now the same as our reported EBITDA.

With that, I will request the moderator to open the floor for questions-and-answers. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have first question from the line of Ritesh Shah from Investec.

Ritesh Shah: Congratulations for a good set of numbers. Sir, first question is on the inventory policy that we have. Specifically for Australia and Spain, we have seen commendable gains on gross as well as EBITDA level. Just wanted to understand, is this something sustainable or was there an advantage of, say, low-cost inventory that we have? And how much is the inventory that we hold for, say, overseas basket as well as the India region right now?

Rahul Gautam: So Ritesh, for the Indian region, we have inventory for 15 days -- 30 days at the moment. And when the fluctuations are too much, sometimes it just goes up a little bit. But both for Australia and Spain, they are a little different. See, on a long run, stable conditions, it just doesn't matter. But in this period, which has been oscillating quite a bit, the inventories made a little difference. So, Australia had a little bit of a longer inventory. It always has. Spain also had the largest inventory, which is normally carries. And that had the advantage during this period.

Ritesh Shah: Okay. Yes. Fine. Sir, my second question is, basically, U2O, we have done phenomenally well. Basically, the gap between value and volume is huge. You did indicate 2 new SKU launches. Is it possible to give more color over here like U2O will be like what percentage of our total volumes, pricing, rough math indicates now it would have moved up very sharply closer to INR2,000, INR2,100 per mattress. Possible to give some flavor over here on the contribution of mattress at the company level and the price increases that we have witnessed gradually?

Rahul Gautam: Amit, can you take that?

Amit Gupta: So, Ritesh, I'll take you a little back. When we launched the U2O category, we launched it at a very, very lower price because we believe that in the region that we are selling, we should be giving it on an acceptable or affordable pricing level. However, once the material was on the floor, there were 2 challenges that we face.

One, the channel margins, of course, were lesser than what we were giving here. And secondly, we had a stressed level of profitability, whereas demand was coming from the market and what feedback we got from our channels was that even if we increase the price, this is going to work well, primarily because it was a fine full foam mattress with very good fabric.

So, the suggestion was that you continue with the product, you continue with the good quality, but you may increase a little bit of price. So, we had taken a price increase last year. And hence, even last year and this year, it reflects that the value growth is much higher than the volume growth. However, this is now sustainable. The channel is settled.

As you have seen, we have now 10,000 dealer points across the country, primarily covering the entire Indian subcontinent. And going forward, this should be the level of the pricing that we have. But yes, during a year, there was this difference between the volume and the value growth.

Ritesh Shah: Possible to quantify percentage volumes from Mattress For Every Indian given it's growing also pretty strongly? Would it be closer to 19%, 20% now?

Amit Gupta: No, volumes would not be -- we don't give out volumes or value separately for different categories within the mattress. It is a combination of U2O online and offline mattresses.

Ritesh Shah: Okay. Fine. Lastly, on standalone volume growth, Rahul ji, are you happy with that number of 6%? Or is it more a reflection of the market conditions and competitive intensity? What is our desired level over here?

And some comments on margins over here, taking into account the synergy part of the equation, I think until last quarter, there was INR40 crores of synergy benefit, which was still pending subject to new machines being installed. Any update over that would be helpful?

Rahul Gautam: So, I think your first question is whether we are happy or satisfied with the volume growth on a standalone basis in India. I would say standing around 6% at the moment. I would say it should be another 2% to 3%, sub-10% would be happiness, while the industry, according to us, has grown closer to 5%. So that is although we are ahead of the industry, but I think closer to 10% would be more satisfactory. On -- the second question was on the margins part.

I would say that this is -- this is an area of -- or this has been in times of very high volatility. So just to come to any kind of conclusions on being satisfactory or happy about the margins, it may be better for a little more stability to come in and then we have a look at it.

Amit Gupta: So, Ritesh, just to add to what Rahul ji has said, see, the raw material prices were fluctuating in the range of plus 40% to minus 20% in this particular period. And it was very -- it is very difficult for a player like us who also carries inventory to maintain margins in such a period. So, though we streamlined our purchasing, we tried to reduce the impact as much as possible and purchase it to the maximum on the spot.

But at the same time, the voyage time still comes. So, what we did was we tried to find out what are the other avenues from which we can generate additional money. And there was foam, like Rahulji also mentioned in his speech, that we sold an incremental quantity of foam because some of the players were at the back. Some of them were not having raw materials, some of them were not getting or things like that.

We were able to sell a little bit of more foam from which we could accrue cash. So, if you see on a cash basis, our EBITDA still grew on a standalone basis by 13%. And what we were looking, say, 15% plus sort of a growth, you will see that from a cash perspective or EBITDA perspective, we have still maintained that level. But yes, in terms of margin in such turbulent period, margins tend to fluctuate both on the positive as well as the negative side.

Ritesh Shah: And on the synergy side of the equation, what is pending, what is already baked up?

Amit Gupta: So, as I mentioned last time, there is only INR 40 crores worth of synergy that is outstanding. And this also I mentioned last quarter that the machine has already come. It is under installation. Maybe some impact you see during this quarter, but full impact would be visible in quarter 3.

Ritesh Shah: Sure. I'll just squeeze in 2 questions. Rahul ji, if one had to strip out e-comm and mattress volume growth…

Moderator: Sorry to interrupt you, Ritesh, may I request you to join the queue as there several participants.

Ritesh Shah: Sure. I'll join back with you.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Sir, any comments between last year growing at double-digit volume in India business and a single digit in quarter 1. Any comments there in terms of comparison of demand. Similarly on margins where there is some reduction. So, any comments there? That's one question. Second, on the Furlenco side, the JV profit -- associate profit seems to be reduced Q-o-Q. So, any comments there as well?

Rahul Gautam: So, on the Furlenco, let's take that first question. Amit, you can take.

Amit Gupta: Yes. So Furlenco, if you see last -- in the last quarter, because the company became profitable for the first time, it was in losses since its inception. So, there were certain deferred tax assets which were recognized, which was added to net profit.

So out of the INR60 crores net profit that it declared, around INR33 crores was the net profit from the operations and remaining INR27 crores was from deferred tax assets. This year also, there might be some deferred tax asset recognizable because the profit levels will be higher and hence the projected profit will be higher.

But that exercise is done at the end of the year and would be visible, if any, in the fourth quarter. So, if you refer to operating profitability last year, it would again be, say, in the range of INR9-odd crores per quarter. So, first quarter, they had a little bit of expenses. It is a little bit lower. But during the full year, definitely, they would be achieving additional profitability at PAT level because of the increased volumes that are expected at the company level.

Pritesh Chheda: So just clarifying here on Furlenco itself. So, you're saying quarter 1, there is no profit -- no operating profit growth. But for the full year, there will be operating profit growth. That's one observation. And INR9 crores is some quarterly number of operating profit that you mentioned.

And second, on a Q-o-Q basis, the contribution that comes here in our P&L, difference is a function of deferred tax assets -- deferred tax asset, which gets -- deferred tax, which gets recognized at the end of the year. Hence, it should not be looked Q-o-Q, correct? These are the 2 observations?

Amit Gupta: No. So, a little bit different. It is not a degrowth from the last quarter. So, we hold around in terms of the portion that we get out of the net profit is 35%. So, 35% of INR9 crores would be approximately at the same level what we have reported this year. So, it's not a degrowth. But yes, deferred tax asset is the comment that you reported is correct.

Pritesh Chheda: So Furlenco has grown for quarter 1, correct?

Amit Gupta: Yes, yes.

Pritesh Chheda: Okay. Yes. And on India business. So, my question on India business was we have a single-digit volume growth and margin reduction in quarter 1 vis-a-vis we were clocking double-digit volume growth until the exit of last year. where all the other categories -- when you see the general consumption, etc., and all the other companies with respect to consumption, the growth has only accelerated. So, any comments there?

Amit Gupta: So, in value terms, our growth has also accelerated. So, if you see, we have reported on 15% and 26% growth in revenue terms. Volume growth, whenever there is price hike of such a quantum, there is always a balance between the price that you charge and the volume that you can sell. So, if the price had been like 10%, 15% sort of an increase, the volume growth would have been double digit again.

So, we are pretty confident that as this volatility subsides, we would again be on the same trajectory. And for the year, definitely, we hope to get double-digit growth overall in both foam as well as in mattresses volume.

Pritesh Chheda: And on the margin?

Amit Gupta: Yes. Margins are -- I think margins, if you take out the variance in gross margins because of the raw material volatility, we are better in margins than what we even reported in quarter 4. So as soon as this volatility subsides, I think you should be able to see those margins.

Moderator: Next question is from the line of Pankaj Tibrewal from IKIGAI Asset Managers.

Pankaj Tibrewal: First of all, congratulations on a decent set of numbers. And this is the comeback we -- all shareholders were expecting for the last couple of quarters. Do we think now that the volatility in terms of profitability, which we saw for the whole of last year, most of them is something behind...

Rahul Gautam: Pankaj ji, a little louder. The voice suddenly seems to have gone down.

Pankaj Tibrewal: Yes. Can you hear me now?

Rahul Gautam: Much, much better. Thank you.

Pankaj Tibrewal: Yes. So should we assume this to be the new normal for Sheela in terms of the profitability and from here on, we escalate. And the second question is that what it -- the return on capital is still lower on an overall basis. How should we think from a next couple of years' perspective that the return on capital should move and where we should settle down and which would make us satisfied overall from a return on capital? And last question is on the balance sheet.

Can you give us some color on how the balance sheet will look like towards the FY27 end? Will it be a debt-free balance sheet? We will have some debt left? How should you think about from incremental growth perspective? So, these are the 3 questions. And also, I didn't hear this time on the 15% target on the margins. Can you give us some color on that? So, a couple of questions on that, right?

Rahul Gautam: Thank you, Pankaj. Thank you. So, I think the first question was on the volatility that is existing or we are experiencing at the moment. And what would be our response to whether this will continue or this will be the new normal that we have to live in. Our expectation is that at least for a couple of months, this volatility will be there.

And my expectation is October or up to even November that this would be. I know it is related to the war. And anyway, the war is not over as yet. But even after it is over for a couple of months, we would expect that this -- because it has disrupted the supply chains and the other things during this -- both the routes of Suez Canal and the Strait of Hormuz, etc., being blocked. The expectation of profitability, I would say we are doing our best.

We expect it to be better than what we are seeing this time. Whether it will accelerate to the end of the year, maybe another quarter, and I will give you a better answer to this. But will it be better than this? Yes, of course, it will be. On the return of capital and the balance sheet part, I will ask Amit, you respond and to the question on the debt that how will it...

Amit Gupta: Yes. Sure, sir. Pankaj ji, so return on capital employed, see, our capital base is not increasing. It remains almost the same, and our profitability is increasing. We still remain committed to our target of 15% growth with a 15% EBITDA margin.

You see in the first quarter also, we clocked 20%. We targeted 15%, but yes, because of incremental foam sale, we got to 20%. We are pretty confident that for the year, we will get more than 15% sort of a growth.

And the incremental profitability that would come because of that would again to go for the increase in the EBIT level, which should take return on capital employed to a higher level. And I think to your question, what will be the trend in the next 2 to 3 years, the growth and profitability trend should be similar.

And if it continues to be similar, definitely, it will have a very, very positive impact on return on capital employed. We hope in the next 3 years, we should be able to reach somewhere around, say, 20% to 25% range in return on capital employed. Currently, I believe it is around 10%-odd, if I'm not mistaken.

In terms of balance sheet, you are right, whatever free cash flow we will generate this year, it will go towards the repayment of debt. However, the balance sheet will not be debt free by the end of the year because the incremental amount of cash that would be generated would be somewhere between INR150 crores to INR200 crores.

And our debt currently, which is on the balance sheet is a little above INR300 crores at the India level, against INR350 crores at the overseas level. So, we will take another 1 year to close out the debt in India. International debt, of course, will be paid over 5 years with its own cash flow, which it will be generating on a regular basis. I think Pankaj ji I have answered 15% target, yes, there is no change in stand on the margins. We have a target of 15% EBITDA margin for the next year.

Pankaj Tibrewal: Great. Wish you all the best. And I hope the last 2 quarters' performance and we deliver better numbers going ahead also.

Moderator: We have our next question from the line of Dikshi Jain from InCred Research.

Dikshi Jain: Congratulations on good numbers. My first question was regarding the foreign operations. So, for Australia and Spain, what will be the sustainable growth rate that we can see from here for the next 2 years? Also, what would be the sustainable EBITDA margins without the gains from inventory currently and the also foreign exchange fluctuations?

Amit Gupta: So foreign operations, definitely, this quarter has been exceptional from them -- for them. On a combined basis, they are at around 13%, 13.5% sort of an EBITDA margin. But yes, whereas the volatility has hit us adversely in India, it has been positive for the international operations. However, these are not as an ongoing sort of event. So, as we expect improvement in India, there would be some moderation of these profitabilities overseas.

And as communicated earlier, our international operations, though as they are in mature economies, should be growing at around 5% on a euro and Aussie dollar basis in their respective countries and should have EBITDA margins ranging between 10% to 12%. This year, it should be higher because already the momentum has certain from a higher level.

One another thing, we have done certain improvements in Spain, which has softened their growth rates. They are able to cater to more industries now and they have certain programs which are giving them higher volumes. So, I would not be surprised if they clock a higher growth rate as they have done in the first quarter.

They have done a total of EUR 12 million in the first quarter, whereas they used to do around EUR 9 million to EUR 10 million on a regular basis. So, it's a 20% growth in euro terms, 20% plus growth. They might be clocking a little higher level of Overall, if you see, last year, we did around INR800 crores, INR850 crores with both the operations combined. This year, we are very confident of crossing INR1,000 crores and an EBITDA of, say, around INR120-odd crores.

Dikshi Jain: Okay. So, my next question was regarding the 41 new stores that we opened. What is the capex that we invested for these stores? What -- how big are these stores? And what territories have these stores opened?

Rakesh Chahar: So, we have -- we already had 22 stores, which were continuing from last year. So, we have upgraded them. And the plan is to take this number to 50 stores. So already about 42 stores are in operation. As far as the capex is concerned, Amit, you would like to comment?

Amit Gupta: So, per store, we invest a capex of around INR27 lakh and another INR20 lakh to INR22 lakh is spent on the working capital, COCO store I'm saying. In terms of franchisee stores, it is very,

very small. But in terms of COCO stores, we have an investment of around INR50 lakh per store and opening of, say, 50-odd stores would cost around INR25 crores to us.

Territories, currently, we are covering the urban areas, the key urban areas where our competition also have that sort of a store. So, we also need to give those sort of MBO size, etc. These stores are generally around 2,000 square feet size. So, we are opening in those areas. And I think for another few stores, we will continue to open in core urban areas, the COCO stores.

Dikshi Jain: And what are the sizes of the stores that we open?

Amit Gupta: Around 2,000 square feet. It ranges from around 1,800 to 3,000 square feet depending on different places and the cost of real estate in those places.

Moderator: We have our next question from the line of Garvit Goyal from Serene Alpha.

Garvit Goyal: Am I audible?

Moderator: Yes, we can hear you.

Garvit Goyal: And congratulations, good set of numbers, sir. It is on question of volume growth. Some of part is answered already. And the part I want to know that do you expect any volume recovery over the coming quarter or it's some near-term softness likely to continue?

Amit Gupta: So, there would definitely be volume recovery. I would say we would go back higher than what the volumes we clocked last year. So just understand it from the perspective, the third quarter is the best quarter, which is the festive season and the fourth quarter is the next best quarter. So just compare it on a Y-o-Y basis, the respective quarters. If you see first, second quarters are generally a little bit lower. So, this year also, we are pretty confident that we will exceed the volume growth of last year.

Garvit Goyal: Okay. Okay. Good to hear, sir. And another question is on cost side. Like could you give us an update on TDI and polyol price stand today? And how much of a recent spike has already been absorbed into our cost basis versus what's still flowing through? Also, is there any structural gap between when cost rise and when you are able to reprice it? So, does that lag itself becoming a margin this volatile price environment?

Amit Gupta: So, see, currently, the prices are very volatile. So, it is not moving in one direction. Like when Iran war started in February -- on February 28, in March, we saw huge spikes in the prices. But from April onwards, the prices have started coming down. Now the war has again reignited about a month back and the prices have gone up again.

So very difficult to say as to what is the quantum of increase in prices. But I can assure you that whatever is the quantum increase in prices, we are doing commensurate price increase for our customers. A little bit of risk for us only because of the -- if the volatility is very high, it moves very fast from top to down, then we may have certain in-channel inventories, in pipe inventories like on the high seas, which may impact us a little bit on the margin, which has -- which you could also see in the first quarter. But rest, we are pretty covered.

Moderator: We have our next question from the line of Rachna Kukreja from SiMPL.

Rachna Kukreja: Congrats on a good set of numbers. I have a few questions. We had guided for 12% to 13% EBITDA margins for FY27 and around 13% to 14% for FY28. Do we still stand by that guidance given the current operating environment?

Amit Gupta: No. So, we guided for 11% to 12%. We never guided for 13% for the current year. Yes, we do stand for it. But looking at the current volatile environment, it's very difficult for us to comment on it, but we are pretty confident that we are on the same track.

Rachna Kukreja: So, what would be the levers for margin improvement if the condition ease down?

Amit Gupta: So, you see our gross margins have come down by more than what we had like more than the margin we have to achieve. So even if it goes up by 2-odd percent, we would be there. We would be better than what we have committed. So, it is simply volatility to go away.

Rachna Kukreja: Okay. Second question would be on any new product launches or initiatives that we are planning to undertake to sustain growth in the near long term?

Rakesh Chahar: So yes, one is that we have also introduced a set of new products, which is to increase our ASP. And we are also started consumer-led promotion. So that's also something that we tried out and the results were quite encouraging.

Going forward, the strategy is more on the consumer side, where we will be increasing our spend towards the consumer, which will draw footfall because we already had a large footprint of EBOs and working on the conversion. So, there are programs which are also running to improve the conversion in the stores.

Rachna Kukreja: Okay. Also, on the new products introduced over the past few years, how have they performed? And what contribution they make to revenues? And how do the profit margins look like? Additionally, I also wanted to understand the strategy behind launching mattresses exclusively for the e-commerce channels as seen in this quarter's presentation. And what role do you see this channel-specific mattresses playing in future growth and profit margins?

Rakesh Chahar : So, they would be -- they would definitely positively impact the profit margin. That is one of the reasons for introduction of products. The performance of the new products normally is good because that's the reason in the first phase that we introduced them. Existing products because of price increases, competition activities, they at time, lose the value to money equation. So, it's an ongoing process. But this time, we had also tried to simplify the portfolio and make it more compelling mix.

Moderator: We'll move on to the next question from the line of Deekshant Gupta from Geojit PMS.

Deekshant Gupta: So, I just wanted a clarification like the gross margins were hit more because of the foam segment or because of the mattresses segment or an equal combination of both?

Amit Gupta: It was because of raw material price movement.

Deekshant Gupta: Okay. So, segment-wise, it would be like equally distributed because the raw materials would be the same?

Amit Gupta: Foam segment uses more foam, whereas mattress uses proportionately much lesser foam. So, you can say that from a margin perspective, mattress would have been hit lesser than the foam segment. But yes, it was primarily -- the foam was the primary reason because it uses those input materials, polyol and TDI because of the margins.

Deekshant Gupta: Understood. And what percentage of the COGS does TDI and polyols form?

Amit Gupta: So, if you refer to COGS, it would be as high as 70%-odd, 65% to 70%.

Deekshant Gupta: Okay. And just last one from my side. So directionally, the share of -- is there any trend like the share of premium, mid-premium or economy mattresses has grown?

Rahul Gautam: So, I would say that we have ASP, which is reflective of these various segments. The ASP has marginally gone up. And therefore, it's easy to say that there is some premiumization that, that is already happening.

Moderator: We have our next question from the line of Vansh Solanki from RSPN Ventures.

Vansh Solanki: So, my question is on the overseas companies that you told that both the companies carry higher inventory because that's why the GP margin is not lower. So how much of inventory is still pending with these companies so that like when the new polyol and TDI prices will effect maybe in Q2 or it will carry forward to Q3?

Amit Gupta: So, the impact -- so they will come to normal levels in Q2. Of course, now we are managing the inventories very closely. So, we have also reduced some level of inventory at those places. Of course, we cannot reduce it to a large extent because the voyage time is more. But yes, in the Q2, they should come to -- you should see normal inventory level -- normal levels of raw material prices.

Vansh Solanki: Okay. And the second question is on employee expense, like quarter 4 is a very high employee expense. Was there any one-off in quarter 4?

Amit Gupta: So generally, if you see last year in quarter 4, our growth was very high, which increased the growth rate for the entire year. Now we had not taken provisions for those incentives in the first 3 quarters because they were not becoming due at those levels of profitability. But in the fourth quarter, because of higher level of profitability, the year growth for the year became higher because of which those incentives became due and hence, we had to provision them.

Moderator: We have our next question from the line of Navin from iThought PMS.

Navin: Yes. Congratulations on a great set of numbers. So, I just had one simple question. So basically, I was wondering if RentoMojo, the company just filed for DRHP, would you consider them a like-for-like competitor or would you say there are substantial differences that you would like to highlight between Furlenco's business and RentoMojo?

Amit Gupta: So, we are in the same area of business. But if you see RentoMojo is more on the mass segment, whereas Furlenco is more on the premium segment. So Furlenco as a brand is more premium. And the second difference is RentoMojo does a lot of utility. So, the proportion of utilities put furniture in their overall sales mix would be higher, whereas in our case, furniture component will be higher.

So, we should be categorized as some level of premium to RentoMojo. But yes, the area of business is the same.

Moderator: We have a next question from the line of Arjun Agarwal, an Individual Investor.

Arjun Agarwal: Am I audible, sir?

Moderator: Yes.

Arjun Agarwal: Congratulations, sir, on a good set of numbers in this volatile environment. But actually, I'm new to your company. I just want to know, is the integration is finally done with the Kurlon? And are all the synergies as expected during the time of acquisition are playing in line with that -- this will be my first question, sir.

Rahul Gautam: Yes. So, integration is almost complete, I would say, 96%, 97%, whether on the back-end front or the upside of it or the front-end side of it. Then on the capital side where we have reduced the number of operating units down to 12 from a total number of 21. So -- and the integration of the HR, the human resources as well as the integration of the IT side, all that is complete. Regarding the synergies, I would say that about 80% or so, 75%, 80% are already have been realized, and there are some 15%-odd or 15%, 20%, which are on way to getting realized.

Arjun Agarwal: Glad to hear that. Sir, I just want to know one more thing that -- regarding the market share that we currently hold as an entity -- as an combined entity in the Indian mattress market? And what we envisage for the next 2 to 3 years means launching of the new products and which segments are we targeting?

Because as per best of my knowledge, we are pioneers in our individual segments, both Sleepwell and Kurlon. So, what next -- what will be the next growth phase for next 2 to 3 years means new product launches and other things?

Rahul Gautam: So as far as market share is concerned, unfortunately, it depends on how you define the market. But if we look at the organized mattress market, we would have a combined share of close to 20%. And looking at the future, we see that once the integration is complete, we would now start taking advantages of each brand and each zones and each areas and the support of the other brands to grow for both Sleepwell and Kurlon. Therefore next 2 years, the synergies of growth will be realized post the integration. And that's how we see ourselves.

Arjun Agarwal: Okay. And sir, if you want -- if you could just spend 2 minutes regarding the new product launches means are we trying to enter the segments that means the mattresses that can be fully rolled on and delivered online or something different from new products that we are targeting?

Rahul Gautam: Arjun, we are already doing that rolling the mattress of compressing rolled mattress and sending to the consumer. We are doing that on the e-commerce side. We are present on both the EBOs and MBOs and on ground and offline and online. So, segment-wise, we are present in virtually all the segments. We do have a segment which is the U2O segment where we cater to the -- to people who are stuck with the unorganized sector.

So, at the moment, on the mattress side, we do not foresee any new areas or any segments or subsegments that we would be introducing. But we do see synergies of furniture with Furlenco that would be available and that will be introduced into our stores in the coming time. There would be areas of absolute luxury and higher-end products. There would be accessories like pillows and mattress toppers and accessories, bedding and accessories that we intend to grow. So that's how the scenario is going to look in the next couple of years.

Moderator: We have a next question from the line of Akash Shah from UTI Mutual Funds.

Akash Shah: Sir, just wanted to ask now Furlenco products will be present in how much percentage of Sheela Foam's stores or Kurlon combined? I mean combined store network, how much percentage of it will be having Furlenco?

Amit Gupta: So currently, we are in the process where we are ramping up the number of stores. Our first target is to reach 100 stores. We are at around 40 to 50 stores where Furlenco furniture has been put in a shop-in-shop format. However, we intend to expand pan-India. The number of stores currently is very difficult to say.

Wherever Furlenco sees their thought of a micro market, which fits into their way of their philosophy of selling, I think in those stores, they would put up their stores. Overall, in India, we have 3,500 exclusive brand outlets. But yes, Furlenco would be present only where it makes sense for them.

Akash Shah: Understood. Right. And sir, also just wanted to understand this, sir, how the management team, I mean, Rahul sir, Tushaar sir, Rakesh sir, Amit sir, how the responsibility would be divided between the top management team, if you can just very quickly share if possible?

Rahul Gautam: So Akash, I'll just give you a very broad picture on that. So, Rakesh sir is looking after the sales and the operations side and the supply chain. Tushaar sir is looking on the newer products and newer growth areas that we have. Together, we solve all the problems that come out of it. And Amit sir is, of course, looking after the finance and accounts and everything related to that.

As far as I'm concerned, I'm coordinating all this and looking after some of the services which go into this organization, like human resources, like IT, like marketing, and that's how we divide the work.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for the day. And I now hand the conference over to the management for closing comments.

Rahul Gautam: Thank you, Manav. Thank you, Savita. It has been an interesting session. And thank you for all the people who congratulated us on the performance, and we expect and we are happy to receive their good wishes and blessings for the coming quarters. As usual, the questions have been incisive, and we always learn from them and things that we can do in the future. So, with those words, once again, a big thank you, and hope to see you next time. Thank you very much.

Moderator: Thank you. On behalf of Dolat Capital Markets Private Limited, that concludes the conference. Thank you for joining us, and you may now disconnect your lines.

Rahul Gautam: Thank you.