

Sheela Foam Ltd: Good Issue

**IPO Note : Good Company with well-known brand, Issue price expensive
Ranking*****



Sleepwell

Issue details

Price band (Rs)	Rs.680-730
IPO Opening Date	29/11/16
IPO Closing Date	01/12/16
Issue Size	Rs.510 Cr.

Recommendation

Total revenue grew at a CAGR of 10.50% from Rs.1050.80 Cr for the year end March 2012 to Rs.1566.80 Cr for the year end March 2016. Net profit after tax grew from Rs.7.73 Cr. for the financial year 2012 to Rs.104.78 crore for the financial year 2016. In the last four year net profit grew at a CAGR of 91.88% from FY 12 to FY16. For first half ended on 30.09.16 of current calendar year it has earned net profit of Rs. 65.95 cr. on a turnover of Rs.803.75 cr. If we attribute H1FY17 earnings to fully diluted equity of Rs. 24.39 crore then the asking price at the upper band is at a P/E of 26.97. In FY 16 it reported EPS of Rs.21.48 and on this, its offer price at a PE of 33+. The company has total consolidated debt was Rs.114 crore on March 2016 and debt equity ratio was 0.34. Post IPO its current paid up equity capital will be the same at 24.39 crore. **As per current market scenario and expensive asking price, listing gain may or may not be there. It's a good company for long term with a leading great quality well established brand and strong management. The debt is continuously decreasing and low.**

Highlights

- Incorporated in 1971, Sheela Foam Ltd is a leading manufacturer of mattresses and other foam-based home comfort products in India.
- Pan India distribution network consists of over 100 exclusive distributors, over 2,000 exclusive retail dealers and over 2,500 multi-brand outlets, as on March 31, 2016
- Over the last two decades, have developed Sleepwell as an overarching brand associated with comprehensive and quality home-comfort solutions
- Well recognised and established brand built over consistent quality and innovation
- Company will not receive any proceeds from the Offer and all proceeds from the Offer will go to the Selling Shareholder.

Company Introduction

Sheela Foam Ltd manufactures and sells mattresses and other foam-based home comfort products. The company offers mattresses, pillows, mattress protectors, bolsters, back cushions, sofa-cum beds, bed-sheets, and baby care sheets, as well as furniture cushioning products.

It also provides various technical products, such as automotive, reticulated, silenctech, sound absorption, UV, rebonded, high resilience, flame retardant, polyether grade lamination, anti-static, thermo-formable, hard and soft, and polyurethane and polyester foam products, as well as visco-elastic temperature sensitive materials.

The company offers its products under the Sleepwell, Feather Foam, and Lamiflex brands. It sells its products for residential use, as well as for hotels, hospitals, and educational institutions. The company offers its products through distributors, retail dealers, and multi-branded outlets, as well as exports its products to approximately 32 countries.

In Fiscal Years 2015, 2016 and the six months ended September



Sleepwell

www.sheelafoam.com

Financial Summary (Rs. In Crore)

Particulars	For the six month ended September 16	FY16	FY15	FY14
Total Revenue	867.02	1696.19	1396.44	1128.25
Net Profit	65.95	104.78	42.67	27.84
EPS (Rs)**	13.53	21.48	8.75	5.71

*EPS not annualize

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

30, 2016, net revenues from the sale of home comfort products aggregated to 916.00 crore, 1016.49 crore and 513.21 crore, constituting 64.61%, 65.58% and 64.52%, respectively.

Distribution Network

The Company have developed a pan-India distribution network that consists of over 100 exclusive distributors, over 2,000 exclusive retail dealers and over 2,500 multi-brand outlets, as on September 30, 2016. Its home comfort products are sold to retail end-consumers through exclusive distributors. Exclusive Sleepwell branded outlets comprise retail stores and outlets categorised in accordance with their size. As at September 30, 2016, exclusive Sleepwell outlets comprised 239 Sleepwell Worlds, which average around 1,000 sq. feet per location, 433 Sleepwell Galleries, which average around 600 sq. feet per location and 930 Sleepwell Shoppes which average around 200 sq. feet per location. Its home-comfort products are also sold by 824 exclusive dealers who operate smaller format Sleepwell outlets, and over 2,500 multi-branded outlets.

The object of the issue

- Company expects that listing of the Equity Shares will enhance their visibility and brand name and provide liquidity to the existing shareholders and to the holders of options that may be granted by the Company
- The listing of the Equity Shares will also provide a public market for the Equity Shares in India.

IPO Issue Proceed

For listing gains and providing exit to existing investors, the company is coming out with its maiden IPO via offer for sale mode for 69.86 laksh (approx.) equity shares of Rs.5 each via book building route with a price band of Rs. 680-730 to mobilize Rs.510 crore (based on upper price band). Issue opens for subscription on 29.11.16 and will close on 01.12.16. Minimum application is to be made for 20 shares and in multiples thereon, thereafter. Post allotment shares will be listed on BSE and NSE.

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