



Date: 09.10.2026

To,
The BSE Limited
Pheroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400001
Scrip code: 540203

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

Subject: **Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Credit Rating**

Dear Sir/Madam,

Pursuant to Regulation 30 read with the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that India Ratings and Research Private Limited (“India Ratings”) has affirmed the bank loan facilities of Sheela Foam Limited (SFL) and withdrawn the rating assigned to the Company’s non-convertible debentures, which have been fully redeemed.

Bank Loan Facilities: Assigned a rating of ‘IND AA/Stable/IND A1+’ to additional bank loan facilities of Rs. 180 crore and reaffirmed the existing rating of ‘IND AA/Stable/IND A1+’ on bank loan facilities of Rs. 700 crore.

Non-Convertible Debentures: Withdrawn the rating of ‘IND AA/Stable’ assigned to the Company’s non-convertible debentures aggregating to Rs. 181.25 crore (ISIN: INE916U08012), which have been fully redeemed.

The detailed rating rationale issued by India Ratings and Research is enclosed herewith for your reference.

This is for your information and records.

Thanking you,

Yours faithfully,
For **Sheela Foam Limited**

MD IQEBAL AHMAD

Digitally signed by MD IQEBAL

AHMAD

Date: 2026.10.09 17:23:25 +05'30'

Md. Iqebal Ahmad
Company Secretary

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Title

India Ratings Affirms Sheela Foam's Bank Loan Facilities at 'IND AA'/Stable; Rates additional amount. Withdraws ratings on NCDs.

Brief

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
Bank loan facilities	RBI				1,800	IND AA/Stable/IND A1+	Assigned
Bank loan facilities	RBI				7,000	IND AA/Stable/IND A1+	Affirmed
Non-convertible debentures	Refer ISIN annexure*				1,812.50	WD	Withdrawn

*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.

Ind-Ra notes that House of Kieraya Limited [HOK] is being classified as subsidiary of SFL with effect from October 01, 2026 due to SFL's board control, majority voting and substantive governance rights collectively establish control under the accounting standards.

Detailed Rationale of the Rating Action

The ratings reflect SFL's strong market position in the Indian organised mattress segment, led by a much larger scale of operations in terms of revenue and profitability, and improved distribution reach after the acquisition of the mattresses manufacturing company, Kurlon Enterprises Limited (KEL). The ratings also factor in the improved credit metrics in FY26, supported by improved EBITDA margins and reduced gross debt levels, which are likely to improve further with the sustenance of the EBITDA margins.

However, the ratings continue to remain constrained on account of susceptibility to volatility in raw material prices and exposure to cyclicity and economic downturns.

Ind-Ra is no longer required to maintain the ratings on non-convertible debentures, as the agency has received a request for withdrawal of ratings and no-dues certificate. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings.

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 cyclical 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 INR10,319 million in 1QFY27 (FY26: INR 38,208 million, 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 paid off in full paid in October 2026. 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 Cyclical 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

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](#).

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).

Proforma Consolidated Financials including HOK as subsidiary: SFL has classified HOK as subsidiary with effective from October 01, 2026.

Despite moderation in expected net leverage of consolidated SFL, to be close to 1.5 x in FY27 as against earlier expectation around net leverage of less than 1x when HOK was being classified as a joint venture entity, on account of incremental debt expected to be taken at HOK level for further acquiring rental assets, Ind-Ra expects net leverage position to normalise and fall below Ind-Ra's negative trigger of 1.5x in FY28 on account of improvement in consolidated EBITDA levels.

SFL's consolidated proforma revenue would be INR 41,869 million in FY26 (FY25: INR36,674 million), against reported revenue of INR38,208 million (FY25: 34,392 million). Consolidated proforma EBITDA levels would also be higher at INR5,230 million (INR3,407 million) against INR3,934 million (2,856 million). consolidated proforma interest coverage has also improved to 4.1x (2.5x) and consolidated proforma net leverage improved to 1.9x (3.3x).

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		

Applicable Criteria

- [Corporate Rating Methodology](#)
- [Short-Term Ratings Criteria for Non-Financial Corporates](#)

- ### Status of Non-Cooperation with Previous Rating Agency

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook					
	Rating Type	Rated Limits (million)	Current Rating	08 September 2026	09 September 2025	21 March 2025	24 September 2024	25 September 2023	17 August 2023
Bank loan facilities	Long-term/Short-term	INR1,800.00	IND AA/Stable/IND A1+						
Non-convertible debentures	Long-term	INR1,812.50	WD	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	
Bank loan facilities	Long-term/Short-term	INR7,000.00	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+			
Issuer Rating	Long-term	-	-	WD	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable

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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*	INE916U08012	SEBI	6 October 2023	8.45% p.a. payable yearly	6 October 2026	1,812.5	WD

Source: SFL
*Paid in full
#Total does not include withdrawn ISINs

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SOLICITATION DISCLOSURES

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India Ratings and Research (Ind-Ra) is India's most respected 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 and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located at Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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For more information, visit www.indiaratings.co.in.

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