



27th May, 2024

To

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

Subject: Transcript of Investors' Conference Call for Quarter and Year ended March 31, 2024 Financial Results.

Dear Sir/Madam,

Please find below the transcript of Investors' conference call organized on May 22, 2024 post declaration of Financial Results for the quarter and year ended on March 31, 2024 for your information and records.

Thanking you,

Yours truly,
For Sheela Foam Limited

Md. Iquebal Ahmad
Company Secretary & Compliance Officer

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“Sheela Foam Limited
Q4 FY ‘24 Results Conference Call”

May 22, 2024



MANAGEMENT: **MR. RAHUL GAUTAM – EXECUTIVE CHAIRMAN – SHEELA FOAM LIMITED**
MR. TUSHAAR GAUTAM -- MANAGING DIRECTOR – SHEELA FOAM LIMITED
MR. NILESH MAZUMDAR – CHIEF EXECUTIVE OFFICER, INDIA BUSINESS – SHEELA FOAM LIMITED
MR. AMIT KUMAR GUPTA – GROUP CHIEF FINANCIAL OFFICER – SHEELA FOAM LIMITED

MODERATOR: **MR. DEVANSHU BANSAL -- EMKAY GLOBAL FINANCIAL SERVICES.**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Results Conference Call of Sheela Foam Limited hosted by Emkay Global Financial Services. We have with us today, Mr. Rahul Gautam, Executive Chairman; Mr. Tushaar Gautam, Managing Director; Mr. Nilesh Mazumdar, CEO, India Business; and Mr. Amit Kumar Gupta, Group Chief Financial Officer.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. 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 now hand the conference over to Mr. Devanshu Bansal from Emkay Global Financial Services. Thank you, and over to you, sir.

Devanshu Bansal: Yes. Good evening, everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand over the call to Mr. Amit Kumar Gupta for his opening remarks. Over to you, sir.

Amit Kumar Gupta: Thank you, Devanshu. Good afternoon, everyone, and thank you for joining us for our earnings conference call for the fourth quarter of the financial year '24. I would like to thank our host Emkay Global Financial Services for hosting this earnings call. Financial year '23, '24 has been a very eventful year for us. We acquired Kurlon this year, as well as we took a stake in the furniture rental company Furlenco.

We are delighted to state that both in the acquisition, as well as the investments are moving as per plan to achieve the desired objectives. Kurlon achieved a 7% plus EBITDA margin for the fourth quarter '24, which is double the margin that we acquired in the third quarter. Kurlon is on line to achieve our stated goal of INR1,000 crores topline and INR100 crores EBITDA as a starting point.

Kurlon integration is underway and the synergies are in the process of implementation. We have already implemented our own ERP in Kurlon from 1st of April 2024. With this integration, all the processes and policies applicable to SFL is now applicable to Kurlon as well, and we derive all the information that we are using in SFL to better manage the business and understand it much better way.

Kurlon is a very strong brand in south and east of India and is very precious to us. We are on our way to launch a brand refresh for Kurlon on 9th of June with the India-Pakistan match in the T20 World Cup.

Furlenco has also progressed rapidly post investment. And as on date, it has been PBT profitable consistently for the last 3 months. Furlenco has been showing a lot of promise post our investment, it used a large part of the proceeds to repay its debt. This reduced a lot of interest burden on the company, both on debt reduction and lesser interest cost. The company has also moved on to the next level of growth and has added a subscriber base or increased our subscriber base by more than 50% of what we took over when we made the investment.

Now moving on to some of our internal initiatives, I'm delighted to inform that we have completed the commissioning of our Jabalpur plant, and now it is producing desired qualities

which gives us another competitive edge. This will greatly boost our small town India initiative, wherein we want every Indian household to have a modern mattress.

Let's talk something about our IT initiatives. Staquo is a company which has been performing very well. We started it several years ago as an in-house IT wing to cater to the needs of the company. However, it has grown over time and today, we not only caters to all the needs of SFL at a much reasonable cost than that can -- could have been outsourced and it serves not only the India business, but to all the companies of the group globally.

It also services to customers outside the group. Currently, it generates around 20% to 25% EBITDA margin and we hope to grow it to a sizable company very fast. However, first priority remains Sheela Foam Group and the group company. The year has also been a little bit turbulent for us, wherein we took certain bold initiatives like discontinuance of our online brand SleepX and shifting to Sleepwell brand in the online segment. This impacted our top line for some period, but we are happy to communicate that we have not only regained the online volumes to Sleepwell brand but have done so profitably.

Online continues to be a critical channel for us, and now we have CXO-level professionals driving growth in this segment. The impacts are visible and we aspire soon become a leading player in this channel as well. In spite of impacts of SleepX and reductions in volumes of exports and railways, we have still been able to retain our EBITDA levels in absolute terms. The top line reduction is primarily because of reduction in raw material price.

Now friends, let me take you through the quarterly and year-end financial highlights. For the fourth quarter, under review on a consolidated basis, the company reported revenues of INR845 crores, which increased by around 16% year-on-year. EBITDA for the quarter was INR81 crores, which grew by about 3% year-on-year, while EBITDA margins were reported at 9.53% for the quarter. Net profit stood at INR65 crores, which was up by about 49% for the quarter.

For the financial year ending 2024, our consolidated revenues were up by 3.8% on a year-on-year basis to INR2,982 crores. The EBITDA was flattish on the year at around INR300 crores, with EBITDA margins reported at 10%. The net profit was reported at INR184 crores, which declined by about 8.4% year-on-year. PAT margin is standing at 6.17%.

On a stand-alone basis, our revenues were INR487 crores, which decreased by around 6% year-on-year. EBITDA for the quarter stood at INR50 crores, down by about 14% year-on-year. EBITDA margins were reported at 10.31% for the quarter. Net profit stood at INR56 crores, which was up by 35% year-on-year.

For the financial year ending 2024, our stand-alone revenues were down by 7.8% year-on-year at INR1,880 crores. The EBITDA, however, was flattish at around INR210 crores with EBITDA margins reported at 11.2%. Net profit declined by 1.7% on a year-on-year basis to INR168 crores with PAT margins at 8.95%.

On the operational front, we saw a strong volume growth in both Sleepwell and Kurlon brand in the quarter. Our flagship brand Sleepwell mattress registered a volume growth of 31%, while Kurlon brand mattress registered a volume growth of 17% in Q4 '24.

The foam business witnessed a strong volume growth across geographies. Spain business also clocked higher volumes in financial year '24. However, lower revenue because of lower raw material prices. With this, we conclude our opening remarks, and open the floor for question and answers. Over to you, Devanshu.

- Moderator:** The first question is from the line of Bhavin Rupani from Investec.
- Bhavin Rupani:** My first question is related to volume growth. Sir, volumes we have reported in PPT of like 675,000 pieces in Q4. Can you please provide corresponding comparable number for previous year? We believe SleepX, 675,000 for Kurlon as well.
- Moderator:** I'm sorry to interrupt. Members of the management team, there was a slight disturbance from your line.
- Amit Kumar Gupta:** Actually, there is no -- nothing happening here. I don't know if the connection is slow. Can you hear us?
- Moderator:** Yes, sir. We're able to hear you. Mr. Rupani, please go ahead with your question.
- Bhavin Rupani:** My first question is related to volume growth. Sir, in our PPT, you have mentioned our volume was approximately 675,000 pieces in Q4. Can you provide corresponding and comparable number for previous year? I believe the 675,000 for current year also includes for Kurlon numbers?
- Tushaar Gautam:** Mr. Nilesh Mazumdar will take that question, please.
- Nilesh Mazumdar:** Bhavin, the corresponding numbers for mattress on the previous quarter 4 will be 665,000.
- Bhavin Rupani:** Sir, is it possible to break it up between Sheela Foam and Kurlon for both the quarters for current quarter and previous quarter?
- Nilesh Mazumdar:** No, we would generally give a combined number. But as far as the brand Kurlon and Sleepwell is concerned, Amit just now shared those volume growth. So for Sleepwell mattress, our volume growth has been 31%. And for Kurlon mattress, the growth has been 17%. The decline that you would see is because of the other ancillary brands that we would have, which we spoke about of SleepX, Feather Foam, Starlite, et cetera.
- Bhavin Rupani:** All right. Sir, so as you said, Sleepwell brand reported volume growth of 31%. Can you please tell us which all brands are included under? Does it include the Starlite, Feather Foam.
- Nilesh Mazumdar:** So Sleepwell only includes Sleepwell. Feather Foam, Starlite, SleepX, et cetera, are what I'm calling as the other ancillary brands. So the 2 flagship brands of the portfolio, I mean, which is Sleepwell and Kurlon. One has grown by 31%, which is Sleepwell, only Sleepwell brand, and Kurlon has grown by 17%, which is the Kurlon flagship brand mattress.
- Bhavin Rupani:** All right sir, got it. And is it possible for you to provide what is the proportion of total volume that has seen 31% volume growth?
- Amit Kumar Gupta:** Sorry, could you repeat that, Bhavin, didn't get that?

- Bhavin Rupani:** What proportion of Sheela Foam's total volume reported? I want the actual absolute number which saw 31% volume growth, which reported Sheela Foam's previous year number and current year number? Is it possible to bifurcate?
- Amit Kumar Gupta:** So Bhavin, these are two detailed information. What we have already given you is the total number of mattresses that were produced in the last year and the current year. We have also given you what is the percentage growth in the respective brand. And this reflects basically our intent and our strategy to ultimately shift to our flagship brand so that we can focus on those brands and that is something which looks -- we look into the future to invest into and to develop. Do I answer that, Bhavin?
- Moderator:** The line of the current participant has dropped off. We'll move on to the next question. That is from the line of Aniket Kulkarni from BMSPL Capital.
- Aniket Kulkarni:** So the first question is, can you tell me where the INR117 crores of other income is coming from? And how sustainable is this? So I mean, what could be the steady-state number that we can see for FY '25?
- Amit Kumar Gupta:** Aniket, the voice reaching us is not very clear. So I'm asking -- is there another way to connect up? Or is there another way that we can communicate, not coming through.
- Moderator:** Aniket, please repeat your question.
- Aniket Kulkarni:** Yes, yes. I repeat my question. So my first question was the INR117 crores of other income, which we can see on the consolidated numbers. Can you tell me where it is coming from and how sustainable this is? I mean what will be the steady state number we can see in FY '25?
- Tushaar Gautam:** Okay. Amit, you -- this is Tushaar, that is INR170 crores of other income.
- Amit Kumar Gupta:** INR117 crores.
- Tushaar Gautam:** INR117 crores. And the question is that how sustainable -- what is the breakup of that and how sustainable that is?
- Amit Kumar Gupta:** So Aniket, INR117 crores is the income from our investments. So at the beginning of the year, we had an investment of around INR750 crores. We use a part of it for our acquisitions. And as on date, our investment stands between INR500 crores to INR550 crores. So this income has been coming in the past as well. And with the investment in test, we hope this income to continue in the future also.
- Aniket Kulkarni:** Okay. And secondly, in the Q2 call, if I'm not wrong, you guided an overall revenue of about INR4,000 crores to INR4,300 crores. So if I give a 11% margin, I guess, to about INR500 crores of EBITDA. And from that, if I take INR400 crores of EBIT that [Inaudible 16:10]
- Moderator:** Sorry to interrupt. Aniket, your audio is breaking up.
- Aniket Kulkarni:** Yes. So in the Q2 call, I think you had guided an overall revenue of about INR4,000 crores to INR4,300 crores for FY '25. And if I give a 11% margin, 11%, 12%, I get to around INR500 crores of EBITDA. And if I take INR400 crores of EBIT from that, I think it we arrived at 12%

of ROCE. So to get to your targeted ROCEs of about 18% to 20%. I think you will have to almost double your EBIT from the FY '25 numbers. So how fast do you expect this to happen? And what will be your plan to achieve these numbers going forward?

Amit Kumar Gupta: So Aniket, like -- last time we had said that we will grow -- we anticipate to grow by around 15% CAGR for the company as a whole, especially India business, and that is what we stick to. If you look at capital employed, I think the business is sufficiently capitalized as of now and fully geared up to cater to the volume growth or the business book, which is there for the next 2 to 3 years.

So I think 15% growth would -- in the next 3 years should take us to the level that you are looking at. And the margins that are being mentioned at 11%, 12% is something which is for financial year '25. As we grow by 15% per annum, we anticipate these margins also to improve in line. We are a 40% contribution business. So higher growth leads to better profitability at the bottom line.

So I won't guide you to anything, but broadly, with these parameters, you can calculate as to where we would be looking in the next 2 to 3 years.

Aniket Kulkarni: Understood. And one last question. So you have about INR1,200 crores of debt, I mean, after leaving out the lease liabilities. So if I get -- if I put an 8% interest on that, that's around 100 -- close to INR100 crores of interest cost. So is this assumption correct? Or it is at a lower rate or at a higher rate?

Amit Kumar Gupta: So the breakup of this debt is around 800 -- INR725 crores is the NCD that we raised for the acquisition, which is at around 8.45%, there is foreign debt of around INR250 crores to INR300 crores, which would be at a lower cost since it is [Inaudible 19:18] currently would be at around 5%-odd. But yes, as interest rate moves, it should move but not higher than this.

And the residual will be the debt in ICTCL, which we took for Jabalpur plant and which will now come to Sheela Foam, which is at around 5.5% to 6%. So I would say somewhere around 7.5% to 8% of interest would be a reasonable number on INR1,100 crores, INR1,150 crores of that.

Moderator: Thank you. We'll move on to the next question, that is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.

Arjun Khanna: The first one is regarding the volumes that you mentioned, sir, the number for fourth quarter FY '23 like-to-like would be 5 -- sorry, 655, is that the right number I got, sir?

Amit Kumar Gupta: Yes, you are right, if we consider full volume of Kurlon for the last year.

Arjun Khanna: Right. So sir, essentially, we have grown on about 3% volumes. Does that include Kurlon?

Amit Kumar Gupta: Yes, it does. Sorry. Go ahead.

Arjun Khanna: No, please go ahead, sir.

Tushaar Gautam: No, no, no, that's right.

Amit Kumar Gupta: Yes, it does include Kurlon. Whatever matters that we are selling currently, it includes everything.

Arjun Khanna: Sure. So essentially, in terms of market shares, I'm sure we would be tracking. If you could comment how do we look at our market shares in the organized space. And what do we feel that number could land up at being over the next 2, 3 years?

Amit Kumar Gupta: You are talking of organized mattress market share?

Arjun Khanna: Yes, sir.

Amit Kumar Gupta: So our estimate is that we will be approximately be around 29% to 30%. And our own assessment of the market from whatever information we have at least of the leading brands, it has either been flattish or the volumes have actually decreased of some of the leading brands who are there in the industry.

The only segment which keeps on doing comparatively better is the online e-commerce space, which is in the region of about 9% to 10% of the industry. But otherwise, the off-line space would have been either flattish or would have been marginally gone down.

Arjun Khanna: Sure. So when we envisage a growth of maybe 10% to 15%, essentially, we are looking at the end market growing? Or is it more in terms of volumes growing? Or do you expect pricing to move up? Just want to gauge your understanding and for us to learn, sir?

Tushaar Gautam: We are unable to hear. Can I please request the coordinator to ensure that there is better connectivity.

Arjun Khanna: Sure. I'll repeat my question, sir. My question was we did indicate we are looking at a CAGR growth of around 15%. Just wanted to understand, do we envisage the end market growing at same pace? And is our growth largely going to be led by volumes? Or would it be led by pricing?

Amit Kumar Gupta: Yes. So Arjun, yes, you're right. We are -- we have envisaged and planned for a growth of 15% CAGR, which is a value CAGR that we are talking of. But our estimate is that the volume growth rate is going to be higher as compared to this because what we are finding is that the market segments which are growing faster as the penetration of the category grows in this country will be more there in perhaps the economy end of the segment, and therefore, the volume growth rates for us would probably be higher than the value growth rate.

Arjun Khanna: Sure. Sir, this question is in the context of us vacating some of the lower-end brands and moving more towards our higher brands of Kurlon and Sleepwell, given that the lower brands were more in the economy segment, I'm just trying to understand the two, if you could help, sir?

Amit Kumar Gupta: Yes, sure. So we just need to understand that both Kurlon as well as Sleepwell will straddle all the price points. It will straddle the price point at the economy end as well as at the higher end of the market. Because for us, what we need to be clear that strategically, what we have decided is that we will focus on the B2C space and within that, the branded mattress space.

Now I'm sure you will appreciate that in this country, when I have to establish a brand, it will require us to invest significantly behind them. And that's what we are doing with both Sleepwell and Kurlon that there will be a significant amount of brand investment that will be behind both of them, and they will both straddle all the price segments. So the economy end of the market that you are talking of will be catered under the Sleepwell brand as well as under the Kurlon brand. And we are making our portfolio, etcetera, according to that.

So for example, this small town initiative that we have been talking of, Tarang is actually -- currently under the Sleepwell brand. We have also introduced an equivalent model of that under Kurlon also, which is just got launched last month, which will also cater to the economy end of the market. So that is how we will be able to cater to all the different segments in the market.

Arjun Khanna: Sure. Very helpful. Second question is generally when we have seen lower raw material costs, we have seen a significantly higher EBITDA margins. This quarter too, we saw gross margin expansion. Just wanted to understand, while margins are lower, partly the addition of Kurlon, but if one looks at Sheela Foam itself, margins aren't at the 12% to 14% range that we envisage. So if you could help us understand why is that the case?

Tushaar Gautam: Amit. You want to take it?

Amit Kumar Gupta: Yes. So if you look at Sheela Foam stand-alone level -- sorry, Arjun, broadly, you would -- though the gross margins have expanded, a part of it has been utilized for investing back into the bank. So if you see our advertising or marketing cost has gone up by 1-odd percent. So broadly, broadly for a stand-alone level, it would be 12-odd percent margin, if you normalize that.

Now say that I understand your 12% to 14% range. But as we have like indicated earlier also, there are a lot of initiatives which we are already working on, both on the variable side of the cost structure as well as on the fixed side. For example, with the coming of Kurlon into this gamut, there is a lot of -- we don't need to run to parallel organization at the fixed cost level.

So there is a lot of opportunities there in which has been identified and put into implementation. And also on the variable side of it, I think there are lots of synergies of scale and negotiating ability, which is available, which will get into the -- and all this should lead us to a comfortable position gearing we say that we will lead to 3% incremental margin over the next 2 to 3 years.

Moderator: The next question is from the line of Bhavin Rupani from Investec.

Bhavin Rupani: Yes, sir. I'll continue with my previous question. Sir, when you say 31% volume growth, actually very difficult to comprehend the numbers over here. So this 31% volume growth is on what gauge, if you can quantify that, it will be very helpful, sir?

Amit Kumar Gupta: So Bhavin, the volume growth that we are sharing are of all the mattresses which we sell under our flagship branding of either Sleepwell or Kurlon. So the 31% growth number that we are sharing is all mattresses that we have sold in quarter 4 under Sleepwell flagship brand. And 17% is all that we have sold under the Kurlon flagship branding.

Bhavin Rupani: Sir, is it possible for you to quantify the number? What is the total number in our total volumes? Total...

Tushaar Gautam: We can connect with you Bhavin separately if that helps because we won't have the exact breakup number right now.

Amit Kumar Gupta: Bhavin, this is Amit here. I think too much detailing we have never been giving that as a guidance. And if you look at our current structure, our focus is on increasing the overall volume. So like we mentioned earlier also that Sleepwell till now has been selling only through EBOs. But going forward, it will be selling through a mix structure of EBOs and MBOs, wherein it will be present along with other brands, including Kurlon.

So whether a dealer sells a Kurlon brand or a Sleepwell brand that is less material for us. What is more important for us is what they sell together. So I think what we will be focused on going forward as well, currently because these companies are recently acquired. They are -- as you know, they are also under a process of merger. But going forward, we will be focusing simply on what is the category that we are looking at and how much growth is coming in that category whether it is coming in Sleepwell or whether it is coming on Kurlon is immaterial.

But for your satisfaction at this point since this question is repeated every time, I would mention that they both have grown like the numbers that they both have shown are almost proportional. So it is not that one has lost and the other has gained tremendously, but they are almost in the same line with each other.

Bhavin Rupani: Got it, sir. My second question is related to Furlenco, sir. Can you provide the revenue, EBITDA, PAT for FY '24? And how do you see that ramping up in FY '25?

Amit Kumar Gupta: So I can tell you for the period that we have had because that was a period under our control and relevant to us. We acquired this company in August. As soon as we acquired this company, the losses that they were doing -- because earlier, there was a lot of debt on the company, which was paid out of the equity proceeds that we had put into the company.

So from August till January, the debt reduced gradually, the interest costs reduced gradually and the losses kept coming down. From February onwards, the company is fully PBT-positive. It is covering all its costs, including lease rentals, interest, depreciation and all its operating costs. The revenue, which was at around INR10 crores, INR10.5 crores to INR11 crores post August has now increased to around INR15 crores, and this I'm not referring to March, it was around INR13.5 crores, INR14 crores now, but we have already crossed the INR15 crores mark, and we are slated to cross INR20 crores in the next 6 months. This is a 40% to 50% contribution business. I think that, that data would give you whatever you were looking for.

Bhavin Rupani: Got it, sir. And any timelines over here to increase the stake?

Amit Kumar Gupta: Sorry, I again missed what you were saying. Your line is not very good.

Bhavin Rupani: Yes. Sir, any timelines here to increase the stake?

Amit Kumar Gupta: So we already have an option to increase 9% stake at the same price at the time of acquisition we declared. But that is a matter being currently debated internally, and we will come back to you as soon as we reach any decision on that.

Bhavin Rupani: All right. Got it, sir. Sir, next question is related to synergies. Is it -- so is it possible for you to quantify any synergy gains that we have in Q4?

Rahul Gautam: This is -- okay, I'm going to take this. Rahul Gautam here. You are talking about the synergies of the Kurlon acquisition. Is that correct?

Bhavin Rupani: Correct, sir.

Rahul Gautam: So I think the guidance has already been provided last time that you would have an EBITDA at least of 3% increasing. And we are on track for that. Actual quantum, I mean we can easily derive about 3% of the entire sales value is. But I mean if I was to make a guess, I would say of 100, 150 or something like that happening quickly.

Moderator: The next question is from the line of Paras from Enam Holdings.

Paras: Yes. Sir, one point which I think most of the participants have asked and it is slightly confusing that if your premier both have more -- your Kurlon as well as Sleepwell has grown by 31% and 17%. How come the overall volume growth is just 1% if I compare a 675 versus the number that you have given of 665. Hence it is slightly difficult for us to understand the overall picture why the sales hasn't grown in spite of your 2 major flagship brand growing by 31% and 17%, sir?

Rahul Gautam: So Paras, thank you for bringing this out. And even in the previous discussions, I could see that there was difficulty in appreciating our understanding that. Let's just step back a little bit, and we go through the strategy that the company is following. Number one, we will grow our market share and our presence in the mattress segment that we took. As you know, the company does mattress segment. It also does comfort segment, it also does B2B businesses, does a whole lot of other businesses.

So strategy number 1 point is we will grow our presence in mattress. That is the D2C part and that is where we believe that our destiny lies as far as future is concerned. Of course, the other parts continue and they grow as they grow. But we will grow the mattress segment. Then within the mattress segment, to respond or to address the various channels, the various different kinds of consumers that we have, we had different brands or multiple brands like SleepX, like Starlite, like Feather Foam. And of course, we had Sleepwell. But we recognized that -- to promote, to advertise, we can do that very well with one brand and that's our flagship brand, Sleepwell.

So the entire effort of the company has been -- it's not closing down the other brands, but we are growing the Sleepwell brand. And somewhere down the line, let's say, another year, years' time, we would have Sleepwell as the mattress brand existing straddling the entire arena of places where it can be sold. And therefore, the primary function that we measure or the metric that we measure is that what is happening in Sleepwell, which is growing. And 31% is the number at which the Sleepwell segment has grown over the previous one.

Now something would have gone down. And that would have been Feather Foam would have gone down, Starlite could have gone down. But those are the less remunerative areas and areas that do not have future with us. And therefore, that's what. However, what I'm going to do is -- Amit, just make out the sheet and share it off-line or if you will reach out to Amit. He will share with you that what does the exactly 31% means? Actually, it means growing the Sleepwell brand. But we are trying to correlate it with the overall volume growth, and there would be some mismatch on that.

Paras: Got it. Sir, my other question is on the other income. I'm sure that on INR117 crores other income on an average investment of INR750 crores before and INR500 crores now. It doesn't seem that the whole of other income is from investments. So if you could understand if there is any operational other income or any other part of the -- any forex gain or something like that, which is part of the other income? Because this quarter also, it is on a consolidated basis, INR37 crores on an -- if we have an ever considering our investment book of INR500 crores for this quarter, it is slightly on the higher side. So I wanted some color on the other income also.

Amit Kumar Gupta: So Paras, this is Amit here. So operational income is not there because has there been any operational income like waste or -- we sell other things. We don't do that. Most of our wastes et cetera, are recycled and used in our mattresses. So mostly, this INR117 crores are investment income for the first half of the year on INR750 crores. And for the second half of the year, on around INR500 crores to INR550 crores. There is no other source. As far as forex income or expense are concerned, they are not material for us. I think there would be INR1 crores or so of forex gain that would have accumulated on something...

Rahul Gautam: That would be primarily on the forex move. Yes, that's been significant. So this is primarily income of -- on the investment thing.

Paras: Got it. And sir, my last question is on the Tarang brand. How is the traction that we have seen on the brand and where are we positioned for that? If you could give some color on this?

Rahul Gautam: Yes. So Mr. Nilesh Mazumdar will take that.

Nilesh Mazumdar: Yes. So Paras, Tarang is doing well. We have now -- as we speak, we have extended it to almost half the country. As I mentioned that what we have also done along with Tarang, Tarang was under the Sleepwell brand. We have also introduced a similar model to cater to the same segment under Kurlon, so that we are able to leverage the Kurlon brand strength also in different parts of the country to able to cater to the cotton mattress user. So it's doing well. The structure has got rolled out in half of the country. The distribution is picking up quite well, and we are quite bullish around that category has been brand.

Moderator: The next question is from the line of Karan Bhuwania from ICICI Securities.

Karan Bhuwania: Yes. So I just wanted to understand the 17% volume growth in the Kurlon brand, that seems very good. Just wanted to understand what has led to that because, as you mentioned, right, the demand environment and the overall market situation still seems to be -- you mentioned that the off-line market volumes have largely remained flattish or decline. So just wanted to know what different thing is happening for Kurlon this quarter with the 17% volume growth?

Rahul Gautam: Thanks, Karan. See, as far as Kurlon is concerned, what we are able to do for both the brands is to extend Kurlon to the network in the other parts of the country where they were not present in, number one. Number two, there is a fair amount of positivity and bullishness with the channel that now is happening around with the brand as we have -- as now they have seen us taking over, there have been several set of initiatives that we have taken around Kurlon, for example, some of the economy end models that were there, which had become price uncompetitive.

We have rationalized those prices. There have been reintroduction of a couple of faster-moving models, which were they're demanded in the market. So there is a fair degree of positivity around which the brand. And as we move ahead, there is a completely new brand identity that we have now created and we will also be seeing a complete integrated marketing campaign, which will back up Kurlon as we move ahead.

There is a complete new set of models, which we are launching in the current quarter, which is actually already underway. So several initiatives on channel, on brand as well as on the team has happened, and that's what is actually giving us this positive bump up in sales.

Karan Bhuwania: Got it. And just wanted to understand, is there a shift in terms of how the growth of Kurlon brand is an online business as we see that Sleepwell is also doing well online now, right? So is there a disproportionate growth in the online channel for Kurlon also for this quarter?

Rahul Gautam: There is a disproportionate growth here is happening for Kurlon also. Kurlon's presence online was limited. So we have expanded the portfolio. We have managed to address lot of the typical online/offline conflate and therefore taken care of that. So Kurlon also on the e-commerce space is seeing a fair amount of growth, which is happening. However, the ratio still is lesser as -- in terms of the percentage and the offline is going to be the biggest contributor to the both the brand sales.

Moderator: The next question is from the line of Deepak Malhotra from CapGrow.

Deepak Malhotra: Okay. Most of my questions have been answered. I just have two follow-up questions. With all the initiatives, which are being taken. I mean, once you have now this merger going ahead in terms of consolidation, whether I should say, in terms of both Sleepwell and Kurlon in your order book. What kind of market share gains are you really targeting? And what kind of competitive intensity are you witnessing in the market, please?

Rahul Gautam: Good question. I think market share will be a main result of whatever we do. So we are more focused on currently doing the right things with both the brand and market share will be a resultant. So I don't think we would want to predict what will happen because as a market leader, our primary responsibility is also to grow the market.

Having said that, the competition intensity, Deepak that you are talking of is largely today in the industry being only seen in one space, which is in the e-commerce space with certain specific brands who for them, the D2C and the e-commerce platforms are an easy route to reach across the market. So that is where we are seeing large amount of competition intensity.

Some of them are trying to make forays into the offline space also, but the presence is still limited. So as we go ahead, offline space is dominated by 3 brands and the rest of the intensity that we are seeing are largely in the e-commerce platform.

Deepak Malhotra: Do you see the e-commerce platform sales picking up much more as we move into short to medium term or long term and becoming a larger part of the market?

Nilesh Mazumdar: So Deepak, this in, I think also our previous quarters, we have shared our understanding of the e-commerce platform that yes, e-commerce is going to stay. But our own thinking is that over the next 2 to 3 years, the contribution of e-commerce would probably be in the region of anywhere between, let's say, 10% to 12% or let's say, 10% to 15% maximum.

And the reason is as follows: if you look at internationally, what is happening in the e-commerce space or during COVID, the contribution of e-commerce really went up because that became a far more convenient method of buying for most categories, including mattress. So at that time, the contribution of e-commerce had gone up. But subsequently, it has tapered down in most of the developed countries. So it is anywhere between 17% to 18% maximum.

And therefore, if you were to benchmark against that, we see the -- in India also the contribution staying somewhere thereabout, number one. Number two, what sales on e-commerce is largely the low-price mattress, which is sub, say, INR10,000 or maybe even sub INR8,000, that's what contributes to almost 70%, 75% of the sales because as far as the mattress as a category is concerned, the moment the consumer wants to buy mattress, which you say INR15,000, INR20,000 you will -- they will want to touch and feel the mattress because this category does not gets sold by specifications. It gets sold by a touch and feel and therefore, a customer would want to visit an offline shop in order to experience the product.

But having said that, what we must take cognizant of is that digital marketing will play a significant amount of role in this category, and we will as brands way to invest on that because a lot of information search around the category and brands will happen digitally, and that is what we will need to invest in as we move ahead.

Deepak Malhotra: Okay. One more question I have is in terms of the underlying raw material pricing. I think over the last few quarters, that has kind of been a trend, which has also been reflected in the overall revenue numbers coming down. So what is the kind of view you have on the underlying raw material prices? I mean how is it really going to behave over the next, say, 1 to 3 years, please?

Rahul Gautam: Yes. Deepak, good evening. This is Rahul Gautam trying to address your question. I wish I had some good, clean, clear answers for you. In spite of all our hopes and prayers that they should stabilize, there should be a bit of a steady movement upwards and not spikes and other things, and they still seem to do. And this is because whatever happened, and believe it or not, whatever happened at COVID times, the oscillations still continue. There are many factories which closed down. There are many areas where the consumption went down.

Some are starting, some are not wanting to. Then there are these issues about the Red Sea and the Suez Canal issue and problems. So going forward, I do see fluctuations happening or continuing to happen. Though I do not see any kind of spikes happening or a sudden free fall of the raw material, the things that we have witnessed in the past.

And just to overcome these oscillations once I take you back to a couple of minutes back or half an hour back where we said that we're going to focus our approach and our concentration more towards the B2C part of the business, where the destiny is far more in control, even if there are too many of fluctuations, we are able to take care of it, whether it is passing on or whether it is looking at the cost side, et cetera.

But on the raw material, frankly, there is neither does a system exist where you could book for a year and close it, nor does it appear that these fluctuations will completely vanish here. But spikes will probably.

Moderator: The next question is from the line of Bhavin Rupani from Investec.

Bhavin Rupani: I had just one question related to our overseas business. Australia and Spain's revenue as well as margins have been declining over the past few quarters. Can you please provide some of the reasons behind it and by when should this business normalize?

Rahul Gautam: Thanks. So both are independent. I mean they are separate markets and they have separate forces working there. Let's just look at the Spanish side. On Spain, we are a very small part of that large market. And therefore, our effort was to increase capacity even the market shrunk a little bit. It did not matter. We would have a size -- or we would have the opportunity to increase would be there. So we've debottlenecked. We have already increased our capacities from 14,000 tons to 19,000 tons and slowly ramping that up.

What you see as a drop in the top line is primarily on account of the raw material prices falling, and we have to pass on those prices or those drops to the consumer. And that's the reason that you see a lower number. As far as EBITDA percentages are concerned, holding up, and I don't think that that's an issue. As we increase our volumes, which now we have the capacity, this will keep improving in the next 2 years' time, you should see a completely different picture. And this, I'm talking about Spain.

As far as Australia is concerned, the problem -- or not the problem, let's say, the issue is a little different. There, we have a large share of the market. And the market size needs to go up for us to get better on our performance and to have better results, which we are doing to issues like looking at antidumping duties. We are looking at sizes of looking at absolutely newer segments like the furniture segment and of bed-in-a-box mattresses which are being imported into Australia and New Zealand. We are making some progress on that, and we expect again in a year's time, to -- for you to see a lot of change that is happening.

We have started both the top line and bottom line improvement projects, which are beyond the market and the market size, but internally, and they are beginning to show some results at the moment. But I would give Australia one year's time where you would see climbing back to normal levels and then even going beyond that. As far as Spain is concerned, you would start seeing it from next quarter and probably good results or good healthy ones in about 2 years' time.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Amit Kumar Gupta: Great. This is Amit here again. So I take this opportunity to thank you all for participating in this earnings call, and asking questions, putting us also to think about it, to answer. I hope we have been able to answer your questions to your satisfaction. If you have any further questions or would like to know more about the company, we would request you to reach out to our IR managers at Valorem Advisors. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.