

SHEELA FOAM LTD

Issue Details	
Issue Opens	29-Nov-16
Issue Closes	01-Dec-16
Issue Size (Rs. Crore)	510
Face value (per equity share)	5
Price Band (Rs.)	680-730
Lot Size (No of Share)	20
No of Shares on Offer (crore)	0.75
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	09-Dec-16

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	100	85.70
Public (incl institutions and employees)	0	14.30
Total	100	100

Objects of the Issue

- Achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- Enhance visibility and brand name and provide liquidity to the existing shareholders.

Issue Date: 29th Nov – 01st Dec 2016
Price Band (Rs.) : 680- 730
Lot Size (No. of Share) : 20
Company Background

Incorporated in 1971, Sheela Foam Ltd is a leading manufacturer of mattresses and other foam-based home comfort products in India. They sell their products under the brand Sleepwell, Feather Foam, and Lamiflex. These are ranked as the largest selling PU Foam in the country. They have pan India distribution network. Sheela Foam currently owns and operates 11 manufacturing facilities in India. Three of its facilities located in Greater Noida, Talwada and Hyderabad are ISO:9001 certified. Today, Sheela Group leads with more than 35% market share in the Flexible PU Foam market in India as well as Australia.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-16	FY-15	FY-14	FY-13	FY-12
Total Assets	6,460	5,397	4,706	4,276	3,844
Total Revenue	12,863	11,501	10,106	8,978	7,453
Profit After Tax	902	344	250	240	81

Concerns

- Failure to compete effectively may adversely affect its business.
- Inability to protect its intellectual property rights, may adversely affect the business.
- Non compliance with environmental laws and other applicable regulations in manufacturing operations.

Strengths

- Well recognized and established brand built over consistent quality and innovation.
- Quality manufacturing capabilities and technological innovation.
- Well qualified and professional management.

Our View

On the upper price band of Rs730 and on FY16 EPS of Rs21.48, P/E ratio works out to 34x. Last 3 years EPS of Rs14.61, P/E works out to 50x. Means company is asking upper band of issue price of 730 for P/E ratio between 34x to 50x. There are no listed peers to compare issue price. However, considering the high P/E ratio, we can assume that the issue is over priced. Company revenue grew at 10.5% CAGR in last 5 years. It generated higher profits of 6.7% in FY16. However in the last 4 out of 5 years, it generated 0.7% to 3% profits. One needs to see consistently higher profits for few years. Currently demonetisation of high denomination currency is creating turbulences in stock markets. Considering all these factors, Investors should stay away from such high risk IPO.