



“Sheela Foam Limited  
Q1 FY2020 Earnings Conference Call”

August 06, 2019



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**Moderator:** Ladies and gentlemen good day and welcome to the Sheela Foam Limited Q1 FY2020 Earnings Conference Call hosted by Edelweiss Securities 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nihal Jham from Edelweiss. Thank you and over to you Sir!

**Nihal Jham:** Thank you Aman. On behalf of Edelweiss, I would like to welcome you all to the Q1 FY2020 conference call of Sheela Foam. From the management, we have Mr. Rahul Gautam, Managing Director, and Mr. Rakesh Chahar, Director Sales & Marketing and Mr. Pankaj Garg, CFO. I would now like to hand over the call to the management for their opening remarks. Over to you Sir!

**Rahul Gautam:** Thank you Nihal for hosting this conference and I welcome all the participants who are there. Let me begin by saying that first of all whatever happened in the country yesterday is probably taken first with a pinch of salt and then of course I think the euphoria is beginning to happen and we all look forward to that something like this sort of this intensity happens on the economic side too. The last few quarters everybody has been experiencing at dearth of customers in the market and therefore a bit kind of flattish growth so if I go back we have just finished our board meeting and if I go back to our results, the topline, which is the consolidated topline for both Australia and India has been only 2.5% kind of growth on a quarter-on-quarter basis and of course the EBITDA has done much better and that is primarily on account of the raw material prices, which began to go down from a couple of quarters, but because of raw material being in the pipeline or in the stock, the impact has began to happen so I would say the last quarter the impact was almost up to the half of the quarter and then the balance as far as this one is concerned we should see far, far better results.

On the PAT there has been improvement. The big thing that is probably happened that our end is the acquisition that has been announced for a company called Interplast based out of Spain, this company has been there in operation for the last 30 odd years, but currently very modernized, all equipment modernized and based in Spain, which is the real cost effective manufacturing area of Europe. Of course Europe is the biggest or the largest single market of polyurethane foam in the world and therefore the access to this large market is a good thing for this company. The other is that at the moment it has only 1% of the entire market and therefore the headroom to grow is quite high. The capacity what is the nameplate

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capacity is about 22000 tonnes, but currently doing about 11000 tonnes. Turnover in 2018 was close to €32 million, which translated would be about Rs.240 Crores or Rs.250 Crores and PBT of around 3.3 or 3.35. Family owned generational change happening and also a feeling amongst the European companies that they need to be a part of a larger group to grow any further, which means they need some technology, they need some formulations, they need some help in that direction and also help in purchase of raw materials, etc.

In 2019 whatever period has gone by which is close to six months, the operating results have actually been better than 2018 both in terms of the topline and the bottomline so if I try to look at all the advantages that we believe will come for the two companies coming together one of course is that raw material for this Spanish operation, for India, for Australia and virtually the suppliers being few in the world, the consolidated numbers gives us goods negotiating power and it helps us in actually taking advantage of regional pricing that normally does the raw material guys are practicing when they do from one zone to the other. The technology is comparable to the best and is exactly identical to the one that is being used in Australia and we are very familiar with that technology it has lot of advantages and Sheela foam has exclusivity to that technology for the entire Indian and the Australian market.

Currently they operate in the European Union and a little bit into the North Africa side. Growth will come from expansion within Europe, but also majorly from the North African, which are Morocco, Tunisia and Algeria. With the recent trade spat between China and US suddenly supplies into the US market from nearby geographies is becoming possible and we already are having enquiries of making supplies from Spain into the US market. Let me just say that managing it will not be that difficult because we have known this company and the people for the last couple of years fully familiar with the team, which will kind of stay on and this is the young executive team, which runs it, we have also locked them in with some shareholding for five years that is 2% each so Sheela Foam acquires 94% and they get 2% each; however, with a condition that if and when they leave they will sell only to ourselves at a predetermined multiple of the EBITDA.

So I do not see any issues on the integrations side. We have already signed a share purchase agreement and there are some conditions precedent, which will presumably get over between September 15, 2019 and September 30, 2019, but for all practical purposes from August 1, 2019, which was a few days back it has become a part of core subject to the share transfer, it has become a part of Sheela Foam from that time so we look forward to good time and we look forward to growing that market, it is a little different from Australia because the headroom is huge to grow and from the topline of course we will be adding

about Rs.240 Crores to Rs.250 Crores to the Sheela Foam and the EBITDA is also accretive so whatever was done in 2018 and whatever has been done in the six months they are much higher than what the consolidated EBITDA of Sheela Foam is so we look to grow that market and to grow this entire growth.

Having said that let me say that we do not stop looking at the Indian market the downstream market for us and for value added products and for brands and currently there may be nothing of consequence so nothing would have developed but we are completely open to that idea so with these words I close my comments and would open up for questions.

**Moderator:**

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nihal Kumar from Axis Securities. Please go ahead.

**Nihal Kumar:**

Can you help me with the topline how has the volume been segment wise?

**Rahul Gautam:**

So we have been of course looking at the moment the entire mattress industry as a whole and our growth in that if I compare to the previous quarter, which is Q4 of 2019 there has been a growth of 14.5% in the volume; however, if I compare to Q1 of 2019 the growth has been 32% in volume and if I look at the numbers we used to produce about 4.27 lakhs in Q1 2019 and this time we have done 5.62 lakhs that is 32% growth; however, it has been more in the lower end of the market and therefore the average selling price has definitely come down, but with increased push for MBOs and others we hope that this will also increase.

**Nihal Kumar:**

Realization has come down because of increase in economy model or in general the prices are coming down industry wise?

**Rahul Gautam:**

So as far as mattresses are concerned actually prices have not come down because on branded side generally we do not reduce prices that have not come down, but the coming down is reflected in the average selling price that means the people tend to buy lower end of the entire range. Let me just say that prior to introduction of these low end products, we were operating 80% through EBOs and therefore when we introduce them these products are not only for EBOs, but for both EBOs and MBOs with the encouragement being on the MBO side that is the area that we want to go to, but the placement happened easier and faster on the EBO side and the first impact is that the average selling price came down from an EBO. However as we go forward and once these products are getting placed into the

MBOs, the average selling price would increase as well as the volumes would increase faster.

**Nihal Kumar:** Okay and Sir in terms of the automotive segment is going through (inaudible) 14:48 what about the furniture segment and how has the case been in both the segments so far?

**Rahul Gautam:** Of course the auto segment is probably in the worst hit and the furniture is probably not that badly hit, but it has impacted like any other market like the mattress market.

**Nihal Kumar:** How is the growth in the furniture?

**Rahul Gautam:** I will let you know the numbers that as far as the pieces are concerned there has been growth and I am doing corresponding quarter-to-quarter impact, there has been a growth of 16% to 17% as far as the tonnes of foam, which go into producing the furniture cushioning. The topline however has grown from Rs.64 Crores to Rs.71 Crores so about 10% that it has grown so the number of pieces gone up by 17% and the topline has gone up by 10% so that is what I think there is growth, but it is a muted growth and it is comparable to any other that is happening in all the other segments like mattresses and pillows and bed sheets and other things, but of course auto side has been bad or very bad.

**Nihal Kumar:** Okay Sir I will get back in queue for further questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Shiv Kumar from Unifi Capital. Please go ahead.

**Shiv Kumar:** Sir in Q4 we got to see that the TDI prices had come down from around 220 to 180 and we were told that the full impact will be seen from Q1, but in terms of gross margin we actually do not see that much of impact so why they are taking so long for the TDI prices to materialize into higher gross margins?

**Rahul Gautam:** One is of course that the fallen prices was extremely steep, but as I mentioned in my opening remarks that I would say 50% of the last quarter are the impact of the lower prices would have come in or this quarter of course will be 100% impact, but you see that the impact on the EBITDA, which is I think on the order of about 12% plus and which has increased by about 2%.

**Shiv Kumar:** Yes, one major contributor to that has been a steep decrease in your other opex, which fell from about Rs.137 Crores to Rs.105 Crores so what explains that steep decrease?

**Pankaj Garg:** Our other expenses for Q1 are normal actually, but if you recall our investor call of Q4 we had explained that why the other expenses have gone up, we explained at that time that we had run different sales schemes to maintain our sales prices in a falling market when the prices of the raw materials go down where the immediate rush from the customers, which is I called it non-mattress customers to decrease our prices, but to maintain the prices in the market we chose a strategy of maintaining the same topline prices and giving later on quantity discounts and consistency discounts at the end of the quarter that is why the other expenses were higher.

**Shiv Kumar:** Okay and the increase in the employee expenses that was very steep this quarter?

**Pankaj Garg:** Employee expenses on account of two, three reasons, one is the annual increment, number two is the quarterly bonus, earlier it used to be annual bonus and third we have drawn up a new incentive scheme for the employees wherein they will get higher bonuses wherever we have higher EBITDA for example this particular quarter we had good EBITDA so we have declared a higher bonus for the quarter in case we have a lower EBITDA in any of the quarters then just value will go down drastically. Last one is on account of volume increase in our mattress segment we have restarted one of our plants, which was closed down due to increase in mattress demand in the market like this particular quarter versus last year quarter is the steep increase of about 32% and versus last quarter is about 14% to 15% increase in the volume so cater to this market we had to either run the third shift, which is extra expenses on overtime plus the employees in addition to that we restarted one of the plant, which is reflected in employee cost.

**Shiv Kumar:** Okay so if one were to assume that these EBITDA margins will stay for the entire year so should we take this Rs.44 Crores as a steady run rate for the coming quarters also?

**Pankaj Garg:** No it is based on EBITDA produced in a particular quarter.

**Shiv Kumar:** Okay Sir can you give the volume growth in Sleepwell range of mattresses?

**Pankaj Garg:** In fact we have started monitoring the mattress business on a totality basis, we are not differentiating between Sleepwell and non-Sleepwell and our MD Sir has already shared the volume numbers, which have grown 32% from quarter-on-quarter and 14% from previous quarter and the final number for this quarter is 5.62 lakhs pieces.

**Rahul Gautam:** Shiv let me just add to this. We do have other brands, which are apparently not Sleepwell, but they are all endorsed by Sleepwell including our e-commerce brand SleepX, which is

also endorsed by Sleepwell so therefore it makes sense for all of them to be consolidated and to be looked at of course we can look at different price segments and break it up in which price segment what is happening. This brand differentiation helps us to segment the market into EBOs and MBOs and internet sales like that and therefore from that time started looking at a consolidated number.

**Shiv Kumar:** In the light of slowdown from the auto-related consumption and also a parallel decrease in TDI what is the incremental gross margin addition that you are expecting in Q2 because the upside from a TDI decrease is getting nullified by the downside due to slowdown in auto-related demand so how does one see that going forward when you say that you will get benefit in Q2?

**Rahul Gautam:** So I can only probably say that EBITDA percentage would be higher for sure. How much may be one it will be prediction, second it may not be proper for me to do that, but it will definitely be higher than the last quarter.

**Shiv Kumar:** Also referring to the Q4 call you had said that FY2020 should see far higher volumes and value terms revenue when you compare with the previous year and optimism was also rising because of the EBO conversion, which you did over the past few quarters, are you still with the same kind of optimism Sir in terms of sales growth for FY2020 or would you kind of take it down?

**Rahul Gautam:** Look as far as the effort from our side or the direction of the vision from our side is concerned that continues exactly the same way as mentioned before, it is only the sentiments in the market, which are not as expected and that is impacting; however, just say we are also changing our strategy or tweaking our things policies and processes to negotiate these terms I mean whatever are the conditions we are still trying to find ways to improve our performance.

**Shiv Kumar:** Sir any data you can share on your market share at FY2019 do you have those statistics with you?

**Rahul Gautam:** So there are primarily two different ways that we look at it one of course is simply the manufacturing of polyurethane foam, on that basis I would say that we would have increased the market share by a small percentage because all the places where these data gets accumulated the market seems to have grown by about 5% and we would have grown about 6.5%. Coming onto the mattresses side, it is a very indeterminate kind of market and in the last one year there has been a lot of shift happening from the unorganized sector to

the organized sector, therefore to determine the market size is difficult because of this shift from the unorganized, but I would say that we have gut feeling or an intuitive feeling that we have got a good amount of this shift from our lower valued products and the other one has remained the higher end of the market has remained steady therefore if there was any definition of a market I would say that our market share would have gone up slightly.

**Shiv Kumar:** Sir one last question how has been the reception of the SleepX brand of mattresses, which you launched for the e-commerce channels?

**Rahul Gautam:** It seems good, it is tracking well both on Amazon and on Flipkart and how this newer businesses grow, which is every month there is an increment of 25% to 30% so that is tracking well so we have numbers of what we have sold to them and we also have numbers of what is sold from them to the consumers so both are tracking well.

**Shiv Kumar:** Thank you Sir. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs. Please go ahead.

**Rahul Ranade:** Just wanted to get the revenue number for mattresses or ASP for mattresses whatever?

**Pankaj Garg:** You want the topline for mattresses, for this quarter is Rs.210 Crores, last year was Rs.191 Crores.

**Rahul Ranade:** Volume is 5.6 lakh right?

**Pankaj Garg:** 5.62 lakhs pieces this year and last year was 4.27 lakhs. I would like to just mention here that the pieces are adjusted according to the size of the mattress because some of the mattresses are 3 x 6, some of the mattresses are 6 x 6, and some are 4 x 6 so we adjust to make them one size, which is 6 x 3.

**Rahul Ranade:** Okay sure and so this is kind of again 10% kind of topline growth versus our 2% topline growth overall right?

**Pankaj Garg:** Perfect.

**Rahul Ranade:** The other segment, which is the technical form, would be kind of a drag on Y-o-Y basis furniture cushioning?



- Pankaj Garg:** Yes but not very high, there is a small decrease in comfort foam there is a small decrease in B2B. B2B already technical we call it due to automotive sector, but the volumes are maintained.
- Rahul Ranade:** Okay so the comfort foam is number that you mentioned Rs.71 Crores, which was Rs.64 Crores last year right?
- Pankaj Garg:** Okay that was furniture cushioning.
- Rahul Ranade:** So basically four parts to your revenue, one will be the mattresses, one would be furniture cushioning, one would be comfort foam and the other would be technical foam.
- Pankaj Garg:** Perfect.
- Rahul Ranade:** So the comfort foam what was the revenue like?
- Rahul Gautam:** Last year 81 and this year 73.
- Rahul Ranade:** There is some decline over here, was there also a decline in volume in comfort foam?
- Pankaj Garg:** Volume is more or less same, 3409 last year and 3401 this year.
- Rahul Gautam:** So volume has remained the same, but the topline has gone down because of the raw material prices going down, the averaging selling price goes down that is more prone to change this in the raw material prices, but just to add to this you would see the numbers that the B2C business still is holding strong and it is still sort of performing while it is the other business, which is not B2C is the one, which is under stress whether it is B2B business or whether it is furniture cushioning and bit of comfort foam, which go score for mattresses, which are not really branded. The other side is as you figure out that numbers increased or the volume increased by 30% odd and the topline has also increased by 10%.
- Rahul Ranade:** Okay got that, but I just could not understand the explanation for the run rate of employee cost so Rs.44 Crores is because we achieved 12% EBITDA margin right?
- Rahul Gautam:** Yes.
- Pankaj Garg:** Why do not you explain that a little more?

- Rahul Gautam:** I will explain again first sector is volume increase, you can see that there is a steep increase in volume of our mattress business so this mattresses business requires our plans to run overtime the third shift, which we do not run normally, which is the additional cost of employees. Number two is we have started one more plant, which was sort of being used as a warehouse so we have reactivated as a full-pledged plant so that is additional cost of employees. Third there is annual increment, which is adding to this cost and fourth which is the major factor is the performance incentive, which we have introduced this year to improve our topline to improve EBITDA, this year we have introduced a scheme for the employees where there will be just two factors in their individual areas on the topline, how much incremental volumes they achieve and how much EBITDA company arise out of it so in this particular quarter this looks very high because we did not predict that kind of numbers, but the employees achieved the particular number so we had to provide for it and pay for it, but I can foresee that in coming quarters the run rate at which we have achieved we won in terms of incremental sales number and incremental EBITDA number, this number will go down.
- Rahul Ranade:** Okay. EBO conversion?
- Rahul Gautam:** EBO conversion in this quarter, we have approximately 300 numbers have added and the total is over 4000.
- Rahul Ranade:** Okay over 4000 and you converted 300?
- Rahul Gautam:** Yes.
- Rahul Ranade:** Okay I just wanted to get a sense of what traction are you seeing in the EBO now that we have been using kind of major bulk I think was done in the Q2 of last year starting from there, but just wanted to get a sense of how things are panning out in the EBOs and whether you know footfalls and all tracking as per our expectation?
- Rakesh Chahar:** So footfall had been slow, but we have been focusing on increasing the conversion rate so we are running programs of display and the salesman training and incentivization to improve on conversion. Also these lower end products have helped the EBOs to grow, the throughput for the EBO has grown, earlier we did not have these price points of EBO so now they are able to cater to low price point customers also so in that way the overall throughput has gone up from the EBO.

- Rahul Ranade:** Sure but incrementally like would not the lower price point that is Starlite and Feather Foam would not they kind of shift out into the MBO format is my understanding is correct?
- Rahul Gautam:** So we have as far as these products are concerned Starlite and Feather Foam we do not push these materials at EBO so they had supplied on demand from the EBO and we also supply to the MBOs, which has the maximum headroom for us to grow so our focus from driving sale is more to MBOs, but EBOs also get these products and they also are able to cater to the lower price point customers, which earlier they were not able to do.
- Moderator:** Thank you. The next question is from the line of Kushal Rughani from HDFC Securities. Please go ahead.
- Kushal Rughani:** My question was regarding latest tax revision in Spain, what kind of EBITDA margin does that company enjoy?
- Rahul Gautam:** So last year means 2018, calendar year has done an EBITDA of 11.5% and this year I have unaudited numbers it is actually 14%. This year means for the last year up to June.
- Kushal Rughani:** Second question was regarding the tax rate so for this quarter if I see it has moved up to around 35%, which was previously around 27% to 28% so any color for the full year for the tax rate?
- Pankaj Garg:** Income tax we had exemption from a unit in Himachal Pradesh for the 10 years the sunset has happened on March 31, 2019 so this year the run rate will remain same, which is you can see in Q1.
- Kushal Rughani:** Okay 35% will be there in FY2020?
- Pankaj Garg:** Yes, there is full rate what we call it 30 plus all the surcharges put together become 34.9%.
- Kushal Rughani:** Thanks. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.
- Pankaj Tibrewal:** Couple of questions, one you explained on the employee cost, you explained on the other expenses if my understanding is correct, what you are trying to say is that last year, your season promotion schemes, which led you to have Rs.99 Crores of expense against Rs.74

Crores in the previous year is normalizing and the bump up, which we have seen in the employee cost probably should normalize going forward in the next three quarters and gross margin because of the TDI should further flow in so the margin expansion should be quite good in the coming quarter is that a reasonable understanding?

**Rahul Gautam:** That is a reasonable understanding Pankaj, I will not be able to give you number.

**Pankaj Tibrewal:** Fair enough because last year you were pushing a lot on sales and promotion and that is reflected in the annual report and the amount, which you spent in advertising sales promotion and overall so that seems to be coming down and employee cost will also probably normalized in the next couple of quarters.

**Rahul Gautam:** Sales promotion bit I do not know how the next couple of months are going to pan out, how much you will have to push and what all you will need to do, but at least this quarter we have kept it under.

**Pankaj Tibrewal:** 50% kind of volume growth sales and promotion schemes to be below what it was last year.

**Rahul Gautam:** That is correct.

**Pankaj Tibrewal:** Second question is on your capital allocations Sir so you have spend about €42 million in this acquisition, can you take us through your thought process on incremental capital allocation going forward in terms of to us as investors it looks like the entire cash has gone out, in this acquisition yes it is EPS accretive on day 1, but how do you plan from overall capital allocation going forward because still the dividend is missing out from the company till now, I will leave it on your thoughts?

**Rahul Gautam:** Okay so 42 million was of course what is estimated, what is likely to be is close to 40 million, once all the adjustments of the current assets and current liabilities come in as of July 31, 2019. Now out of this the plan is to get 20 million funded from Citibank and 20 million going from us and just speak in broad numbers so the rate of interest are of course extremely low in that area close to some 1.5% or so we are getting that 20 million and therefore only 20 million is actually going out and that 20 million would translate to about Rs.160 Crores or little less that is there so still there is sizeable chunk, which will be left behind and of course as time goes by that will keep on growing here, but the other big thing, which will happen in the coming year is one unit that we had announced, which is where currently we have identified Jabalpur is the area in fact the land has already been acquired

about 30 acres of land and that unit should be done all the others would be maintenance capex or if there are any acquisitions of any consequences that are going to happen.

**Pankaj Tibrewal:**

Great and can you give a broader picture on why Spain, what is your overall thought process, how big this company can grow in your scheme of things because we have seen muted sales growth from Australia because it is a penetrated market so what is the overall thought process behind the acquisition it will be clearly helpful?

**Rahul Gautam:**

So because Spain is a very low cost, it is low cost economy, low cost manufacturing economy as far as Europe is concerned, in fact it is the manufacturing basket for the Germany and France and Austria and other developed areas of Europe, lot of manufacturing goes on there. The growth or the difference between Australia and Spain is that Australia it is one it is far more matured, it is 20 million people not growing large expensive land in fact some industries kind of vanishing from there over the last few years and by the way in Australia we already have about 36%-37% of Australian market so the head room to grow is virtually nothing. There is no potential to grow and there is no head room to grow. In Spain we only have 1% of the entire European market, the head room to grow is the balance from 1% it can grow whatever 30% to 40% that is a very large number that I am talking about, but the areas, which are of significance are technical areas. Foams that we manufacture here and are not manufactured there. For example in the towns that they are located is the largest shoe manufacturing town in Spain and Interplast does not supply one kilo of foam, in fact now post acquisition they have began as a first process to import it from us supply and move on. I am just giving you one example then there are mattresses being manufactured in a radius of about 400 kilometers, which are being exported to the entire Europe and now opening up to the US that is huge growth potential that is there. Down south we have foot holes into Morocco, Algeria and Tunisia very small supplies we are doing at the moment, the potential for growth is large so therefore adding on volumes based on technical foam technology that will go from here and a bit of management and a bit of governance, the potential to grow is large, if I only look at some low hanging fruits, which have been there when we met with them and last did it, we could very quickly be looking at some 30%, 40% kind of growth; however, I think it will be more prudent for me to share business plan, which is now in the making and in the next meeting definitely or if it is ready earlier I would share with you. Only handicapped by this current month because August just seems to be a big holiday month in the entire Spain or most of Europe, so as soon as this gets over we would be preparing a business plan I will share that with you.

- Pankaj Tibrewal:** Fair I appreciate the entire explanation just one last question, entire working on valuation seems to be good because TDI prices are low today, how did the company behave when TDI a year back was much higher than what it is today, what is still profitable?
- Rahul Gautam:** Yes so last year was high TDI prices and they were still profitable, previous to that year and half a year, they were profitable and before that they were not profitable, whenever the prices increase it does take a little time to pass on and when the prices decrease you do not need to withdraw everything that is something that we are seeing right now, but for the last two years they have been growing and have been profitable and we expect that to go. I am looking at the numbers at least for the last two years they have been profitable.
- Pankaj Tibrewal:** And is there any plan for Sleepwell brand will be launched in Europe and Africa?
- Rahul Gautam:** Africa yes. Europe that brand is registered by somebody, we are contacting them and therefore that is negotiation that will take place, but they do produce some mattresses and sell them out of Spain. Africa those countries we have enquired it is not there and we intend to launch mattresses there, but at the moment to begin with they would be primarily simple foam compressed into box kind of mattresses, which we will be selling.
- Pankaj Tibrewal:** Thank you so much and wish you guys all the best.
- Rahul Gautam:** Thank you Pankaj. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Shiv Kumar from Unifi Capital. Please go ahead.
- Shiv Kumar:** I just need one confirmation on the technical foam revenue, can you give the numbers for this year and last year?
- Pankaj Garg:** Technical foam volumes this year is 2742 tonnes versus last year 2718 tonnes.
- Shiv Kumar:** Okay and the value Sir?
- Pankaj Garg:** Value this year is Rs.82 Crores and last year was Rs.89 Crores.
- Shiv Kumar:** Thank you.

**Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investment. Please go ahead.

**Tushar Sarda:** I have two questions, one is you mentioned about the conversion from EBO to MBO from right sale, and this is my first call that I am attending can you explain a little bit on this that would be helpful?

**Rakesh Chahar:** So we are not converting EBO to MBO so we had a mix of MBOs and EBOs, we had a network of close to 5000 outlets so beginning 2017 we started converting our MBOs to EBOs so that we have total EBO ecosystem for Sleepwell products, so we can converted more than 1000 MBOs to EBOs and taking the total number to more than 3000 EBOs, which was in different format, there were large display format, small display format and just exclusive dealer, so all put together we converted everybody into EBO format and display format for Sleepwell products, so in a sense we moved out of MBO.

**Tushar Sarda:** I misunderstood then what you said on the call and this EBOs are company owned their franchise?

**Rakesh Chahar:** And now this other line of products that we have lower end Starlite and Feather Foam through these products we are focusing on MBOs and we are kind of developing that as a network for low end product, we already have made about 3500 MBOs.

**Tushar Sarda:** Okay in these MBOs you sell other brand also?

**Rakesh Chahar:** In these MBOs they will be selling all mattress brand and Starlite and Feather Foam also would be pitched for those MBOs.

**Tushar Sarda:** Okay and this also franchise right MBO?

**Rakesh Chahar:** MBOs are like independent entity, small shopkeepers, medium size shopkeepers who deal in furniture plus mattresses and mattresses they would keep up all brands unorganized sector and organized sector.

**Tushar Sarda:** My second question what is the average price that you realized on the mattress?

**Rakesh Chahar:** 7236 around 4 inches mattress the average price in the last quarter has been 3700.

**Tushar Sarda:** Okay I thought mattresses cost much more, but this is 4 inch.

- Rakesh Chahar:** This is the price that we realizing; however, when it goes through the channel and eventually goes for it to all the taxes played on MRP, etc., it does become a larger number.
- Tushar Sarda:** Because I was wondering I did for mental math, you said Rs.210 Crores turnover and 5.6 lakh mattresses it looks like 4000, but I was not sure. Thank you.
- Rakesh Chahar:** Rs.210 Crores and 5.62 lakh pieces so it comes to 3700.
- Tushar Sarda:** Thank you Sir.
- Moderator:** Thank you. I now hand the conference over to the management for their closing comments. Thank you and over to you!
- Rahul Gautam:** Thank you very much gentlemen for joining us for the call. I just want to reiterate on this that one of course the step that we have taken in Spain that is creating reasonable amount of excitement for the cross learning that can happen between the two companies besides all the other advantages. One thing, which I did not talk about, was the bed in the box, which they do extremely well for supplies to the entire Europe is something that we would be picking up straightaway and bringing it to India to supply to distant places, which are difficult to reach otherwise. As far as Indian market I also reiterate that the quarter has shown that the B2C business or the branded business is still tracking far better than the non-branded business whether it is B2B or supplies, which are going for furniture making. Therefore I see that it is a good future that one is looking into though I must say that this particular quarter, which is a rainy quarter up to mid September, it is headwinds, which are there every year, but from then on the high season starts and we look forward to having good high season that after a year or two and I pray and hope that some kick starting to our economy happens more to the automobile sector and of course to the general sector, which will adjust everything into virtuous cycle. So with those words I thank you all for joining once again and look forward to meeting or talking to you on 1:1 basis or directly, otherwise we will talk again in the next investor call. Thank you very much gentlemen. Good night.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.