



“Sheela Foam Limited
Q3 FY2020 Earnings Conference Call”

February 10, 2020



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Moderator: Ladies and gentlemen, good day and welcome to the Sheela Foam Limited Q3 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. I now hand the conference over to Mr. Nihal Jham from Edelweiss Securities Limited. Thank you and over to you, Sir!

Nihal Jham: Thank you Bikram. On behalf of Edelweiss, I would like to welcome everyone for the Q3 FY2020 conference call of Sheela Foam Limited. From the management today, we have Mr. Rahul Gautam - Managing Director, Mr. Tushaar Gautam - Director, Mr. Rakesh Chahar - Director Sales & Marketing, Mr. Dhruv Mathur – CFO. I would now like to hand over the call to the management for their opening remarks. Over to you, sir!

Rahul Gautam: Good evening Nihal and thank you very much for introducing us. I do not need to go over that again, so four of us are here to attend to this call and to answer all your questions.

Let me begin first by apologizing a little bit, because in the last call I had said that we will have the investor call the following day to give a little more time to all of you to study the results unfortunately it could not be managed this time, but we will keep it to evaluate it the next one that we have. However I think the results were uploaded by about 3.45, about 4 o'clock. So I hope that you have all been able to have a good look at it.

Let me begin by talking a little about the economy and I am not prophesizing anything, it is only how it is impacting us and the budget which impacted us.

As we see it, we see it as still low and stable. The activity in the markets are still very low, we measure something called footfalls into our stores and they have not been increasing or decreasing, but have been on the lower side and steady.

The budget is I would say that most people are likely in that that it is for long-term, but the expectations which were for kick starting the economy probably it did not do at least not for us. However some good points in the budget were that there were an increase in the custom duty for three items which impact us, one is mattresses, second is furniture and the third is footwear. It increased from 5% to 10%.

All these items consume a lot of polyurethane foam and special foams that we make and therefore our expectations are that it will be a stress or an extra custom duty which would

really work in the consumption going up and therefore we welcome that this duties have kind of gone up.

The other point which happened before the budget was the SEBI requirement of breaking up the CMD post and saying that the Chairman post should be a nonexecutive one and the MD should not be related to the Chairman. So this has been referred by two years; however, we at our end still would like to review that and in the board meeting today we did discuss that we will see that how do we kind of see and be prepared for that or maybe even preponed that decision.

The highlight of the last quarter has been the acquisition of Spain which got completed on the October 14. So the results from affect quarter have been added to those of Sheela Foam both the turnover has been of the order of Indian rupees of the order of about 50 Crores. The EBITDA has been high it has been 20%, while I think what we have forecasted and prophesized earlier that it should be of the order of 15%, 16%. So see has been the first part of the first quarter it is possible that a little bit of correction there it may take place.

The whole process of acquisition is getting implemented and the first thing for us is to extend our ERP to Spain and we expect that by April 1, it will be completely integrated into the Sheela Foam system into the Sheela Foam ERP, and we would also be changing the financial year from, their financial year which is the annual year to April to March.

Another phenomenon which definitely requires some talking is on the raw material side, so these have been low and steady. Some little movements in the TDI prices and in little downward movement and little upward movement on the polyol side, we expect that for at least another quarter, the prices will remain low and stable though two, three things have happened which may impact it either way. One is that the TDI people have approached for an antidumping but to our experience it will take at least six to eight months before anything like that happens.

The second is about China that China is both the largest producer of these chemicals in the world and it is also the largest consumer of these chemicals. So whatever is happening starting from the trade pact between US and China to the latest one which is the Coronavirus, how exactly is this going to play out, will the raw materials start overflowing and therefore the rates will or the price will be under stress or because the consumption is going to go down, but at the same time the raw material exports are going to go down because those plants are impacted and therefore there maybe a little bit of a shortlist globally. So which way it is going to play out it could either be and my expectation or our expectation is that it will be a very small impact this way or that way.

Coming to our performance as far as the last quarter is concerned as a consolidated position the sales of course have gone up by around 16% and a big contributor to that is the addition of Spain sales which is of the order of 50 Crores, but even if we take that away we would still be little higher than the corresponding quarter of last year.

The EBITDA and PAT of course have been very positively impacted both hovering around 60% increase and even for not only for the quarter, but even for the nine months that has gone by there is a sizable increase in both EBITDA and PAT and as I said a little bit of a contribution to that to apply in it because of Spain.

Australia our other subsidiary is holding up well in spite of all the bushfires and the subsequent rains and whatever little disruptions here and there have been, the topline has been moving up and the bottomline has been moving up rather well.

So all in all it has been a good quarter. We are all satisfied with the progress we have to do a little more as far as the topline is concerned and some of the steps which we have taken are underway and we look at the coming quarters to bear that fruit.

So with these remarks I hand you back to Nihal and we are all ready to take all the questions that you may have. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Abhay Agarwal from Piper Serica PMS. Please go ahead.

Abhay Agarwal: Good evening Sir. I just have couple of questions, one is you mentioned that the antidumping duty on TDI is expected sometime in the near future, what would be like quantum of this antidumping duty you think?

Rahul Gautam: Abhay it will be very difficult to assess that, they have asked for something and which is different numbers for different areas. Now what will be accepted will be there, I mean, I would not want to hazard a guess, but I would still say that it is not going to be something exorbitant, it is all we can tell, it is not going to be that it will hold the price of TDI or something like that.

Abhay Agarwal: Okay that is great, and so are you using this softness in the TDI prices and Chemical prices to lock in your supply for the long-term or you will just continue to see how this market goes?

- Rahul Gautam:** Abhay, unfortunately unless you start trading in it or punting in these raw materials it is not a practice to buy and sort of forecast the future. Generally you have pipeline and especially if you are importing you could have a gap of some 15 to 30 days otherwise if the prices change they change right away and we have followed a system of having adequate raw materials but not really forecasting on the prices and therefore we do not carry stock there.
- Abhay Agarwal:** I have last one question Sir, which is that you have a 100% subsidy called Divya IT and can you just tell us what is that company exactly do, is it just only for holding the land and the building?
- Rahul Gautam:** We actually bought the land so the company by acquiring the company and that holds the land for where the office has built it does nothing else that is the 100% subsidiary of Sheela Foam.
- Abhay Agarwal:** Yes Sir we saw that so thank you so much I do not have any other questions.
- Moderator:** Thank you very much sir. We have next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Thank you for giving me the opportunity. Sir my first question is with regards to the other expenses they have raisin quite a bit during this quarter sir any particular reason for this.
- Rahul Gautam:** So Gaurav I will ask Mr. Mathur to respond to that.
- Dhruv Mathur:** That is actually largely gone up because of the schemes which we offer during this quarter. So Rs.22 Crores are the increase in selling expenses. So that is the reason.
- Gaurav Jogani:** Sir my other question is with regards to the sales that we have done in this quarter. So this quarter also we did see a decline in the realization for the mattresses segment, however the volume growth have been robust at like 38%. Sir we understand that this process has started in the 3Q FY2019. So it has completed a cycle year now. So how do you see the realization now with the arbitration going ahead to move in the future?
- Rahul Gautam:** Gaurav we cannot answer this in any positive manner because it all depends how the market is behaving, what trend we are seeing for the last two, three quarters that the preference for low price products is much higher, so we are striving hard that DSP should increase that cannot be predicted. See we have also started some online sales, if that catches up you never know it remains at this level, slightly goes down, so it is difficult to answer at this moment.

- Gaurav Jogani:** Sir one last question from my end is with regards to these Spain acquisition so like we have completed now some time post the acquisition of Spain now. So how has been the experience? What is the potential low hanging fruits that you have seen that could help you going ahead that you would have like to share anything Sir in that front?
- Rahul Gautam:** As far as the performance is concerned for the last quarter we have already displayed that, but probably in the previous conferences we have talked about that a few things that we can do straightaway which is introduction of some specialized foams as well as looking at some new customers as far as the territory is concerned. That process has begun and it will really catch pace once the ERP system is in place. I think there are few basic hygiene matters which whatever is their functioning there needs to sort of completely dovetail into the functioning of Sheela Foams so I would place another two to three months for that to happen and post that we would really see the efforts giving fruits. But let me say just say that already whatever one has done in the last quarter or one is doing on the ground there are positive results coming out which we see it in whatever has happened in January or part of February now and the exact numbers we can talk of course the next quarter but these are all positive.
- Gaurav Jogani:** Thank you. I will join the queue back Sir. Thank you.
- Moderator:** Thank you Sir. We have next question from the line of Shiv Kumar from Unifi Capital. Please go ahead.
- Shiv Kumar:** Thank you for the opportunity. Congrats for a good set of numbers Sir. Sir can you revisit that explanation you gave for the rise in other expenses there was some schemes for additional sales right that is what you said?
- Dhruv Mathur:** That is right. Shiva, we gave additional schemes, consumer schemes in this quarter and the total selling expenses increased by 22 Crores on that account.
- Shiv Kumar:** Do you see that continuing in Q4 also Sir or was it a very limited period of time for which you extended these schemes?
- Dhruv Mathur:** No, no, we are continuing this scheme in Q4 as well.
- Shiv Kumar:** Sir what is your sense from the ground? Is the EBO strategy starting to give dividends or is it still clouded by the current economic situation in the country?

Rahul Gautam: I think the EBOs and MBOs both were impacted by the economy. It is not that one is better or the other as far as the economy gets concerned. I think yes the EBO strategy is the better one as far as we are concerned, our brand is concerned and our segment of which is the mattresses of segment is concerned that is where people want to come, people want to experience the product, people want to lie down, people want to choose it is an involved buying, it is not an MBO kind of a product where everything is done on twice and it is given them franchise of the MBO so I think even in these economic conditions the EBO strategy is the preferred strategy for our brand and I think it is a better one and thankfully that we started on it long time back. It does take time to establish a distribution system like that so I think it is a good thing that is there.

Shiv Kumar: That was helpful Sir. Sir and any comments on your current market share how it has moved over the last nine months?

Rahul Gautam: You see there has been one research on the mattress which was done the three month back. I made a gap of about six months time and that it shows that our market share, has gone up to 28% from a 23% earlier in the earlier report. That is our third party research as far as mattresses is concerned. As far as the other business is concerned it is very difficult to know, we only have some numbers from the very different associations and those numbers are really not valuated, but I would say I mean for the lack of any better judgment let us say we are flat on that, on market share this is the same as before. But on the mattress in the last week that for sure we have gone up by 5%.

Shiv Kumar: Sir and one question on the online channel off late I am seeing Sleepex being very aggressively promoted on the online channels, any comments on that, so as to how much headway you have made what is the market share and what are your targets going forward?

Rahul Gautam: I will let Mr. Rakesh Chahar who heads the Sales and Marketing he will respond to that.

Rakesh Chahar: So, we have been at it for last 8 months now. So the traction is good and so the numbers are also coming in. Right now as far as the market is concerned it is still a small market and there is lot of our competitive pricing which goes on to it. So we are also learning as we are going ahead but so far both the numbers and the play out that we had decided this is working well.

Shiv Kumar: Sir and the newly incorporated subsidiary in US what are your plans for that would you use the Spanish subsidiary to actually support sales in that geography?

Rahul Gautam: It is a possibility because the primary business there is this Bed in a Box which is sold and Spain happens to be geographically closer. I mean that still have to evolve there I mean that subsidiary is there to support the sales through Amazon.

Shiv Kumar: Only for Amazon Sir.

Rahul Gautam: Yes only for Amazon sales and so where would the supply point be I think I had forget. It could be a toss between India and Spain.

Shiv Kumar: Sir one lat question with regards to China now that there is stress on the Chinese production are you seeing increase in queries from US related retailers for supply of mattresses or foam?

Tushaar Gautam: There are lot of enquiries for change of supply chains for Bed in a Box mattress manufacturers of North America that is what Rahul Ji was just saying that to primarily role of the subsidiary that we have opened in the US is to have access to those customers and then depending on East Coast, West Coast, product, pricing and all that we will decide the supply side either from India or Spain, but the inquiry the number of inquiries and the competitiveness with which we are able to coat is quite promising.

Shiv Kumar: Thank you Sir. I will join the queue.

Moderator: Thank you. We have next question from the line of Amarjeet Maurya from Angel Broking. Please go ahead.

Amarjeet Maurya: Sir just wanted to understand on the domestic front like your nine month sales number is almost flat so is there any sign or any revival strategy like how you will drive growth in next two years like as of now so growth is around consolidated basis 4% and if you see standalone is flat so what is your strategy for FY2021?

Rahul Gautam: I think it is a very provoking question. Amarjeet, I would say it is all the things that are necessary for doing sales or increasing sales we are doing. I would not go through each step of that but I think the important thing is that we are now not only looking at one segment as the macro segment. We are dividing that into micro level and trying to focus onto each one of those segments that is one. Second we are looking at geographies and we find that if we look at the map of India there are areas which are very green for us and there are areas which are absolutely yellow and red we are not present there, so we are breaking that up and bringing in the extra focus that is needed to address those areas and the last of all is as far as the brand part is concerned to ensure that equity is maintained as well as there is

enough excitement in the EBOs to increase the footfalls and increase the conversion that is happening, some of these things easier said as I have mentioned to you but they do take a bit of a time to implement on ground and the process is on from a couple of months or almost a year and we are saying that the improvements are happening and will continue to happen.

Amarjeet Maurya: Sir how you see domestic on FY2021 like we can achieve at least lower double digit number?

Dhruv Mathur: Amarjeet we cannot predict anything on the call I say.

Rahul Gautam: But I can tell him what I got we pray for, I think shop I think all these efforts and I think there needs to be a little support that things to come from the economy. As soon as that little support comes in, we are preparing for it, now when that support comes in I know most of you were expecting it from the budget that there would be a kick starts to the economy probably did not happen, some of the things will come a bit slowly and I think in most of these political situation calms down or cools down and then people would have focus on the economy and we would go. So we are continuing to do our work if and when there is this support from the economy comes in it can be a very healthy growth.

Tushaar Gautam: I would like to add one more thing only that the sales difference which we are seeing there is a difference of around Rs.80 Crores sales because of the reduction in raw material prices and we have passed on those to the market. So almost 5% to 6% growth they were come from that only. So when you see the numbers we have to see that we have reduced the prices in foam segment which has impacted the number.

Amarjeet Maurya: Sir just wanted to understand if I see margin for the nine months consolidated basis it is around 13.6% so this is sustainable and what kind of margin we can factor in FY2021?

Rahul Gautam: I think it is a perfectly sustainable number, our forecast for the raw materials our forecast for the other expenses remain what we have already mentioned remains around the same kind we do not expect any great falls in the topline happening and therefore whatever else will be only on the positive side that will happen and therefore these are completely sustainable numbers there.

Amarjeet Maurya: Sir my last question on dividend front like what is your dividend policy any comment on that?

- Rahul Gautam:** I know there has been a big change in this budget which had impacted differently well differently but as I said we will be talking and discussing this in our next board meeting it will be a part of the agenda and I will not be able to say anything more than that because it is eventually our board decision but as a policy we would not want to share that.
- Amarjeet Maurya:** Thanks Sir. Thank you so much.
- Moderator:** Thank you. We have next question from the line of Tejas Sheth from Nippon India Mutual Fund. Please go ahead.
- Tejas Sheth:** Good evening gentlemen. We had this whole strategy in FY2019 of converting a lot of retailers to EBOs now with the slow pickup of Sleepwell brand in FY2020 is there any resistance of these EBOs of them going back to the multibrand retail model?
- Rahul Gautam:** Not really, because they understand the economic situation, they understand low footfalls, they are also present in the cluster so but what definitely we are trying to do is that whatever is to be done at our end in terms of improving the footfalls and the conversion those initiatives we are taking with them. So they do see the effort being made by the company so they are very well with us in fact we have also been expanding as we had plan for this year.
- Tejas Sheth:** What would be the last number of EBOs as on Q3?
- Dhruv Mathur:** The number of EBO is 4267.
- Tejas Sheth:** On like-to-like comparison how is this Spanish company has performed in Q3 on year-on-year basis?
- Dhruv Mathur:** Those numbers have been given Tejas. 50 Crores I think the turnover for this quarter.
- Tejas Sheth:** This is not the growth, growth Y-o-Y basis?
- Dhruv Mathur:** We have not given those numbers because we have acquired this quarter only. We can only say that compared to last year the tonnage has been the same. We have sold around 11000 tonnes last year, this year it is almost the same.
- Tejas Sheth:** Lastly this volume growth in this quarter has been really good, I believe that the growth would have come largely from the Starlite brand, is it with the new stores which we have reached out on the MBO levels which are delivering this kind of volume growth or is it

more like a price point perspective wherein your old stores are only selling more of this product?

Dhruv Mathur: Tejas we are not now and we are not distinguishing but in Starlite what is the Feather Foam as the category.

Tejas Sheth: I just wanted to have the trend where the larger part of, 38% is very good.

Dhruv Mathur: I would say that there is a growth, wherein growth all-around in all kind of mattresses and that is it.

Tejas Sheth: If you can just help me with one number what is the reach number of Starlite brand in terms of NBOs this quarter and how it has changed over last 12 months.

Dhruv Mathur: Sorry I could not follow what is the question.

Tejas Sheth: Starlite brand mattresses what is the reach? What are the touch points for that brand as on today and what was it 12 months ago?

Tushaar Gautam: The touch points, is upwards of 5000 and about a year ago it will be about 3500.

Tejas Sheth: Where can it be in next 12, 24 months?

Tushaar Gautam: Now we are working more on increasing our counter share at MBOs because in a cluster there is also a limitation how much you can distribute one brand so we are doing both wherever there is a headroom for expansion we are doing that and in other places we are working on extracting more business from the outset.

Tejas Sheth: Thank you very much Sir. That is it from my side.

Moderator: Thank you Sir. We have next question from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.

Parthiv Jhonsa: Congratulations on great set of numbers. Sir my question is the raw material prices has really slashed down by almost 50% Y-o-Y it is now hovering around say Rs.130 per kilo especially the TDI prices so what is your view how it will go over next couple of quarters?

Rahul Gautam: Parthiv, I did say in my opening remarks that I expect in the next I can only say in the next one or maximum two quarters that it should continue to be at this low and steady level. I cannot probably predict beyond that.

Parthiv Jhonsa: So just two follow up it would be on nearly this level so even your mattresses realizations has come down to slightly so it would be around this level for your end product?

Rahul Gautam: Yes, I presume so.

Parthiv Jhonsa: Sir my next question is pertaining to the new acquisition which we did so keeping that into account what kind of numbers are you looking just a ballpark figure. I do not want exact number I just need a certain kind of guidance if it is possible for you to give?

Rahul Gautam: What we have done last quarter either way what you said, this quarter I expect it to be a little better. For me it actually say beyond that will not there for two reasons one forecasting is not the right thing and the second is also everything is a little fresh at the moment we are also understanding the production, the manufacturing, the market etc., on a macro level we have some picture which is it should definitely improve and should definitely go better, but exact numbers I think by the next quarter we would be in a better position to talk to you.

Parthiv Jhonsa: I just saw that we are still paying around 30%, 31% as tax any plans to move to the new regime?

Dhruv Mathur: No we have already moved to new regime and I do not know why you have calculated 30% or something. Yes, so Parthiv we have already moved to the new regime and we have to consider the deferred tax also in that once you are reading it you must read the deferred tax liability as well.

Parthiv Jhonsa: That is it from my side thank you so much and best of luck.

Moderator: Thank you Sir. We have next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity. Sir my first question with regard to the automotive segment, so how has been the performance now since it is contribute around 10% of our overall sales. Do you see any green shoots there any color you can give on that segment?

Rakesh Chahar: So it is started slowing some kind of the curve. So, but the sales are still down last two months from mid December to January there has been some sign of recovery. So we have

not gone down on the market share with the customers. It is just that the orders are not enough.

Gaurav Jogani: Sir I mean do you see this sustaining ahead I mean have do you think that you have hit the bottom in terms of the demand there or it can still deteriorate?

Rakesh Chahar: That does not look that will deteriorate further. So as I said in last one, one and a half months it is being the signs of recovery I mean the orders have started going up northwards.

Gaurav Jogani: Sir my next question with regards to the capex plans as to how is the capex for this year and the next year?

Rahul Gautam: We have a strategy meeting which will be done somewhere in the first week of March and by that time we will finalize our positions but definitely we will be spending some money on improving our technology, improving our yield, improving our products and there is a technology which is not new to India but at least it has been very sparingly used but we have access to that exclusively. We intent to have some manufacturing or at least in one geography a large manufacturing based on that technology which would consume a sizable capex something of the order of 30, 40 Crores or so. But exact numbers I will be able to tell you as soon as we finalize our plans by the first week of March.

Gaurav Jogani: Sir about this year FY2020?

Dhruv Mathur: Yes FY2020 normal capex of around 50 Crores., which is the maintenance capex and we have made one building in road for around 20 Crores so that is approximately 70 Crores.

Gaurav Jogani: Sir what is the update on the new factory that we were constructing?

Rahul Gautam: That is in Jabalpur. Is that the new one that you are talking about?

Gaurav Jogani: Yes Sir.

Dhruv Mathur: So I mean the status is that we had of course acquired the land. You are already aware of that. The plants we wanted to finalize after the budget just accounting for any kind of changes which it may bring about and so it that the exist will also be sort of settled in the strategy meeting but we were just waiting for this to happen and we will now proceed with it.

- Gaurav Jogani:** Sir any timeline for the completions I mean like one, one and a half years, two years generally what time it takes to further post acquisition of the land to further factory to come up?
- Dhruv Mathur:** Gone up for sure two years is absolutely on the outside anything has to happen will be in a bit of a lesser time here.
- Gaurav Jogani:** Thank you so much Sir. That is all from me.
- Moderator:** Thank you sir. We have next question from the line of Nihal Jham from Edelweiss. Please go ahead.
- Nihal Jham:** Thank you so much. Sir I wanted to know what is the average pricing of the Sleepex brand that we are working with currently?
- Rahul Gautam:** Sorry what is the average price of Nihal?
- Nihal Jham:** That the online brand that we launched Sleepex.
- Rahul Gautam:** So Sleepex brand is around Rs.3500 from our side for a single mattress.
- Nihal Jham:** Sure, so that is in a way similar to what the Starlite and Feather Foam would also look at, just wanted to understand how we ensuring that there would not be any cannibalization?
- Dhruv Mathur:** Actually Nihal to be honest we are not sharing these prices over call honestly because we are rending it all in Sleepwell so there are various kind of pricing within Sleepwell also so I would say that we go by the ASP of Rs.3608 per mattress which has been stated there.
- Nihal Jham:** Absolutely I just want to understand that what are we doing to ensure that there would not be any cannibalization because of say a new brand being launched it is maybe at a similar price to some of the existing brand that we may have launched?
- Rahul Gautam:** Online we have brand Sleepex so there is no other brands except for Sleepex on online so we are making sure that in fact we are working more to now increase the price point by introducing higher price products.
- Nihal Jham:** Sir the second question was that you mentioned that there has been a sharp increase in incentives this quarter where all the incentives are directed towards the mattress business itself or was it more towards foam core and furniture cushioning side?

Rahul Gautam: Largely on Sleepwell mattresses and some portion also on furniture cushioning hence of course Sleepex is also part of mattresses. So let us say largely most let us say 80% of that was on mattresses segment only.

Nihal Jham: Just one last question from my side, this quarter we have seen a bit of a improvement or turnaround specially in furniture cushioning as well as in the foam core business and our prices have also stable and we have seen a good improvement in volumes so any trend reverse is there or just wanted your thoughts on what has changed.

Rahul Gautam: No that trend you are seeing in all the segments vis-à-vis the previous quarter the previous quarter was slightly lower so in all segments we have seen it the improvement vis-à-vis the previous quarter.

Nihal Jham: We expect that this improvement could sustain because in the technical foam segment at least as you mentioned the out of business is still something that remains as a session their volumes are same.

Rahul Gautam: Yes, that is right.

Nihal Jham: I will get back in the queue. Thank you so much.

Moderator: Thank you sir. We have next question from the line of Shiv Kumar from Unifi Capital. Please go ahead.

Shiv Kumar: Thank you for the followup. Sir I just had one query on the Foam Core please correct me if I am wrong as I understand Foam Core was suppose to contract right given the fact that the GST has removed the tax arbitrage but in this quarter we again see foam core in absolute terms raising in terms of the value which it has generated. So is there something which we need to read into it?

Rahul Gautam: Foam Core actually we see from the corresponding quarter it is almost the same volume with slight reduction. So let us not compare it with Q2 foam core quantity, if you see the corresponding quarter it is slightly shrinking as against 5566 tonnes it is 5543 tonnes. So this time as a strategy more focus is on we will take mattress but there is selling is selling.

Shiv Kumar: Just one question on the mattresses industry it is good to know that your market share has increased from 23% to 28% but as an observer in the industry what is your take on the current situation in the industry because there are lot of players, lot of regional players did

you see consolidation happening in these tough times wherein marginal players are exiting the industry what is happening on the ground sir from your research?

Rahul Gautam: Definitely there is some consolidation at least there are a few small ones who have come up for semi steady acquired. So that movement is there for sure, but I still think that India is a large geography and there are regional players who have their misused and the areas that they operate in and the price segments that they work in and therefore till the time that there is some pain within the organization acquisition purely based on financial matters is going to be tough. Mostly people are entrepreneurs, there are emotional reasons, so as I said unless, until there is some external force acting on to sell out it would take time where people would just want for financial rate instead over there.

Shiv Kumar: Are there any proposals which you are considering?

Rahul Gautam: No.

Shiv Kumar: Thank you.

Moderator: Thank you Sir. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments. Sir over to you!

Rahul Gautam: Thank you Nihal for conducting it well and right on time. I just want to reiterate on the points that some of these questions help us to think a little deeper for you it may appear as just peripheral questions but when we go back home and get into the data we find that they have been very useful and help us as I said to think differently. We look at the coming times as that taken only be better, they cannot become worse and that acquisition in Spain it gives us great opportunity for extending our good work here and the technologies that we have to extend it to the Spanish markets and thereby increasing our market share there. So with the Australia steady, Spain growing, India I would say is on the verge of growth or at least on the prior to growth we see some good times coming and we expect this financial year will end well for us and well for all our investors. So thank you very much and have a good evening.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Edelweiss Securities, that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.