



“Sheela Foam Limited
Q2 FY2019 Earnings Conference Call”

November 05, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the Sheela Foam Limited Q2 FY2019 Earnings Conference Call, hosted by ICICI 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. Gaurav Jogani from ICICI Securities. Thank you and over to you Sir!

Gaurav Jogani: Good evening everyone. It is a pleasure to welcome you all on behalf of ICICI Securities to Sheela Foam Limited Q2 FY2019 earnings conference call. We have with us on the call Sheela Foam Limited Management represented by Mr. Rahul Gautam, Managing Director, Mr. Dhruv Mathur, Chief Financial Officer, Mr. Rakesh Chahar, Director and Mr. Tushaar Gautam, Executive Director. Over to you Sirs!

Rahul Gautam: Thank you Gaurav. I am Rahul Gautam from Sheela Foam and I have with me Mr. Dhruv Mathur, CFO, Mr. Rakesh Chahar who is Director In-Charge of sales and marketing and Mr. Tushaar Gautam who is Director In-Charge of Operations.

First all let me wish you a Happy Diwali in advance. In Delhi of course we are already experiencing the (inaudible) 1.37 parts of Diwali. I understand that the results have already been uploaded and I apologize for a very short time from the uploading and the investor call that we have. Let me begin with the results. As you can see or as you would have read the growth from the corresponding of last year has been 10% and the growth in the mattress volumes has been 20% plus, primarily on account of the Starlite mattresses and the Feather Foam mattresses, which were introduced sometimes in the early part of this year. We expect that this number should have been a bit higher, but then you know the way that the quarters are estimated and the way that Diwali falls, so this time Diwali is about a month-and-a-half later and therefore the impact of the prebuying which happens on an account of Diwali did not impact the last quarter. We are beginning to see the impact in this quarter and just to share with you that October has seen a growth of 16% from the previous one.

I know that the EBITDA has been at a little low number of 8% and this is primarily on an account of two issues, number one is that the raw material increases were not able to be passed on to the consumer keeping in view the competition, but of course more in view that the raw materials were going to reduce as time went by and we can see it that those reduction have already taken place, so just that we were prudent on that part.

The second part is on an account of extra money that was spent on the sales and marketing budget because if you remember we started of this year changing tracks of saying that we were converting all our MBOs to EBOs.

We had taken a very severe target of having 4000 EBOs by March 2020 and we have even gone more aggressive on that and a large number has been converted in the last quarter where today or the end of last quarter I think the number stands at about 3600. So when we convert an MBO to an EBO, there is an expenditure that takes place and unfortunately it has to be written off and that impacted the EBITDA, but all the other good impacts of it we should be seeing in the coming few months or the coming few quarters.

The raw material, which has been a big talking point from many quarters and more so especially TDI and if would remember the last call, we had forecasted that it should go down to about 215 or so before the end of the year, but I think we have been more fortunate that the drop has been steeper. TDI, which has been the focus of attention for the last few quarters and we had been predicting that it was at a very high level and it should go down, so it has gone down steeper and today it is about Rs.200 per kilo from a very high of Rs.335, but the last quarter from Rs.295 actually dropped to Rs.250 by the end of the last quarter; however, today it is even lower than that.

I foresee that this is a pretty stable holding it may change Rs.5 to Rs.10 this side or that side, but I think the TDI focus now needs to shift to the entire set of raw material because there are movements in inflation and dollar rates, etc., impacting the other raw materials, so from henceforth we would be looking at that the entire bunch and as I see forward it is going to be stable for times to come.

I want to add a little about our Australian subsidiary, which has also increased a growth of 10% and EBITDA of around 8%. Now, this is definitely very good especially in a geography like Australia, where it is considered as a mature market.

There had been many efforts in the last six months, which are now coming to fruition, which is better in abroad, which is some exports, which are some new customers, etc., and the October sales have been actually one of the highest been over 6 million.

Generally in Australia, the November is a very good month, but we are already seeing that is happening from October onwards and therefore expect that to be also doing well in the coming times.

Returning back to India we were to introduce our home comfort product range, which was delayed a little, but is now in place and most of the stores has received the bed sheets and received that the comforters and received the blankets, which have been there.

By and large just to sort of recap and the growth in Q2 has been 10%, the topline has growth by 10%, mattresses by volume have grown by 20%, EBITDA has been muted, but that is on an account of not passing on the entire raw material increases at that time because let us say forecasting the raw material is to go down and therefore let us be little more prudent about it and the second is the aggressiveness that we undertook in this quarter to accelerate the conversion of MBOs to EBOs and because of that conversion that cost some money, which has taken a hit as far as the EBITDA is concerned. So that is all that I have to say and now we are open to 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 Jham from Edelweiss. Please go ahead.

Nihal Jham: Sir, first of all wish the entire management very Happy Diwali. Sir, just starting with the volume growth you mentioned it was 20% in total, if possible could you give that number separately for sleeper?

Dhruv C. Mathur: Sleepers mattresses were 254000, the Starlite mattresses are 44000 and Feather Foam mattresses are 12000 for this quarter, so the total is 310000. In the corresponding quarter of the last year it was Sleepwell 251000 and Starlite was only 7000, so as it is 258000 with overall volume is 310000.

Nihal Jham: Just repeating the number for Sleepwell last year was 251000?

Dhruv C. Mathur: That is right.

Nihal Jham: Sir, just considering specifically Sleepwell the volume growth for this quarter specifically has not been made compared to last year, so any specific factor you relay to that because till last the sale was 4% to 5% growth in the Sleepwell volumes?

Dhruv C. Mathur: So, as Rahul said it is primarily because of some Diwali impact, which has come delayed.

Nihal Jham: What was the absolute amount of Starlite sales for this quarter in rupee terms?

Dhruv C. Mathur: Nihal, I have understood your question, Sleepwell sale is almost there whatever it was last quarter corresponding quarter because the Diwali is slightly delayed this time so that is why the drop is not there in Sleepwell itself.

Nihal Jham: Sir, if were to just get on the gross margins that you are discussing obviously you mentioned about TDI having corrected and if the rate remains let us say 200 level that you mentioned for the quarter compared to the 280 that was on the last quarter and the fact that we are taking a price increase, so is there a sharp improvement in gross margins that can be expected going forward. I understand that Polyol will still be up, but considering what you have given in the press release the quantum of TDI for more or less would compensate for that, so just wanted your comments on the same?

Dhruv C. Mathur: So, you are right. There is a reduction in TDI price, but because of surge in dollar pricing, polyol has become very expensive, so well there can be marginal benefit on an account of the material it appears.

Nihal Jham: Even after taking the price increase you are saying there will be marginal impact is that we you are expecting?

Rahul Gautam: I think Dhruv is being very conservative about it. Yes there would be an impact and as an overall raw material it should be definitely reasonable impact and then we have taken 5% price increase in October 1, 2018, so I think all that combined may be the exact number may not be discussible at this time, but yes, there would be.

Nihal Jham: Absolutely sure Sir. Just one last question on this advertising expense that you have done to convert the MBOs to EBOs, first of all if you could say approximately what is the quantum of this was and secondly would you consider one of because I think you more or less met you your target in terms of reaching the EBO account of 4000 by FY2020 or is it that this could happen in the coming quarters also?

Rahul Gautam: For sure as far as let us say 800 or 850 MBOs are concerned it is the onetime expense and you are also quite right that we are closer to our target then in March 31, 2018 and they have done this here; however, we must also be appreciative of the fact that the stores keep coming up for refurbishment after three years, which is like a circular thing just keeps happening. This step jump is runoff for sure.

Nihal Jham: And what the quantum of this approximately?

Dhruv C. Mathur: Close to 8 Crores.

- Rahul Gautam:** Yes, it takes about 100000 plus for each stores so 800 odd stores it comes to about 8 Crores of this.
- Nihal Jham:** Sir, I get back in the queue for further questions. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Shiva Kumar from Unify Capital. Please go ahead.
- Shiva Kumar:** Thank you for the opportunity. Sir, can you explain as to when you will be targeting the conversion of the remaining stores and achieve the target of 400 will you do it in FY2019 itself or will you push it to FY2020?
- Rahul Gautam:** So, I think the momentum is already there and we should be able to do that in FY2019 and post that we may still be looking at increasing that number; however, it will be a far lower space.
- Shiva Kumar:** Right, I think the expense will be similar to what you incurred for the 800 stores, one lakh per store?
- Rahul Gautam:** Yes, so now we have a balance of about 400 odd stores to be converted and I am just making wild guess about 250, 300 may get converted by that time and the expense per store is about the same.
- Shiva Kumar:** Sir, I also wanted your comments on how to distinguish this Polyol TDI because everything on the discussion has been on TDI, because in the last conversation we were saying that polyol has got a domestic supplying so it should not be prone too much volatility in the international level, but now this quarter we see it paying the spoil sport and actually we are seeing the increase in prices, so can you bring out the distinguish between the two items, which one is more important from Sheela Foam point of view and would you forecast how Polyol would also behave going forward?
- Rahul Gautam:** First of all to make polyol foam you need both the chemicals, so far as the relevant is both. Generally polyol is about 60% and TDI is about 40%. Generally the value on a per kilo basis for polyol is hovering around 115, 120 something of that order and for TDI is hovering, it should be 160, 170 right now closer to 200 and we leave it like that. I think as the thumb rule TDI is supposed to be about twice the price of polyol, but this is historical data that I am just talking about. You are right that polyol is sourced locally, but there is only one small supplier down South, Manali Petrochemical, the rest of the companies import the material, warehouse it or tank it and then supply to us in tankers and give us the

prices in Indian rupees; however, the impact of dollar is there. There may be a bit of a lag on that, but the value of dollar is going to impact. Internationally, polyol has moved up for that matter all these chemicals move within a small brand and today the shift in polyol is also within that brand plus or minus 10% here and there. TDI had a kind of from a Rs.150, Rs.120 they had gone on to Rs.330 and therefore that volatility was extremely high and that is the reason that most people started monitoring TDI, however, now it is down to let us say more acceptable levels or more understandable levels it should remain there. Polyol has moved up, but it is definitely within a reasonable brand of plus or minus 10% or something of that order. So I mean that is the scenario and as I said we forecast it, not we forecast, we predict and hope and pray that it should remain in that area. There is also linked to the oil prices, so we have seen oil go up and then oil come down at least from an 80 odd plus level to 70 plus level, I think it should remain in this for at least foreseeable future.

Shiva Kumar: Sir, how much do we constitute of your raw materials, you said 60, 40 it is for the foam business right?

Rahul Gautam: Yes, so this is absolutely rough estimation of saying where about 60% is Polyol, 40% TDI which makes foams, but besides that there are also whole set of chemicals, which go into it, but those are very small quantities and when once the foam is made then it also needs to be trucked and processed. There are some manufacturing losses, which emerge and then it goes into a mattress manufacturing, etc., I mean that is the entire value change, but from a chemical to foam that is the proportion.

Shiva Kumar: Right, and any progress on the acquisitions, which you are considering, last quarter you said you are looking at two to three acquisitions, any progress you can share?

Rahul Gautam: So, acquisitions are not completely dependent on us. There has been a bit of back and forth on them. Both of the acquisitions are live. They have been closed off, but they have not happened either. Some dialogues for sure, which are happening, I mean I cannot even predict on that along with that, but they are live.

Shiva Kumar: Right. Thank you Sir. I will join the queue.

Moderator: Thank you. The next question is from the line of Kuman Khan from Axis Securities. Please go ahead.

Kumar Nihal: Congratulations for the good number Sir. This is Kumar Nihal. Sir, you have just mentioned about inorganic growth, can you put some light on the organic growth that you are about to starting two new plants?

- Rahul Gautam:** There is 10% to 15% organic growth that has been happening. There are few investments, which are there to increase our capacities, which will enable us to reach some newer market, newer geographies, this should go up to about 20% as far as this year is concerned.
- Kumar Nihal:** Sir, can we expect the addition capacity to be operating by this year?
- Rahul Gautam:** So, some capacity has already taken place for example in our East Unit, which is Jalpaiguri, we did not have any foaming facility that has been already commissioned and it is about not even a month back that it has come live and now we do not have to source foam from here there and everywhere so that has already happened. We are increasing our mattress capacity up here in Greater Noida that should take about 6 to 8 months then there are some additional capacity is coming in Hyderabad and Erode plant that should be about in a year's time and then I have always been taking about two new facilities, which are progressing, but that is absolutely Greenfield sites, so they will take a little more time than one year, they will take at least two years for them to happen.
- Kumar Nihal:** Sir, another part if you can bifurcate how much percentage of raw material is being imported and what percentage is being locally procured?
- Dhruv C. Mathur:** As the policy we would like to keep it 50:50 between import and local; however, in last quarter has been to procure maximum quantity from domestic source for TDI, which is from GNFC, so almost 70% to 75% of TDI has been taken from GNFC; however, the other chemical Polyol is imported, so most of the Polyol is imported.
- Kumar Nihal:** Sir, if you can put some light on the furniture segment growth?
- Rahul Gautam:** So, Mr. Chahar, would you take that question?
- Rakesh Chahar:** The furniture segment is there. It is already existing. We just need to work towards consolidating it or organizing it. The segment as I said it is there. People do buy foams from here and there and get their sofas or sets refurbished. Our entire effort at this point of time is to give them a better product, to give them branded products somewhere they can also fall back and ensure that goes into the sofa set, which is the functional part the foam has equal importance if not more compared to capacity that is used, but our entire effort is to consolidate that position or two to organize that position and that is why we are working through the karigars and sarpanchs getting them to influence the people who are changing or republishing their sofas.

Kumar Nihal: Sir, if you can provide as it some number that how growth has been there from last quarter to this quarter or any future outlook for that?

Rakesh Chahar: As far the furniture segment goes that has been pretty flat and primarily on an account raw material already beginning to go down because, when raw materials begin to go down the general expectancy from the market is that the prices will fall without recognizing the fact that there are also inventories that you and whatever is the change in raw material prices it does not come into affect it straightaway, so the market is expecting this price would fall and if did not fall they tend to use more of the inventory that they have within the distributor or the dealers and therefore you would see it is pretty flat; however, from October we see that their houses, which were emptied out expecting drop in prices beginning to fill up and there is a growth of 15% for far October as far as furniture segment is concerned.

Kumar Nihal: I will get back in queue. Thank you.

Moderator: Thank you. There is a question from the line of Shiva Kumar from Unify Capital. Please go ahead.

Shiva Kumar: Thank you for followup opportunity. Sir, you explained that in the other expenses 8 Crores is accounted by this EBO related expenses, but the increase is actually about 18 Crores, where is the extra 10 Crores coming from and comparing quarter-on-quarter standalone 90 Crores to 108 Crores?

Dhruv C. Mathur: You are comparing with the trailing quarters. If you note there are two factors, which are largely related to the expense, one is the expenditure on EBO and the other we are now focusing on tertiary sale, and our system was to focus on the sale to distributors, so now since all these sales are coming under EBOs, we are monitoring all the sales, which are happening from the retail shops for which we are incentivizing our retailers and this is from new ring, which we have started, so we give some incentive on registration of warrant, so close to 5 Crores has been incurred on that, so mostly the expenditure.

Shiva Kumar: So, this 5 Crores is an incentive for the retail store and so this is likely to continue on a quarterly basis?

Dhruv C. Mathur: That is likely to continue, but the showroom stuff is not likely to continue that level.

Shiva Kumar: You are referring to the 8 Crores expense?

- Dhruv C. Mathur:** That is right.
- Shiva Kumar:** Coming to the marketing strategy we also notice that the number two player has also started a very aggressive EBO strategy across many locations especially in the southern parts of the country, would like you to comment as to how the sector itself will play going forward looks like everyone is starting their own EBO strategy, so going forward do you think it will be changing your marketing and promotion strategy?
- Rahul Gautam:** First of all as far as the category is concerned that is the right strategy, which is to have an exclusive showroom and you should be able to display our entire product, we should be able show the mattress in horizontal position and the experience wise the consumer going back to an MBO is not going to happen. I think this is the right thing and we will continue improving the EBO as much as possible increasing the through put through EBO by adding on comfort products and by adding more and more products as we go forward and then improving the interaction between the consumer and the retail salesmen through training and through practices and through interaction and through conferences we will be doing that. The competition is bound to follow a good practice that they would be attempting, so even we are not surprised at that, but I think there is a lot more than just by opening a store there is quite a bit of softer parts of software which goes into it, which comes from company philosophy, it comes from training, it comes from the way we look at consumers, etc. So I mean all I can say is we wish everybody all the best and that is the right thing to happen for the industry.
- Shiva Kumar:** Right Sir and compared to an MBO what difference does an EBO make to the margins of the company?
- Rahul Gautam:** Rakesh Chahar, you want to answer that between above how does an EBO extra we get?
- Rakesh Chahar:** As a whole what actually happens is there is a difference in the product mix been a MBO and EBO, so typically a MBO is on the lower end of the mid size whereas the EBO is on the mid and higher side, on a overall basis from a company point of view it remains neutral, so it remains neutral, but there is another element to it where we then have categorization within EBOs where the presentation is through doing at the showroom and having the proper display that is the additional expense that we incur on the consumer experience and product presentation, so where do up the showroom and we also the mattresses are all lying down horizontal plus there is a presentation for the consumer so when you present it in a showroom environment, so that is the additional cost, which we take as a marketing cost.

- Dhruv C. Mathur:** Also the advantage of EBO versus MBO, why they doing it probably, so the biggest factor is that it gives pricing power as you have seen that we have increased the prices by 5% on October 1, 2018, this is possible only in EBO environment and I think that is the reason that the competition is catching up with this.
- Shiva Kumar:** Right and when you reach the 400 EBO target would you completely rule yourself out of MBOs in the sense you would not be present in MBOs and it will be purely EBO sales strategy?
- Rakesh Chahar:** I would be based on the strategy is through though the EOPs because we want to present the brand and the products in a particular way, so at EPOs we have a better handle on presenting to the consumer, but still there is smaller Tier 3, Tier 4 areas where we do not have any option, so there we would continue with smaller MBOs, we also will continue on the large format stores because they also carry all the brand, so there would be by definition they are MBOs, like hometowns so there they will be present, we will be present in smaller territories where we do not have any alternative and also in the large format where you still have a island of yours where you manage in the large format stores.
- Rahul Gautam:** I can add to that and say that this is as far as specific products are concerned so the company will be doing that through the EBOs, but the other Starlite foam we would do that through MBOs.
- Rakesh Chahar:** This is a continuing relationship and business transition already with the MBOs, so in a true sense we have not kind of left MBOs, but only for recourse mattresses we have moved out.
- Shiva Kumar:** Right Sir, and can you quantify the price increase that you have made on the first week of October, you have stated that you have taken a price increase, will you able to quantify that across the segments?
- Rahul Gautam:** So, Sleepwell we have taken a 5% price increase it is only in that segment that we have taken a price increase.
- Shiva Kumar:** Sir, can you share some comments on the experience in the large format stores, is it growing very strong or how do you see it panning out and are they getting bargaining power wherein they were very finicky in terms of sharing the margins with you?
- Rahul Gautam:** So, we are now rebooking at the larger format stores. We have been absent in the large format stores in both of the large stores, but we are present in very small stores like some localized in south, but the national players we have been deliberately or consciously not

being there, but now we want to reenter the large format stores, but you are right, I mean in earlier experience sometime back was the margins will be the quotations on the larger foam stores and revenue is quite high, but there are other brands, which we are already selling, so we also now want to reestablish our sales in the large format stores, so that experience is going to come.

Shiva Kumar: Right, Sir. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from ICICI Securities. Please go ahead.

Gaurav Jogani: Thank you for taking my question Sir. My question is that how about the performance in the segments like technical foam and others because I believe that also continue to be a good part of our business and how is the pricing have been in that segment because the raw material prices are falling?

Dhruv C. Mathur: So, if you see the growth in this quarter has largely come from mattress business. The other business is by and large flat and we can expect some growth in those segments in this quarter.

Gaurav Jogani: Sir, like Sir mentioned about the 20% growth, so was it for the second half of the year you are referring to?

Rahul Gautam: Yes, for sure because the second half is always better than the first one and the raw material prices, etc., have stabilized and whatever disruptions were there, so we expect that whatever growths will happen in the second half we will cover up for whatever has not happened in the Q2. Just going back to your question regarding the B2B business, for sure that business is somewhat related to the user industry and therefore let us say a sizable part of our technical foams go into a lot of industry and we got the industry for sometime has been experiencing a downturn, I would not say a downturn, but at least the growth is gone and there has been some fall as far as the number of pieces that are being sold, now whether that is a phenomenon related to petrol increase or diesel increase or is it a phenomenon related to Ola and Uber coming in or it is a phenomenon related to not enough new models coming out or it is a phenomenon related to that we will be going well for a long time and now we need to rest for a while so I do not know it is a mix of all that, but the auto industry was having a downward movement of the technical foams, a larger part of are offering go into the automobile side.

- Gaurav Jogani:** Go it, and with this initiative of the home comfort products now being introduced in the stores, so what kind of sales momentum do you expect from that particular segment going ahead?
- Rahul Gautam:** As far as our projections are concerned, we have come back that in the past, but right now I would say that this is work-in-progress. The placement of these products has only begun. Somewhere down the line let us say about a year down the line when everything is stabilized, our expectation is that about 25% to 30% of the sales from a shop should be up products besides mattresses. Mattresses should be about 70% and 30% should be the own comfort products.
- Gaurav Jogani:** Got it, that is all from my side, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Kunal Nihal from Axis Securities. Please go ahead.
- Kunal Nihal:** Sir, my follow up question is regarding again furniture segment, so last time when we were talking about the marketing campaign program as you just mentioned and coming up something like in size, so can you tell how is that campaign process going?
- Rahul Gautam:** Kunal, thank you and thank you for sort of persisting with the furniture segment. I think it is the very important segment. We still have loose ends to tie. The promotion both above the line and below the line all that ready. We have also release it a little bit. I do not know if you have seen the advertisement or not, but would definitely forward it to you. It is not saying exactly that it is Sleepwell inside, but it is alluding to that fact that if you do not put a good cushioning product, you would feel sorry very quickly and you will have to keep changing it. Have you seen the advertisement?
- Kunal Nihal:** No, not yet.
- Rahul Gautam:** That is fair enough, so I will send it to Gaurav who can then send that forward. So we have that we have already released the advertisement, but some complimentary work, etc., that is in process and we would be taking that.
- Kunal Nihal:** What is the positive signs?
- Rahul Gautam:** Positive is after we release that add in the month of mid August to September, so there were some customers coming to the furniture shop and asking for cushion so though it was a very short time, but that is where the effort is going to be where we also create a pull from the

consumer side and make the consumer where how important cushioning is for a good furniture, so that is one way to improve the ATM and through our Sathi program that is the influences where we have a program, which we are strengthening in this year.

Kunal Nihal: Thank you Sir. That is all from my side.

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

Rahul Ranade: Sir, thanks for the opportunity. Just wanted to know southern that mean one-year post implementation obviously, are we seeing the expected sales from unorganized or organized is happening?

Rahul Gautam: Thank you Rahul for raising that question. GST was almost like forgotten entity for us except to look at what the government is collecting, so yes, but not to the extent that we were expecting. We see or we hear in the trade and we experience that more and more people are now falling into the organized side of the business. They want to discharge the DSE. They want invoices with GST that we see. We see that the most retailers are insisting on a proper invoice, so those are all indications to us as the trade changed to a sizable I would say not yet, I think the pressure from the government is also going to take a bit of time and that is slow, but it is happening, so if I would suggest summarize this I would say it is happening, but the phase is slow.

Rahul Ranade: Can I get the sales number for Starlite and Feather Foam separate or all together whatever?

Dhruv C. Mathur: The Starlite in this quarter was 8600000 and Feather Foam was 5400000.

Rahul Ranade: Thank you.

Moderator: Thank you. The next question is from the line of Abhinav Nadipilli from India First Life Insurance. Please go ahead.

Abhinav Nadipilli: Sir, with regards to this pricing you said you have taken 5% hike in mattress segment, but I just wanted to understand how is the raw material pricing of your competitors like someone who is manufacturing coir or spring mattress, how is their raw material pricing has there a raw material price has moved up?

Rahul Gautam: That is an interesting question, Abhinav. Most definitely what has happened to foam has not happened to coir or the spring side. The volatility has not been so much, but those items

also go through their cycles. For example, most of the coils and latex comes from Kerala and recently when we had the floods in Kerala there was shoot up as far as the latex prices were concerned, so it gets impacted, but then it is a kind of come down, but you must also remember that whether it is quire mattress or a spring mattress they have a good quantity of polyurethane foam in it, so all the comfort layers and the cushioning layers has to be polyurethane and therefore each one of them is impacted by the volatility of polyurethane of the raw material prices some to a little bigger degree and some to a lesser degree depending on the product mix that I am having.

Abhinav Nadipilli: Thanks. That is all.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference back to the management for their closing comments. Thank you and over to you!

Rahul Gautam: I would like to thank all the participants. I know that this is an extremely busy, social and a personal time just for before Diwali and I also know that at least where most of the investor are based, Diwali has far based significance enough in the north. Just to recap raw material prices moving towards stability, almost there, should continue. Growth before Diwali was a little later than its normal so about a month down therefore the spurt in the pickup in the markets has been delayed and should be happening now. Company has spent extra money and has accelerated the conversion of MBOs to EBOs and will do it quicker than the target time of 2020 that is what we have said. Our Australian subsidiary was always stable, but it is now moving into a little bit of higher orbits with increased sales and increased conversions and a little bit of improvement in the EBITDA part. With that as the closing remarks, I wish all of you a very Happy Diwali and hope to connect up with you immediately thereafter.

Moderator: Thank you very much. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.