



“Sheela Foam Limited Q2 FY20 Earnings Conference Call”

November 11, 2019



MANAGEMENT: **MR. RAHUL GAUTAM - MANAGING DIRECTOR,
SHEELA FOAM LIMITED**
**MR. DHRUV MATHUR – HEAD INVESTOR RELATIONS,
SHEELA FOAM LIMITED**
**MR. RAKESH CHAHAR - DIRECTOR SALES &
MARKETING, SHEELA FOAM LIMITED**
**MR. TUSHAAR GAUTAM - DIRECTOR OPERATIONS,
SHEELA FOAM LIMITED**

MODERATOR: **MR. VISMAYA AGARWAL - ICICI SECURITIES LTD.**

Moderator: Ladies and gentlemen, good day and welcome to the Sheela Foam Limited Q2 FY20 Earnings Conference Call hosted by ICICI Securities Ltd. 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. Vismaya Agarwal from ICICI Securities Ltd. Thank you and over to you, sir.

Vismaya Agarwal: Thank you Neerav. Good evening, everyone. On behalf of ICICI Securities, I would like to thank the management of Sheela Foam for giving us the opportunity to host this call. From the management with us today, we have Mr. Rahul Gautam - Managing Director, and Mr. Dhruv Mathur – Head Investor Relations. I would now like to hand the call over to the management for their opening comments. Over to you, sir!

Rahul Gautam: Thank you, Vismaya and thank you very much for the introduction. So, I have actually 2 more people with me. I have my Director Sales & Marketing - Mr. Rakesh Chahar and Director Operations - Tushaar Gautam who was along with me here to answer and take your questions.

So, let me just begin by saying a very good evening to all of you who are joining in and I know that it is extremely late probably not in Mumbai so much but Delhi it is already dark. And we have taken a call this time that we will, from next time onwards we will give the investors a little more time to read the results and probably post it overnight and have the call the following morning and not delay everybody. So, next time we will do that.

As far as the economy is concerned, I see that these are very unusual times. I mean, volumes are going up sales are going down and profit is going up, I am reflecting what we see as the quarters, very unusual, very ambiguous but however that is what we are experiencing. I know that the economy is there have been predictions about for the last quarter as 4% or 4.5% is the GDP growth not good at all. But as far as our industry goes there are some good signs that we see, we see the unorganized sector moving to the organized I know we have been talking about it for a long time. But some latest research reports and some experiences that we have we see that moving.

I know that most of our final products are discretionary in nature and therefore under pressure not to be purchased on the first instance more so with the liquidity crunch which everybody is experience in the market. If I look at our side, the B2B side which is essentially the automotive side and some more technical forms the liquidity part is far worse than what we experience from the market. And I would say that the good robust distribution system and time tested really ensures that liquidity does not become a stopple or something to worry about at least for another quarter. I hope that we all get over it very quickly.

Most of our production and sales the numbers as I see the revenue, total revenue has been down by 7%. However, the EBITDA has gone up by 66% and this was the consolidated one, Indian

picture is somewhat similar which is about 8%-9% drop, 8.7% to be precise and 61% increase in EBITDA.

The Australian operations shows a little drop of about 1.2% but that is only because of the exchange rate because the Rupee has hardened against the Australian Dollar. And if we account for, we try to bring give some parity to it probably there is an increase in the topline by about 7.5%. But the EBITDA has again gone up by about 71%. And similarly on the entire PAT of the company the PAT is also gone up by 140% part of it also because of the tax regime which has been beneficial. However, the performance has also been, has been good. Australia as I said is steady, it is a mature market not much changes except that we are continuing to keep increasing our share in the market varies incrementally small but steady that is how it is happening.

I also wanted to share with you that the Spain acquisition which we have been talking about for quite some time. It got a little delayed, could not be completed in the last quarter. But it has finally the transaction is over the shares have been transferred on the 14th of October last month. And we would have their results coming in from the 1st of October that quarter and in the next quarter we will share the entire picture with you.

Now of course with Australia, India and Spain we have exposure to or at least visibility of raw material prices in all the 3 continents and that should be beneficial as a forecast for the raw materials. So TDI is low and steady at the moment, Polyol is also steady I would say. Do we see anything major happening there? No, unless a catastrophe to be sort of hitting somewhere. Otherwise, there is enough capacity existing and the rate at which the polyurethane foam marketing is growing globally there is enough capacity. And therefore it should continue like this for quite a while.

I would say looking forward that we are pleasantly surprised that from the time that the Navaratri has begun which is 29th of September. We will see change that has happened in the markets or we are experiencing that. And when I say pleasantly because of this September or that quarter will not being so good expectations were also on the lower side.

I can share with you that the topline loss in the last quarter or in the last H1 that we see has been more than covered by whatever has happened up to now in this quarter. And with the coming marriage season look forwards to that the momentum, the acceleration will kind of continue and we should end up with not only covering up what the past performances of this year but going way above that is there.

So with those words, I invite all of you to ask your questions and we have here the entire Sheela Foam team waiting to address them. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Nihal Jham from Edelweiss Broking Ltd. Please go ahead.

Nihal Jham: First of all, congratulations sir, on clocking a strong margin I guess the highest ever you would have reported in any quarter and I guess you are sticking to your strategy of maintaining prices as you always guided. If I just shift focus to the volume growth that you have shown this quarter, I see that especially in the last few quarters our budget brands which was Starlite and Feather Foam were helping us drive decent volume growth despite the discretionary situation not being the best. But this quarter there has been a bit of a drop in terms of volumes when I compare to the Q1. I think from 560,000 units we have done around 450,000 units. So, first of all just wanted your comment on that, that my understanding would be that at least the situation has not deteriorated so significantly probably for us to see a sequential fall in volumes?

Rahul Gautam: Dhruv, why do not you take it?

Dhruv Mathur: Nihal, the volume of mattress when we compare it to the corresponding quarter has increased by 22,000 as against 430,000 it has been 452,000. However, when we compare it with the previous quarter, yes there is a drop. But I think, as MD stated that coming season this after this festive seasons we are more than making up the deficiency which we had in this quarter as compared to the previous quarter.

Nihal Jham: So, in the coming festive season, sorry which has already passed by the last 1 month which included Diwali and Dussehra seem that there has been a sharp improvement in the sentiment and in terms of the growth that we have been tracking?

Rahul Gautam: Yes, for sure.

Nihal Jham: And just to an event which happened again in the last 1 month, obviously online discounting has been something which has impacted a lot of other discretionary like apparel. So is it that that was the segment which has led to sale or loss in sales or something that is worth evaluating at present?

Dhruv Mathur: So, I would say that, yes there is an impact of discounting but not to a great extent in our product. See, Nihal if you see the volumes are still going up but because of the market conditions in the discretionary product especially the high priced items are being avoided at this moment. So that is the trend which we are noticing in the market.

Nihal Jham: And if I just had to check on the Australian operations, you mentioned that you have seen a 7.5% revenue growth in AUD terms if I understand right. So despite TDI prices correcting how is that we manage to see your topline growth is that there has been a sharp volume improvement, or we have not cut prices?

Rahul Gautam: So one, of course we have not cut prices. But there has been a volume increment. There has been some new companies and new parties which kind of come on our customer list and more on the, this bed in a box segment. So there has been a volume increase.

- Nihal Jham:** And last question from my side, sir that as I mentioned that we have always said to the fact that we will try improving our realizations every year. So, is that a thought process and strategy that continues or we could see some discounting now that at the TDI prices have correct so significantly? And the stocks also we are using are at the lower prices.
- Rahul Gautam:** No, I think that policy will continue but it is always a critical balance between how the markets are operating and if you were not to decrease the prices to the extent that others have what kind of a volume loss that you would have. But I think, as a company we are committed to and now actually quite used to a higher EBITDA margins and we would continue. Whatever has been the volume loss we intent to make that that up with a higher valued products and with newer sort of segments from the market. But by enlarge not to crazily go and adjust the prices of the products based on just the raw materials.
- Nihal Jham:** In the last festive season we have not taken any price cuts. So we have maintained the prices for our products?
- Rahul Gautam:** That is correct, that's right. And in fact, even a month and a half back or so we have taken our price increase of 3%.
- Nihal Jham:** And then if I do compare that to last year what would be the price increase, what would be the Y-o-Y price increase across our mattress categories?
- Rahul Gautam:** So, we took a price increase in October, 1st of October 7%, that was last year and this year we have taken one price increase of 3% in the month of August.
- Moderator:** Thank you very much. The next question is from the line of Ravi Naredi from Naredi Investment Pvt. Ltd. Please go ahead.
- Ravi Naredi:** Sir our 6 monthly profits not able to convert in free cash flow, any reason for that, sir?
- Dhruv Mathur:** See, in our system as on 31st March the level of debtors it is pretty low because we give annual discounts. So, the comparison has to be every time between year-to-year it is a regular phenomenon. In the first 6 months the level of debtors go up because all the credit notes are posted in the year end and which are as in 30th September the debtors level goes up. The advance from customers go down also the inventories we are building up every time for Diwali and season. So, these are the 2 major reasons. So, the real impact of increase in cash flow comes in the second quarter, second half.
- Ravi Naredi:** And sir, are you making any plan to aggressive advertisement or marketing in your mind is our profit margin expanded?
- Rakesh Chahar:** So, our marketing plan is already underway. And so we are focusing more on BTL activities and very focus kind of interventions which can either get us footfall or the conversion. So, right now we are focusing in this manner.

- Ravi Naredi:** And sir, we are shareholders since the IPO time, can we expect any dividend, any time?
- Dhruv Mathur:** So, we have been keen to do that. But for the last 2-3 years every time there is an opportunity for acquisition. We have been listening to this and what we have been believing that if we have good acquisition the shareholders' value goes up much more significantly than by the sharing the dividend and of course ...
- Ravi Naredi:** But it is not happening in our company since last 2 years we are seeing same price or less than that price. So, we are not getting any increment in terms of price increases you are telling, Mathur. That is the main problem is there. We are waiting since last 24 months but we are not rewarding anything either in price increase or in dividend payout. That is the main problem we are facing.
- Rahul Gautam:** So, we understand, and we take note of this and at the appropriate time we will take a call on this.
- Moderator:** Thank you very much. Next question is from the line of Shiva Kumar from Unifi Capital Pvt. Ltd. Please go ahead.
- Shiva Kumar:** Sir, I just wanted to reiterate one of the points you made in your opening comments. You said that you will make up for the revenue down trend that we got to see in 1H. So, basically we got to see a revenue de-growth of about 3.4%. So, you are saying in second half you already made up for that 3.4%, right? Is that how I should read it?
- Rahul Gautam:** Yes, so I am not sort of narrating the exact numbers. But all I am saying is that whatever happened in H1 or even in Q2 whatever has passed of the Q3 we have more than made up for the loss in the topline and the numbers.
- Shiva Kumar:** Sir but going forward you have a high bar set for Q3 at 487 crores and again Q4 is also slightly higher bar at 451 crores. So for the full year are you confident that you will be able to come out with at least single digit growth number, positive number in terms of topline?
- Dhruv Mathur:** Shiva, we cannot give any guidance at this moment. You will appreciate this. We nearly hope to do that. But I do not think that we can give any guidance on this.
- Rahul Gautam:** Yes, but it is likely to happen.
- Shiva Kumar:** Sir and going forward the tax rates should we assume it will be a 25% because Q1 was 34%, Q2 was 13.34. So, from now onwards should we stick to 25% or will it be lower than that?
- Dhruv Mathur:** 25%.
- Shiva Kumar:** And you would consolidate this Spanish operation from Q3, right?

- Dhruv Mathur:** That is right.
- Shiva Kumar:** So for the second half how much is the expectation you have from this Spanish operations? Sir, how much would it contribute to the bottomline? Would you be able to share that?
- Rahul Gautam:** So, I do not think that we can talk of the exact numbers. But let us say, the topline we should be adding is close to about 8 million-9 million Euros, sorry but H2, yes H2 we should really be adding about close to 18 million-19 million or 20 million and I mean, look at I just wanted to say that EBITDA will be 13%-14%. I mean, I cannot more specific neither can I forecast, nor can I be more specific on that.
- Shiva Kumar:** Sir and one more thing is with regards to this Australian operations, there has been a sea change in the way that business has been performing this year. So, is it an aberration or do you think you will be able to sustain this 4 crores to 7 crores kind of a bottomline impact that the Australian subsidiaries contributing?
- Rahul Gautam:** So, I go back to the point that it is a mature market there is steadiness there, etc. and therefore, raw materials play an important role. There is no doubt that there has been in the past not in the recent past but let say a little bit of a far past with the raw materials had shot through the roof. And when you are coming down obviously you get an advantage and you do not necessarily have to pass on the full advantage to the market. Therefore, you see this expansion in the gross margin or the EBITDA. Now whenever a client starts again how much would there be an impact I would say that as we progress we are getting a little more and more share of the market and therefore we would be probably in a far better situation to retain those things if and when they happen. But I am not sure in the coming future I do not see that the raw material prices are going to sort of sky rocket or anything like that is going to happen. So, I can only imagine that or thinks that in the next 2-3 quarters 4 quarters it should continue the position should continue to be like this.
- Shiva Kumar:** Sir and how has TDI been behaving in Q3 till now?
- Rahul Gautam:** Low and flat in fact, I mean it is pretty flat maybe Rs. 1 or Rs. 2, Rs. 3 here and there is the movement. But I would consider this as the lowest that it should be or can be, that is there.
- Shiva Kumar:** Sir and when you say that you saw some positive impact due to the festive season, are you actually seeing good volume growth in the Sleepwell range also?
- Rahul Gautam:** Yes.
- Shiva Kumar:** Can you quantify that sir because obviously we have high hopes from that EBO strategy which you had undertaken over the last few quarters. Is it finally taking off, can one say that?
- Rahul Gautam:** Yes, one can say that there is finally taking off and in fact one of the reasons I would say that we have been witnessing what I have told you of a reasonable growth is because of their

exclusive outlets that we have. Again we have no numbers from the other players but they impact to them is far less than the positive impact to them is far less than to us.

Shiva Kumar: Sir and one last question on the other OPEX part that has been low at about 111 crores this quarter compared to last year. Because last year obviously had this EBO related expenses. So, going forward can we assume with the run rate will be closer to this 111 crores-115 crores and not beyond that because the sales number would grow in Q3, that is why I am asking this particular question. Are there any trade incentive that you had to give in terms of to actually pep up those sales or you do not expect this other OPEX to actually grow to 130, 125 to 130 levels in the coming quarter?

Dhruv Mathur: So Shiva, I would say that this would go up only when the sales go up. It may go up a bit in terms of absolute amount but that will happen only when the sales go up. And why I am saying so because the variable sales expenses will go up if the sales go up. Otherwise, you can safely assume that the fixed expenses will remain in the same kind of situation.

Shiva Kumar: Sir and one last question on the employee cost, 44 crores came down to 32 crores, would it stay at around these levels?

Dhruv Mathur: Yes, it will stay at this level.

Moderator: Thank you very much. The next question is from the line of Gaurav Jogani from Axis Capital Ltd. Please go ahead.

Gaurav Jogani: Sir, my first question is with regard to the wedding seasons as we have seen that there are higher number of wedding days now in the H2. And you also alluded in your opening remarks like the wedding season is expected to be better. So can you throw a bit more light because given the fact that the auto sector is slowing down and you are guiding for a positive second half. So does it, will it compensate more than the slowdown for the auto sector?

Rahul Gautam: Say it is anybody's guess on really saying if one would compensate the other or not. But I must say that in the last month or so, I have seen an uptake in or uptick in the auto sector too. And there is no doubt that the marriage season is a really big one and I mean both should end really turn out to be positive. But I mean, frankly I will not be able to make a call on that.

Gaurav Jogani: And sir with regard to the Spain acquisition that we have done, while we have alluded in our notes to the exchange that we will be benefited by way of lower raw material prices or maybe consolidated raw material prices because of this acquisition. But what sort of efficiencies can we from India can give to them that can actually improve the operations in the Spain area also. If you can throw some light on that front also?

Rahul Gautam: So Spain, let us say go back is, first of all Europe is one of the largest, not one of the, it is the largest foam market in the world. This company has just 1% share. There are many segments

which are required in and around where it is based. But they do not do it because they do not have the knowhow or the technology to do it. I will give you an example that in the same town that they are based one of the largest manufacturing industries is the shoe industry and for that a special kind of foam is required. In India, we have been doing that for a couple of years. We supply that to the foam industry. So for us to send, to begin with, send a few containers and then start manufacturing it there would be the next step. So this is just one example of saying the amount of different segments that we can bring the technology for that the technology exists in India. You can take to Spain and improve their working.

Gaurav Jogani: Like what kind of, do you see some low-hanging fruits as you mentioned like shoe industry example. So, will it be possible for you to quantify some of the, in terms of the margins how can your margin improve because of these efficiencies when you put in their?

Rahul Gautam: So, allow me one more quarter to answer this. We have just finish the transaction and now we would be sort of wetting our hands or wetting our feet getting to know exactly what all we can do, etc. So, I would be happy if we can raise this in the next quarter meeting and we can be more specific on answering.

Moderator: Thank you very much. The next question is from the line of Abhay Agarwal from Piper Serica Advisors Pvt. Ltd. Please go ahead.

Abhay Agarwal: I have only one question which is I was looking in your exchange filing at the average price per KG of TDI which has fallen dramatically over the last 12 months if I can read it correctly it was 280 and now it is 133 per KG. So sir, I think that a large part of your profitability if I am not wrongly is driven by that because you have not passed on that entire fall to the customers. But what do you see the trend going forward? Do you think the price will stay in a narrow range or it will continue to drop or it can pick up, if you can just provide some information on that?

Dhruv Mathur: So, as far as TDI is concerned there is a bit of history to TDI. TDI prices used to however in the range of 125 to 150 for the last 7-8 years before it started climbing to the level of Rs. 300-Rs. 335 or so. So, the natural price of TDI should be like this only and the sufficient capacities and as we have been telling in **(Inaudible) 30:21** have also started we do not see in the foreseeable future the price is going up.

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

Rahul Ranade: Just looking at the segment wise sales breakup that you have provided this quarter? Would it be possible for you to provide the same for Q1 of this year and last year?

Rahul Gautam: So, we will send it separately. Rahul, I am taking a note of it and I will send it across to you.

- Rahul Ranade:** And just an observation on this, so in Q2 of FY19 for the foam core and technical foam the quantity and ASP is not like kind of multiplying into the revenues. So, something is off probably there?
- Dhruv Mathur:** We will check that.
- Rahul Ranade:** On the working capital, so the increase in receivables and the customer advances getting knocked off?
- Dhruv Mathur:** That is 6 months' phenomena and you will find the substantial improvement in the second half.
- Rahul Ranade:** And just one last clarification, so the TDI price of 133 that we have mentioned it is the consumption price, right for us during the quarter?
- Dhruv Mathur:** Yes, that is a consumption price.
- Rahul Ranade:** And even now the prices are more or less in the similar range that is what sir highlighted?
- Rahul Gautam:** That is right.
- Moderator:** Thank you very much. The next question is from the line of Ravi Naredi from Naredi Investment Pvt. Ltd. Please go ahead.
- Ravi Naredi:** Sir, what percentage of margin we are expecting from **(Inaudible)** 32:52 project?
- Rahul Gautam:** Sir, what rate or what percentage of margin?
- Ravi Naredi:** Yes.
- Rahul Gautam:** So, I am expecting an EBITDA percentage between 13%-14%.
- Ravi Naredi:** And for H2 it will be \$20 million, €20 million the turnover might be?
- Rahul Gautam:** So last year the turnover was about 33 million and it is about 17 million-18 million, yes.
- Rahul Gautam:** And again the second half is a little more little better than the first half. So anything between 18 million and 20 million.
- Moderator:** Thank you very much. The next question is from the line of Pritesh Shah from Lucky Investment Managers Pvt. Ltd. Please go ahead.
- Pritesh Shah:** I want to know the B2C part in India which is our mattresses part what would have been the market growth rate and our growth rate usually that and any color on the market share?

- Rahul Gautam:** So, since there is no formal agency or any department which is doing that. However, we have recently research study done a market study done. And according to that, so this study was actually repeated after 6 months according to that the markets are growing about 3% to 4% and I think the good point is that the organized sector is growing at a far higher rates in the unorganized. But if I just pick up from that the markets are going at about 5% and as far as our share is concerned that is increasing because our growth is more than the market growth.
- Pritesh Shah:** These are value growth, right?
- Rahul Gautam:** This is the volume one.
- Pritesh Shah:** And secondly our strategy on lower price mattress and on the other bedding products which is basically pillow covers and bed sheets and all. Where are we on that strategy?
- Rahul Gautam:** So, as far as the lower range products mattress that are concerned, they are tracking well, and we have sort of kept them for a certain segment of the markets. On the home comfort products where which includes bed sheets and comforters and duvets and pillows. They are growing too but they have a small base. Therefore, the contribution at the moment is relatively insignificant. But the growth rates are good replacements are being done. We are getting second or second round of orders from the places where it has been done. So, it is going through the normal curve of new segment being established.
- Moderator:** Thank you very much. The next question is from the line of Shiva Kumar from Unifi Capital Pvt. Ltd. Please go ahead.
- Shiva Kumar:** Sir, just one question with regards to the foam core segment where the de-growth in revenue has been very steep at almost 23%. Is there anything changing structurally within that segment wherein you are facing some segment level challenges?
- Rahul Gautam:** So listen that part of the market definitely tends to be a little more price sensitive or quite a bit price sensitive. On that as we began, right in the beginning we said that we have decided not to drop prices and or pass on all the raw material advantage to the market. Therefore, compared to others we have dropped lower or lesser prices and therefore, the volume is impacted. The second reason for the volume impact is that we are converting this more into finished items and therefore the growth that you would see in feather foams and the other segments is that instead of selling the foam cores for mattresses we are beginning to sell more and more of value added products which are finished mattresses. We would see that, as we go forward you may find that this segment may remain steady or it may even go down a little bit because of the value addition that we are planning and just to have a far more control of our destiny.
- Shiva Kumar:** Sir and going by your commentary the ASP of the mattresses segment which is about 3,800 should also start moving higher, right? Now as you explained the EBOs strategy is actually

helping you get traction in volumes of Sleepwell mattress. So that should actually push ASP of the mattress segment going forward from Q3 onwards. Can we say that, sir?

Rahul Gautam: Yes, and let me explain it in this manner that when we introduced the lower end segment, so that is the introduction was virtually like a, no I will not say like a switch but on a small time it ramped up. And that is why you see these large numbers of volume growth that are there. So, when that happen that brought the ASP down. However, in the EBOs our efforts are now stronger to keep raising the ASPs. So, if you would see the depiction on the chart that the ASP did fall but it is started picking up again. Their primary reason is that the ASP in the EBOs did not fall but as an overall picture it fell and now that effort has been doubled. Therefore, the ASP will keep rising, for sure you will see higher ASPs.

Moderator: Thank you very much. Next question is from the line of Kamlesh Kotak from Asian Market Securities Pvt. Ltd. Please go ahead.

Kamlesh Kotak: Sir, just wanted to understand the breakup of the sales which you provided. How the same you think going to be changing over next 2-3 years vis-à-vis mattress and other value added products? How do you see the compulsion would look like may be 2-3 years down the line?

Rahul Gautam: You are looking at the volumes of the various segments and how is each segment progressing and 4 to 5 years how do we kind of see it. We definitely see lesser and lesser of foam cores we see lesser and lesser of lesser valued products in our portfolio. Our effort to grow the value addition that will be happening we would see more of these home comfort products which are there and we would see that the ASPs of the mattresses will keep rising. So, definitely the scenario or the let us say the focus area will shift to the retail side and we would see as I said lesser and lesser of semi cores and other things.

Kamlesh Kotak: And is there a significant margin differential what would be the margin differential across the value-added and the core products?

Rahul Gautam: I mean; I can just say that it should significantly increase but I cannot be giving any numbers on that part. As it is we have embarked on this journey of the EBITDA margins going up and it should increase but how much it will be tough for me to say right now.

Kamlesh Kotak: And on sir out of the total what part of our revenue comes from the pure automotive side of it?

Rahul Gautam: About 17%.

Kamlesh Kotak: Which all category, sir?

Rahul Gautam: So, there is the category called technical foams which is about close to 18%-19% and out of that about 10% is from the automobile side and the balance 10% is from with the shoe industry, laundry industry, sound absorption industry and all those areas. So, I would say the total revenue about 10%-11% is the automobile side, yes.

- Kamlesh Kotak:** And would you have a category of segmentation of same thing for foam core as well? What all it goes into?
- Rahul Gautam:** Foam cores are sheets of foam which are primarily sizes for mattresses for conversion into mattress and cushions for the furniture industry which are also 4 inches thick and of different sizes.
- Kamlesh Kotak:** And this furniture foam would be all B2B or it would be also having B2B as well B2C it will go to smaller manufactures?
- Rahul Gautam:** Yes, it is a mix of both B2B and B2C because in India you do have people who refurbish their sofas and therefore go and buy some cushions and get a karigar to do that. And there are also areas of small furniture manufactures who would, where we would supply foam for converting it to furniture. And this segment also has facilitators or influencers which are really the upholsters or karigars or tarkhans. So it is a mix of B2C, B2B, B2 facilitator that we are experiencing, it is not a clear cut.
- Kamlesh Kotak:** And sir, broadly if you have to say of the total revenue how much would be B2B and B2C for say 400 odd crores? How we categorize that if you get broadly give the breakup?
- Dhruv Mathur:** See, in our 80% of the business is B2C. So 3 categories, mattresses, furniture foam and foam core all this is sold through our distribution network to the consumers because the B2B business is the technical foam
- Moderator:** Thank you very much. The next question is from the line of Vismaya Agarwal from ICICI Securities Ltd. Please go ahead.
- Vismaya Agarwal:** Sir, just a couple of questions from my end. So, one is basically on the online brand that we had launched and Sleepex and if you could give some sense on how that brand is doing? Also extending it further to the expertise that we can get from our Spain acquisition and deploying that to this brand. So some more clarity on, how we will look this brand to go ahead?
- Rahul Gautam:** So, the Sleepex has been launched on Amazon and Flipkart for the couple of months that it has been there. It has done well for itself, to the best of my information, knowledge on Amazon which is the larger of the 2 market places, Sleepex is already the number 1 brand in numbers. The total numbers are still small compared to the offline ones and there is no doubt that the online people create a lot of noise at the moment whether which are those high purchase days and 30% off and 40% off that kind of thing. But as a sum total Sleepex has already made its entry into that market place and has done well. What is the kind of growth that we look at it, all online people tell me that growths double every week, it is 15% to 20% growth on an annual basis.

- Rakesh Chahar:** The marketplace mattress business should grow 15% to 20%. Of course there is lot of headroom for us to get more growth.
- Rahul Gautam:** Spanish question you had asked that how would that be helpful. So for sure, Spain has specialized quite a bit into this 'Bed in a Box' kind of products which are ideally suited for online supply. So, as I said it is only recently that we have concluded the transactions and soon the impacts both ways knowledge and technology and experiences flowing should happen before this year gets over, yes.
- Vismaya Agarwal:** And sir, one book keeping question in terms of our CAPEX, any guidance for that for this year? And any update on this Jabalpur plant expansion that we mentioned in the previous call.
- Rahul Gautam:** So, I will answer the Jabalpur one and on the bookkeeping part, Mr. Mathur will answer. So, on the Jabalpur one let me say that the land has already been procured, etc. I would confess that it at the moment it is not deaccelerating the process but it is on a steady state. It is just that we want our current plants, etc. to kind of stabilize and we are also awaiting that the government finalizes its taxation policies as far as new operating sites are concerned. That we expect in another 15 to 20 days or may be a month's time and then we will take a call on how to we want to proceed on it.
- Dhruv Mathur:** Sir, on the CAPEX side, we annually incur around 45 crores to 50 crores on maintenance CAPEX and in addition to that if we let us say start a new project. So, we have incurred let us say 5 crores for the land till date on Jabalpur. So that is the broad plan for the CAPEX.
- Moderator:** Thank you very much. As there are no further questions, I would now hand the conference over to the management for closing comments.
- Rahul Gautam:** So, thank you very much everybody for joining in and I must say that the questions were as incisive as always. And I do not know if we have all been able to answer them sufficiently to your satisfaction. But at least I can say from our team side that it has been a learning exercise as always. I would say that I just wanted to wish everybody a good continuation of the Diwali season and the marriage season. And let us say with Ayodhya behind us and hopefully you would have soon a Government in Maharashtra everybody gets down to economic activities which is strongly required by the markets. So with those words, I wish you all the best for the coming times and say good bye till we meet next time.
- Moderator:** Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.