IPO REVIEW

Sham Foam IPO

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- The company is engaged in the business of manufacturing, distribution, marketing and selling PU Foam mattresses and other home comfort products.
- The company posted growth in its top and bottom lines.
- Bumper profits for FY26 appears window dressing to fetch fancy valuations for IPO.
- Based on its recent financial data, the issue appears aggressively priced.
- Only well-informed/cash surplus/risk seekers may park moderate fund for long term.

About the Company

Sham Foam Ltd. (SFL) is primarily engaged in the business of manufacturing, distribution, marketing and selling of polyurethane foam (“PU Foam”), mattresses and other allied home comfort products targeted primarily at Indian consumers. It also manufactures Industrial grades of PU Foam that is used in a wide range of industries in India. The Company was originally incorporated at Haryana as “Sham Foam Private Limited” on June 26, 2020. Pursuant to the resolution passed by the shareholders at Extra-Ordinary General Meeting held on August 10, 2024, the Company was converted into a Public Limited Company, and its name was changed from “Sham Foam Private Limited” to “Sham Foam Limited” vide fresh certificate of incorporation dated September 20, 2024 issued by the Registrar of Companies, Central Processing Centre.

SFL offers a diversified product portfolio catering to consumers with varied preferences and requirements. Its foam-based product line comprises mattresses, pillows, furniture-cushions, cushions as well as PU foam cores utilized for manufacturing finished home comfort products. The Company specializes in manufacturing of customized Polyurethane (PU) Foam and Mattress to suit the specific requirements of customers. Its mattresses are primarily offered under own brand Featherfresh and Restivia range, includes both pure foam mattresses as well as hybrid mattress combining spring and rebounded foam, that are capable of bespoke customization as per the requirements of consumers.

Further, its pillow and cushions are primarily offered under the brand Featherfresh range, comprises PU Foam that constitutes upholstery material of different densities to ensure greater comfort and durability. The company is engaged in the manufacture and supply of Polyurethane (PU) Foam, catering primarily to the mattress and furniture industry, as well as applications in sports products, seat cover, Shoes, innerwear, jackets and related apparel. It also specializes in PU foam production, supplying customized grades/ density as per customer requirements. Certain finished products, such as pillows, are manufactured on a job-work basis through third-party manufacturers, as per customer specifications.

SFL is a full-stack vertically integrated company, enabling it to control every aspect of operations, from conceptualizing, designing and engineering its products to manufacturing, distributing and providing customer experience and engagement. It has customer presence across 13 (thirteen) states and are currently supplying its products in various cities in India including Bihar, Chandigarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand. As of June 30, 2026, it had 85 employees on its payroll. It also hires contract workers as and when needed.

Issue Details / Capital History

The company is coming out with its maiden IPO of 3114000 equity shares of Rs. 10 each at a fixed price of Rs. 130 per share, to mobilize Rs. 40.48 cr. The minimum application to be made is for 2000 shares and in multiples of 1000 shares thereon, thereafter. The issue opens for subscription on August 11, 2026 and will close on August 13, 2026. The shares will be listed on BSE SME. The IPO constitute 27.10% of the post-IPO paid-up capital of the company. The company is spending Rs. 5.48 cr. for this IPO process, and from the net proceeds, the company will utilize Rs. 14.72 cr. for repayment/prepayment of certain borrowings, Rs. XX cr. for capex on civil construction and purchase of machineries/equipments etc., Rs. 14.25 cr. for part finance working capital, and Rs. 6.04 cr. for general corporate purposes.

The IPO is jointly lead managed by Corporate Makers Capital Ltd., and Navigant Corporate Advisors Ltd., while Alankit Assignments Ltd. is the registrar to the issue. JSK Securities & Services Pvt. Ltd., is the market makers. The IPO is underwritten to the tune of 15% by Corporate Makers and 85% by JSK Securities.

After issuing initial equity capital at par, the company issued further shares at a fixed price of Rs. 510 per share in March 2024. It has also issued bonus shares in the ratio of 44 for 1 in July 2024, 1 for 50 in July 2025. The average cost of acquision of shares by the promoters is Rs. 0.22, and Rs. 11.11 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 8.38 cr. (8376750 equity shares) will stand enhanced to Rs. 11.49 cr. (11490750 equity shares). Based on the upper band of the IPO pricing, the company is looking for a market cap of Rs. 149.38 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted total income/ net profit, of Rs. 73.89 cr. / Rs. 2.97 cr. (FY24), Rs. 81.62 cr. / Rs. 3.58 cr. (FY25), Rs. 92.39 cr. / Rs. 8.65 cr. (FY26). Boosted performance in a pre-IPO year raise eyebrows, and concern over its sustainability as the company is operating in a highly competitive and fragmented segment. Rising trade receivables year-on-year raise alarm.

For the last three fiscals, the company has reported an average EPS of Rs. 6.06 (simple average) and an average RoNW of 35.63%. The issue is priced at a P/BV of 5.16 based on its NAV of Rs. 25.21 per share as of March 31, and at a P/BV of 2.42 based on its post-IPO NAV of Rs. 53.61 per share.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 17.26, and based on FY25 earnings, the P/E stands at 41.67. The issue appears aggressively priced based on its earnings.

The company has posted PAT Margins of 4.02% (FY24), 4.41% (FY25), 9.37% (FY26), and RoCE margins of 23.79%, 22.56%, 45.73%, respectively for referred periods.

Dividend Policy

The company has not paid any dividends since incorporation. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown Sheela Foam, and Wakefit Innovations, as its listed peers. They are currently trading at a P/E of 36.3 and 21.5 (as of August 07, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

Merchant Banker's Track Record

The two merchant bankers associated with this issue have track record as under:

This is the 11th mandate from Corporate Makers in the last three fiscals (including ongoing one. Out of last 10 listings, 6 opened at discount, 3 at par, and the rest with premium ranging from xx% to xx% on the date of listing. This lead manager has a poor track record.

This is the 3rd mandate from Navigant Corporate in the last four fiscals. Out of last 2 listings, 1 opened at discount and the 1 with premium of 45.56% on the date of listing. This merchant banker has an average track record.

Conclusion / Investment Strategy

SFL is engaged in the business of manufacturing, distribution, marketing and selling PU Foam mattresses and other home comfort products. The company posted growth in its top and bottom lines. Bumper profits for FY26 appears window dressing to fetch fancy valuations for IPO. Based on its recent financial data, the issue appears aggressively priced. Only well-informed/cash surplus/risk seekers may park moderate fund for long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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