Management Discussion

Ritika Dain - Company Secretary and Compliance Officer, Shyam Foam Limited
Thank you so much, ma'am. Good afternoon, everyone. It gives me great pleasure to welcome you all to Charm Farms Limited's maiden earning conference call following our listing. We sincerely appreciate your participation and interest in the company. This interaction marks an important milestone in our journey as a listed company. Providing us with an opportunity to share our business progress, financial performance, and strategic priorities with our shareholders and the investment community. Let me begin by introducing Sham Foam Limited.

Incorporated in June 2020, Sham Foam Limited is engaged in the manufacturing, distribution, marketing, and sale of polyurethane foam mattresses and other home comfort products. Over the years, we have developed an integrated business model encompassing product design, engineering, manufacturing, and distribution. Our manufacturing facility is located in Ambala, Haryana, spread across approximately 204,460 square feet with an installed foam production capacity of 15,000 tons per annum. The facility is equipped with modern manufacturing infrastructure and more than 25 major plant and machinery units.

We are also certified under ISO 9001:2015 and BIS standards, reflecting our focus on quality and manufacturing standards. Our product portfolio includes a diverse range of mattresses, Including foam, latex, orthopedic, and dual comfort mattresses, along with pillows, cushions, comforters, and various categories of polyurethane foam. These products cater to a wide range of consumer and industrial applications. We market products that establish brands including Feather Fresh, Restivia, Decorwell, and Spring, enabling us to address different customer requirements and market segments.

Over the years, we have progressively expanded our distribution footprint beyond Haryana and established a presence across 13 states, supported by a network of more than 1,300 dealers. Our distribution-led business model enable us to reach customers through multi-brand outlets without operating company-owned retail stores. Our product also cater to diverse end-use industries including furniture, supports, products, footwear, garments, automotive seating, and other applications, providing us with exposure to multiple demand segments.

Our vision is to shape comfort and build trust, while our mission is to transform sleep and enrich lives. We remain committed to strengthening our manufacturing capabilities, expanding our market reach, and delivering quality product to our customers. With this brief introduction to the company, I would now like to take you through our business operations, manufacturing capabilities, and operational performance during the first half of financial year '27. Moving on to our operational capabilities and business execution, our focus remains on maintaining manufacturing efficiency, strengthening distribution relationships, and ensuring consistent product quality across our business.

At our manufacturing facility, we follow an integrated production approach with in-house manufacturing processes Designed to support quality control, operational flexibility, and cost efficiency. Our infrastructure includes specialized machines and machinery and equipment for foam production, processing, cutting, and related manufacturing activities. During FY26, we achieved production of 5,257 tons of polyurethane foam. Compared with 4,779 tonnes in FY25, reflecting a growth of approximately 10%.

Our capacity utilization calculated against available production capacity improved to 87.62% in FY26

from 80% in the previous year. This reflects better utilization of our existing manufacturing resources. We continue to focus on streamlining production processes, improving manufacturing yields, reducing wastage, and optimizing input costs. Our manufacturing framework incorporates quality checks at multiple stages, beginning with raw material inspection and continuing through in-process monitoring and finished product evaluation.

We also follow standardized production parameters and batch-level monitoring to maintain consistency in product specifications. On the sales and marketing front, our approach is centered on developing long-term relations with dealers and customers. Our dedicated sales teams actively work towards identifying new business opportunities. Existing relationships and onboarding potential distribution partners. We follow a common distribution approach across our product segment, which allows us to leverage existing market relationships and improve cross-selling opportunities.

Senior management remains actively involved in dealer engagement and business development, while targeted marketing initiatives and customer feedback help us align our products with changing market requirements. In terms of geographical revenue distribution, Uttar Pradesh, Punjab, Haryana, and Delhi continue to represent important markets for the company, while we are also developing across other regions. Our strategy is to deepen our presence in existing markets while progressing, exploring opportunities in underpenetrated geographics.

With this, I would like you to- the company delivered a strong financial performance. With this, I would like to take through the company's financial performance for H1 FY27 and provide a detailed overview of our financial results. The company delivered a strong financial performance during the period. With healthy growth across revenue and profitability parameters. Starting with revenue from operations, we recorded revenue of Rs 57 crore during H1 FY27 compared with Rs 38 crore in the corresponding period of previous financial year, registering a year-on-year growth of 51.4%.

Moving to operating profitability, EBITDA stood at Rs 8 crore compared with Rs 4 crore in H1 FY26, reflecting a growth of 88%. Our EBITDA margin improved to 13.9% during the reporting period compared with 11.2% in the corresponding previous period, reflecting an improvement of approximately 270 basis points. Profit before depreciation and tax, or PBBT, stood at Rs 8 crore compared with Rs 4 crore in H1 FY26, representing a year-on-year growth of 88.4%. At the bottom line, profit after tax increased to Rs 6 crore from Rs 3 crore in corresponding period last year, registering a growth of 92.8%.

Overall, our profitability growth remained ahead of revenue growth during the first half, reflecting an improvement in operating performance and earnings. Finance cost for the period stood at Rs 15 lakh, while depreciation and amortization amounted to Rs 35 lakhs. The financial performance during the first half reflects the company's progress in strengthening its earning profile. We remain focused on maintaining profitability, improving cost efficiencies, and ensuring disciplined financial management as we move into the second half of FY27.

With this, we can now move to question and answer session.

Operator

Thank you very much, ma'am. We will now begin with the question and answer session. Anyone who wishes to ask questions may please press star and 1 on their touchtone phone. If you wish to withdraw yourself from the question queue, you may press star and 2. Participants who wish to ask questions may please press star and 1 on their touchtone phone. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the

question queue assembles.

You may please press star and 1 to ask questions. We'll take the first question from the line of Piyush from SK Capital. Please go ahead.

Questions & Answers

Piyush - Analyst, SK Capital
Hello, uh, thank you for the opportunity. So my question is, what is the current revenue contribution from PU foam mattresses and other comfort products and which category has the highest growth potential?

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
[Foreign Speech] PU foam [Foreign Speech] main business [Foreign Speech] start [Foreign Speech] company [Foreign Speech] PU foam [Foreign Speech] start [Foreign Speech] PU foam [Foreign Speech] starting [Foreign Speech] mattress [Foreign Speech] 15 [Foreign Speech] 20 percent contribution [Foreign Speech] mattresses [Foreign Speech] PU foam [Foreign Speech] starting [Foreign Speech] balance PU foam [Foreign Speech]

Piyush - Analyst, SK Capital
Okay and out of this which has the growth potential higher growth potential?

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Mattress [Foreign Speech] higher growth potential [Foreign Speech] okay

Piyush - Analyst, SK Capital
Understood [Foreign Speech] how is the company planning to scale premium products such as latex, memory foam and orthopedic mattresses?

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
[Foreign Speech] start [Foreign Speech] start [Foreign Speech] growth [Foreign Speech] memory foam [Foreign Speech] latex [Foreign Speech] acceptability [Foreign Speech] market [Foreign Speech] growth [Foreign Speech]

Piyush - Analyst, SK Capital
Okay and what about orthopedic mattresses?

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Orthopedic hard mattress [Foreign Speech] product launch [Foreign Speech] PU Tech [Foreign Speech] exhibition [Foreign Speech] participate [Foreign Speech] launch [Foreign Speech] Thank you so much.

Operator
Thank you. Participants who wishes to ask questions may please press star and one on their touchtone phone now. We'll take the next question from the line of Abhijit Wagmare from AP Capital. Please go ahead.

Sachin Gupta - Analyst, Agarwal and Sons Family Office
Yes, good evening, sir.

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Hello, Mr.

Operator
Yeah,

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Good evening, sir.

Operator
Please proceed, sir.

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Yes my question is that what is the impact of raw material price fluctuation on profit and how does the company manage input cost volatility [Foreign Speech] okay

Sachin Gupta - Analyst, Agarwal and Sons Family Office
Sir

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Understand

Operator
Mr Wagmare okay thank you Anyone who wishes to ask questions may please press star and 1 now. The next question is from the line of Sachin Gupta from Agarwal and Sons Family Office. Please go ahead.

Sachin Gupta - Analyst, Agarwal and Sons Family Office
Good afternoon, sir. Thank you for giving me this opportunity.

Operator
Mr. Gupta, your voice is not clear. Uh, please use your handset.

Sachin Gupta - Analyst, Agarwal and Sons Family Office
Good afternoon sir. Thank you for giving me this opportunity. I have two questions. Please sir. Which segment or product categories currently contribute the most to the revenue?

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
PU foam, PU foam [Foreign Speech]

Sachin Gupta - Analyst, Agarwal and Sons Family Office
Okay sir, second one is what is the current capacity utilized and planning and capacity expansion for the next 2-3 year

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
[Foreign Speech] cutting machines [Foreign Speech] peeling [Foreign Speech] machines [Foreign Speech]

Sachin Gupta - Analyst, Agarwal and Sons Family Office
Okay, sir. Thank you, sir.

Operator
Thank you. Please press star and 1 to ask questions. The next question is from the line of Ghansham Meena from Moonshot Ventures. Please go ahead.

Sachin Gupta - Analyst, Agarwal and Sons Family Office
Hello? Hello? Sir,

Operator
You're not clearly audible.

Sachin Gupta - Analyst, Agarwal and Sons Family Office
One

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Moment, please. Is it audible now?

Operator
Yes, please proceed.

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
So my first question is regarding the- what is our competitive advantage? Because on the one side we compete with the large foam players, and on other side there are local players also. So where we compete against them and what is our right to win in that space? Because our main business is the PU foam. [Foreign Speech] due to quality, due to [Foreign Speech] low cost cutting [Foreign Speech] profit [Foreign Speech] competitor [Foreign Speech] compete [Foreign Speech] cost [Foreign Speech] okay okay sir [Foreign Speech] next question [Foreign Speech] regarding the Ambala expansion you are doing expansion in Ambala, [Foreign Speech] what are the capacity would be used for that?

Whether it is for B2B business [Foreign Speech] also for B2C business. and then second question around twelve thirteen percent what were the reasons for that margin expansion [Foreign Speech] Okay, in that case also I was asking regarding the Ambala expansion. [Foreign Speech] actually I think IPO [Foreign Speech] I think [Foreign Speech]

Piyush - Analyst, SK Capital
Please pardon please pardon your question please sir

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Regarding the Ambala expansion when

Piyush - Analyst, SK Capital
Yes sir yes sir sir I can explain that what we doing because we already having a lot

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Of things going on so into the production segment [Foreign Speech] For cutting the things, for mattresses and also we are building few machines for specific for [Foreign Speech] capacity that is eighty to ninety percent but [Foreign Speech] And that is happening right now also. We are working on it and in the next six to ten months we are definitely going for it. Okay, okay. Next question is regarding the transportation cost because what I see in generally all the businesses where there is a volume, [Foreign Speech] kilometers [Foreign Speech] approx [Foreign Speech] most of the players

[Foreign Speech] capacity stabilise [Foreign Speech] freight cost [Foreign Speech] transportation cost [Foreign Speech] reduce [Foreign Speech] transport [Foreign Speech] minimum vol [Foreign Speech] counting [Foreign Speech] kilometer [Foreign Speech] Bombay [Foreign Speech] Gujarat [Foreign Speech] transportation utilise [Foreign Speech] trucks [Foreign Speech] Bombay [Foreign Speech] cost [Foreign Speech]

Sachin Gupta - Analyst, Agarwal and Sons Family Office
[Foreign Speech]

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
[Foreign Speech] okay

Operator
[Foreign Speech] thank you thank you anyone who wishes to ask questions may please press star and one now the next question is from the line of Jignesh Khobani from GSK Securities and Services Private Limited please go ahead sir

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
[Foreign Speech] Sir [Foreign Speech] Sir [Foreign Speech]

Piyush - Analyst, SK Capital
[Foreign Speech]

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
[Foreign Speech] Okay. [Foreign Speech]

Piyush - Analyst, SK Capital
[Foreign Speech]

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
[Foreign Speech]

Sachin Gupta - Analyst, Agarwal and Sons Family Office
Okay, okay, sir. Thank you.

Operator
Thank you. Please press star and 1 to ask questions. The next question is from the line of Mayank Dubey from RP Capital. Please go ahead.

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Hello? Yes, hello,

Operator
Please proceed.

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Good evening, sir. Uh, my question is, how does the management plan to strengthen its brands such as Feather Fresh and the Restiva and expand its market presence in the coming years? Uh, hi, uh, Mayank, uh, thanks for your question. Uh, we are thinking about like, uh, we are going ahead with these 2 brands, Feather Fresh. Mainly our focus is on Feather Fresh. We are making Feather Fresh

not just a mattress brand, we are planning to make a home comfort brand. Feather Fresh. We will about to launch like mattresses, other sleep-related products, everything into Feather Fresh.

What's the main priority for marketing and main priority for branding is always the Feather Fresh. The Stevia is though we are planning, we, we have the Stevia is also our baby. So we will plan like this, that might be in the future we will focus on PU foam to create a brand over the Stevia and we will market, we will cater the market like this. So this is the current scenario. Uh, okay, uh, sir, second question is, despite the strong profit growth, the company reported negative operating cash flow in H1 FY27.

What steps the management talking to the improved cash flow generation? So generally, uh, because at the current point, we are working like this. Like, we have definitely a dealer network which is working correctly. Now we are about- we are working on increasing the cash flow demand, definitely. And it's on a- definitely it's on a positive side at this point also. Hello. Currently, currently also we are doing like this, and currently the cash flow is on the positive side, and the operating cash flow is currently, I think, uh, in FA 25-26, that is approximately 12.77.

And also we have- when we are- we are doing the billing to the dealers, the conversion cycle for us is approximately 75 days in 24-25 because we are currently- we are new into the market. We are definitely looking into the dealers, new dealers. But now in 25-26, we decrease this days to 39. So now we are planning like this, like in the next financial year We are looking for 25 days of conversion cycle so that it will increase our, uh, all the things. Okay, sir. Okay, sir. Thank you. Thank you.

Operator
Thank you. Anyone who wishes to ask questions may please press star and 1 on the touchtone phone now. The next question is from the line of Adarsh Sharma, an individual investor. Please go ahead.

Piyush - Analyst, SK Capital
Mr. Sharma,

Operator
Mr. Sharma, your audio is not clear. I'm sorry to interrupt you. Please use your handset, sir.

Piyush - Analyst, SK Capital
Good evening, sir. My first question is, what revenue growth and EBITDA margin targets are you targeting for FY27 and FY28?

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Uh, so we are currently focused upon, as we said earlier, we are currently focused upon 2 things. One is B2B and one is mattresses. So definitely when we go ahead with these 2 things, definitely our profit margins get higher. We are currently figuring it out that we can definitely see a growth of almost 10 to 15%. We are thinking like this. But might be it gets higher on the side. But we are completely focused upon the metro section and the B2B. I already told you.

Piyush - Analyst, SK Capital
Yes, sir. My second question is, are there any plans to expand your dealer and distribution network into new geographical markets to increase sales penetration?

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Definitely, sir. There was 2 things. One is like we already dealing with few dealers or distributors that are our long-term distributors now. So we are definitely holding that position on that dealers and distributors. Plus we are definitely looking into the new market where we are expanding for in the metro section and as well as the other sections. So already we have a distribution network, we are already doing working in like Haryana, Punjab, Delhi, Uttar Pradesh, Gujarat, Madhya Pradesh, and all the things.

So company is definitely looking for the geographical concentration through the continuous dealers and the market expansion. We also doing like this, like we will add a value to our, our existing dealer distributors also to give them new products, new matrices and everything.

Piyush - Analyst, SK Capital
Thank you, sir.

Operator
Uh, Mr. Sharma, any further questions?

Piyush - Analyst, SK Capital
No, ma'am. Thank you.

Operator
Thank you. Participants who wish to ask questions may please press star and 1 on their touchtone phone. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments. Thank you, and over to you.

Rajinder Kumar Jindal - Chairman and Managing Director, Shyam Foam Limited
Uh, thank you so much for this round, and we are definitely saying that we will answer all the questions which we have our investors in us. And definitely we are looking for the growth in the- definitely in the near future. And we, as we said about the things that we have focused upon our business, and definitely we're looking into the new product development also. And if you have any point of questions at any given time, do definitely free to ask us. Yeah, thank you, thank you so much.

Operator
Thank you, sir. Thank you, members of the management. On behalf of Shyam Foam Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.