

## Eureka Forbes | BUY

Strong execution; positive outlook

Eureka Forbes (EFL) delivered resilient performance with 6<sup>th</sup> consecutive quarter of double-digit revenue growth (from continuing business) and steady improvement in margin profile. Product business saw high-teens growth (vs. teens growth in Q3) led by broad based growth across its segments. Same can be attributed to a combination of internal initiatives (high innovation intensity, increased investment behind brands) undertaken by EFL coupled with improvement in category growths. While water purifier services business growth (due to ASP dilution & accrual accounting) has been relatively lower, management indicated that green shoots are visible (improving AMC volumes) led by its interventions (filter innovations, digital investments, consumer campaigns) which should help improve growth in FY26E. Margin delivery was key positive surprise led by better mix, lower buyback/consumer spends, cost management and operating leverage. Management commentary remains positive, expects revenue momentum to remain healthy which along with cost optimisation/scale leverage should provide fuel to invest behind growth as well as drive margin expansion. We like EFL's growth story (focus on breaking category barriers to drive growth in products/services business) & see scope to improve margins. Execution so far has been impressive; a debt-free balance sheet, negative working capital and strong FCF generation provide comfort. Factoring better margin delivery, we have raised our FY26/27E est. by 4-5%. Maintain Buy with revised TP of INR 685 (40x June 27E EPS).

- **Double-digit growth continues with high-teens growth in Product business:** EFL's consol. sales, EBITDA and adj. PAT grew 10.7%, 44.6% and 40.3% to INR 6.1bn, INR 771mn and INR 486mn respectively. Revenue was largely inline - growth was led by product business which grew in high teens helped by innovations and growth investments. While services business continues to trail product business growth, mgmt. expect trajectory to improve here with green shoots (uptick in AMC volumes) now emerging. Going ahead, management's expects product business sales growth to sustain in mid-high teens and overall margins to see gradual improvement notwithstanding high A&SP spends, driven by better mix, costs optimisation program and operating leverage.
- **Margin delivery surprises positively driving overall earnings beat:** Consol. GM improved by 38bps to 59.7% (vs our est. of 57.8%), though improved sequentially by 188bps driven by cost efficiencies at COGS level, mix improvement and lower buyback/consumer spends (higher in 3Q due to festive season). This, along with lower growth in staff costs (c.4% yoy) and other overheads (c.+9% yoy) vs. revenue – a function of operating leverage & cost management resulted in sharp EBITDA margin expansion of 295 bps to 12.6% (c.200bps above our estimate of 10.6%). This was notwithstanding high growth investments – A&SP spends grew 25% yoy to 10.7% of sales (up c.130bps yoy) in FY25. Adjusted EBITDA (ex-ESOP cost) grew 27% yoy to INR 792mn with margin at 12.9%. ESOP cost were lower yoy due to annual valuation trueup. Reported EBITDA grew 44.6% to INR 771mn (17.3% above estimate), while adj. PAT grew 40.3% to INR 486mn (25.3% above estimate).



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## Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	685
Upside/(Downside)	15.1%
Previous Price Target	610
Change	12.3%

## Key Data – EUREKAFO IN

Current Market Price	INR595
Market cap (bn)	INR115.1/US\$1.3
Free Float	34%
Shares in issue (mn)	193.5
Diluted share (mn)	193.5
3-mon avg daily val (mn)	INR145.7/US\$1.7
52-week range	648/397
Sensex/Nifty	82,331/25,020
INR/US\$	85.5

## Price Performance

%	1M	6M	12M
Absolute	17.0	0.1	39.1
Relative*	11.6	-5.7	25.0

\* To the BSE Sensex

## Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	21,837	24,369	27,615	31,537	36,094
Sales Growth (%)	5.0	11.6	13.3	14.2	14.4
EBITDA	1,986	2,656	3,444	4,292	5,300
EBITDA Margin (%)	9.1	10.9	12.5	13.6	14.7
Adjusted Net Profit	1,069	1,613	2,290	3,088	4,046
Diluted EPS (INR)	5.5	8.3	11.8	16.0	20.9
Diluted EPS Growth (%)	97.8	50.9	42.0	34.8	31.0
ROIC (%)	2.6	3.8	5.1	6.7	8.6
ROE (%)	2.6	3.7	5.1	6.4	7.9
P/E (x)	107.7	71.4	50.3	37.3	28.5
P/B (x)	2.7	2.6	2.5	2.3	2.2
EV/EBITDA (x)	57.2	42.1	31.7	24.6	19.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 16/May/2025

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Concall Highlights

### Macro Environment

- There is a growing consumer awareness of health and hygiene, which presents an opportunity for growth.
- The company has invested in consumer awareness campaigns to support service revenue growth.
- The company saw volume growth followed by value growth in FY25. Company is confident of acceleration in value growth going ahead.

### Innovations

- Company launched 30 new products in FY25, which helped in serving the needs of different consumer segments and strengthening the overall portfolio.
- It has a strong set of innovation plans and go-to-market ramp-up plans across its portfolio which will drive growth. The company's IoT product, launched last year, will scale up significantly through this year. The company launched a product called Aura 2X online, which has now been rolled out offline as Aquaguard Enhanced NXT.
- The company plans to make further interventions on the product side and aftermarket side to improve affordability and drive down the total cost of ownership.

### Margin performance

- Q4 gross margins were higher by c.200 basis points on a sequential basis due to cost efficiencies, better product mix, and lower buyback and other consumer spends.
- Operating margin expansion was achieved despite increase in advertising and promotion expenses due to operating leverage and a structured computer cost optimization program.
- The company has been able to renegotiate prices with vendors due to recent volume growth, resulting in clear price advantages.
- The enhanced margin profile gives the company headroom to step up growth investments.

### Products business

- Product business reported product based high-teens growth driven by innovation, higher brand investments and overall step up in category growth.
- On the service business front, continuous interventions are underway: a) filter innovation, b) build filter go-to market, c) partner with offline network of technicians & business partners, d) strengthen D2C intervention, and e) consumer campaigns to augment growth. In FY25, company focused on volume growth through tiered AMC plans and now sees green shoots in value growth.

### Guidance

- The company expects product growth levels to sustain at mid to high teens, notwithstanding mixed and challenging market conditions.
- The company expects the Robotics segment within vacuum cleaners to continue growing at a rate of 75-110% pa over the next few years.
- In terms of category growth, market size forecast for 2028 is expected to be reached in FY26.

### Miscellaneous

- ESOP cost in 4Q was lower vs. previous quarters due to annual valuation true up. Going ahead, management guided for ESOP cost to be in the range of INR 5-5.5crs per quarter.
- Exceptional net income of INR 2.1 crs was towards full and final insurance claim settlement (INR 10 crs) for fire at Delhi warehouse net off INR 7.9crs related to inventory write off.

**Exhibit 1. 4QFY25 snapshot: Revenue performance tad below expectations, lower staff costs and scale leverage drove strong earnings beat**

INR mn	4QFY25	4QFY24	YoY change	4QFY25E	% Var	FY25	FY24	YoY change
<b>Revenue</b>	<b>6,127</b>	<b>5,536</b>	<b>11%</b>	<b>6,200</b>	<b>-1.2%</b>	<b>24,369</b>	<b>21,893</b>	<b>11.3%</b>
<b>Gross Profit</b>	<b>3,655</b>	<b>3,281</b>	<b>11%</b>	<b>3,584</b>	<b>2.0%</b>	<b>14,292</b>	<b>13,007</b>	<b>9.9%</b>
Gross Profit Margin %	59.7%	59.3%	38 bps	57.8%	186 bps	58.6%	59.4%	-76 bps
Staff Cost	816	849	-3.82%	800	2.1%	3,305	3,298	0.2%
Service Charge	827	793	4.33%	744	11.2%	2,968	3,003	-1.2%
Other Expenses	1,241	1,107	12.11%	1,383	-10.3%	5,364	4,720	13.6%
<b>EBITDA</b>	<b>771</b>	<b>533</b>	<b>44.6%</b>	<b>657</b>	<b>17.3%</b>	<b>2,656</b>	<b>1,986</b>	<b>33.7%</b>
EBITDA margin %	12.6%	9.6%	295 bps	10.6%	198 bps	10.9%	9.1%	182 bps
Depreciation	151	140	7.6%	157	-4.0%	580	540	7.4%
EBIT	620	393	57.8%	500	23.9%	2,076	1,446	43.5%
Interest Expense	11	16	-30.4%	13	-15.1%	56	98	-42.4%
Financial Other Income	44	19	132.8%	30	46.5%	146	88	65.9%
<b>PBT pre-exceptional</b>	<b>653</b>	<b>396</b>	<b>64.9%</b>	<b>517</b>	<b>26.2%</b>	<b>2,165</b>	<b>1,436</b>	<b>50.8%</b>
PBT post exceptional	665	244	172.0%	517	28.5%	2,207	1,285	71.8%
Taxes	170	31	455.7%	129	31.3%	563	328	71.5%
<b>Reported Net Profit</b>	<b>495</b>	<b>214</b>	<b>131.4%</b>	<b>388</b>	<b>27.6%</b>	<b>1,644</b>	<b>956</b>	<b>71.9%</b>
<b>Adjusted Net Profit</b>	<b>486</b>	<b>346</b>	<b>40.3%</b>	<b>388</b>	<b>25.3%</b>	<b>1,613</b>	<b>1,069</b>	<b>50.9%</b>

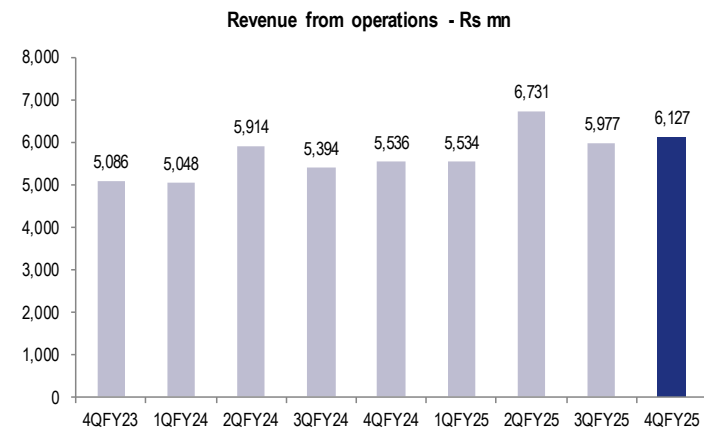
Source: Company, JM Financial

**Exhibit 2. Quarterly snapshot – consolidated basis**

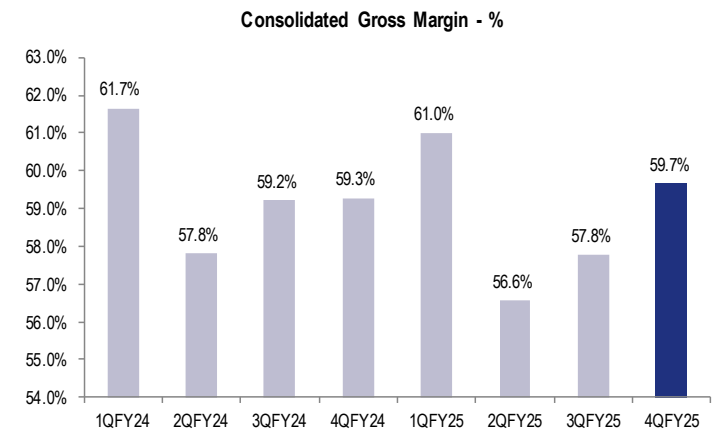
INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>Reported Revenue</b>	<b>5,048</b>	<b>5,914</b>	<b>5,394</b>	<b>5,536</b>	<b>5,534</b>	<b>6,731</b>	<b>5,977</b>	<b>6,127</b>
YoY	-4.1%	2.6%	13.9%	8.8%	9.6%	13.8%	10.8%	10.7%
Continuing business growth*	-0.1%	4.8%	16.8%	11.4%	10.8%	14.7%	11.3%	10.9%
Gross Profit	3,112	3,420	3,194	3,281	3,376	3,808	3,454	3,655
Staff cost	759	859	832	849	852	842	795	816
Service charge	695	816	699	793	687	718	736	827
Other expenses	1,153	1,223	1,236	1,107	1,274	1,518	1,331	1,241
<b>EBITDA</b>	<b>505</b>	<b>521</b>	<b>427</b>	<b>533</b>	<b>563</b>	<b>731</b>	<b>591</b>	<b>771</b>
YoY	10%	596%	11%	1%	11%	40%	38%	45%
<b>Adjusted EBITDA (ex-ESOP cost)</b>	<b>543</b>	<b>628</b>	<b>535</b>	<b>625</b>	<b>650</b>	<b>788</b>	<b>648</b>	<b>792</b>
YoY	18%	738%	39%	18%	20%	25%	21%	27%
Depreciation	134	132	134	140	138	141	151	151
Interest	35	29	18	16	17	17	12	11
Other income	20	18	31	19	23	34	44	44
<b>PBT before exceptional item</b>	<b>357</b>	<b>378</b>	<b>306</b>	<b>396</b>	<b>432</b>	<b>607</b>	<b>473</b>	<b>653</b>
YoY	31.6%	NM	21.8%	-1.2%	21.1%	60.7%	54.6%	64.9%
Exceptional exp/(gain)	-	-	-	151	-	-30	-	-12
<b>PBT after exceptional item</b>	<b>357</b>	<b>378</b>	<b>306</b>	<b>244</b>	<b>432</b>	<b>637</b>	<b>473</b>	<b>665</b>
YoY	31.6%	NM	202.4%	-21.0%	21.1%	68.7%	54.6%	172.0%
Tax	102	119	76	31	110	160	123	170
<b>Reported PAT</b>	<b>254</b>	<b>258</b>	<b>230</b>	<b>214</b>	<b>322</b>	<b>477</b>	<b>350</b>	<b>495</b>
YoY	28%	NM	235%	4%	26%	85%	53%	131%
<b>Adjusted PAT</b>	<b>254</b>	<b>258</b>	<b>230</b>	<b>346</b>	<b>322</b>	<b>455</b>	<b>350</b>	<b>486</b>
YoY	28.5%	NM	35.0%	29.9%	26.4%	76.0%	52.5%	40.3%
<b>% to revenue</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>	<b>3QFY25</b>	<b>4QFY25</b>
Gross margin	61.7%	57.8%	59.2%	59.3%	61.0%	56.6%	57.8%	59.7%
Staff cost	15.0%	14.5%	15.4%	15.3%	15.4%	12.5%	13.3%	13.3%
Service charge	13.8%	13.8%	13.0%	14.3%	12.4%	10.7%	12.3%	13.5%
Other expenses	22.8%	20.7%	22.9%	20.0%	23.0%	22.5%	22.3%	20.3%
EBITDA margin	10.0%	8.8%	7.9%	9.6%	10.2%	10.9%	9.9%	12.6%
EBITDA margin (ex-ESOP cost)	10.8%	10.6%	9.9%	11.3%	11.7%	11.7%	10.8%	12.9%

Source: Company, JM Financial

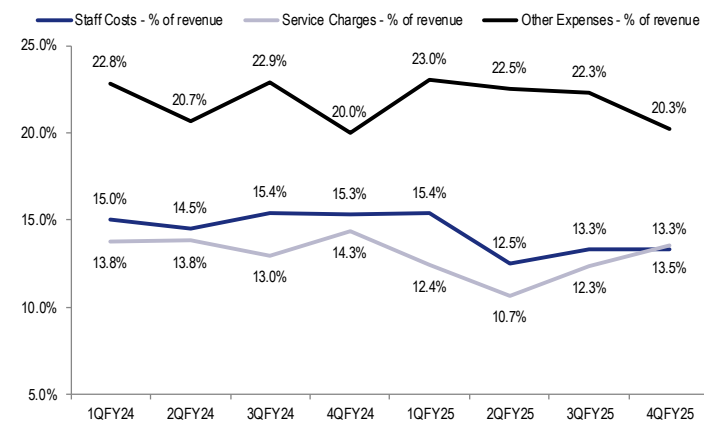
\*Continuing business excludes discontinued businesses/portfolio (Health Conditioner, Corona Guard, Safety and Security Devices, Forbes Pro Cleaning Services, Exports &amp; Semi Finished Goods sales)

**Exhibit 3. Revenue grew 10.7% yoy to INR 6.1bn**

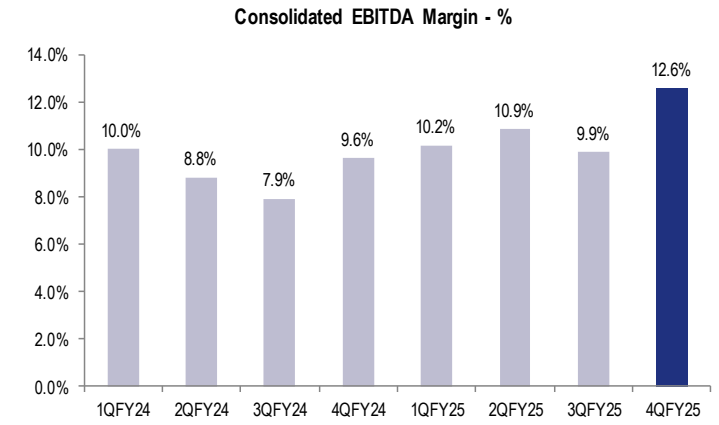
Source: Company, JM Financial

**Exhibit 4. Gross margins expanded 38bps yoy and 188bps qoq**

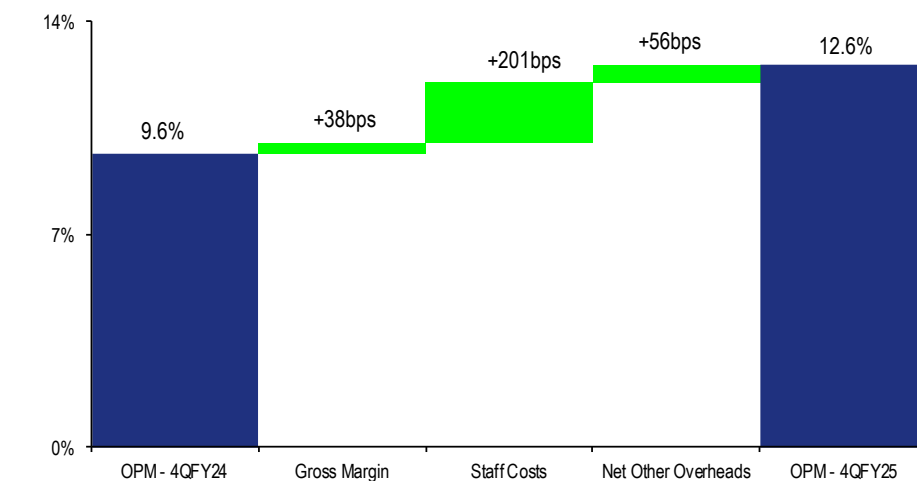
Source: Company, JM Financial

**Exhibit 5. SG&A costs grew 4.9% yoy, at a slower pace vs. revenue...**

Source: Company, JM Financial

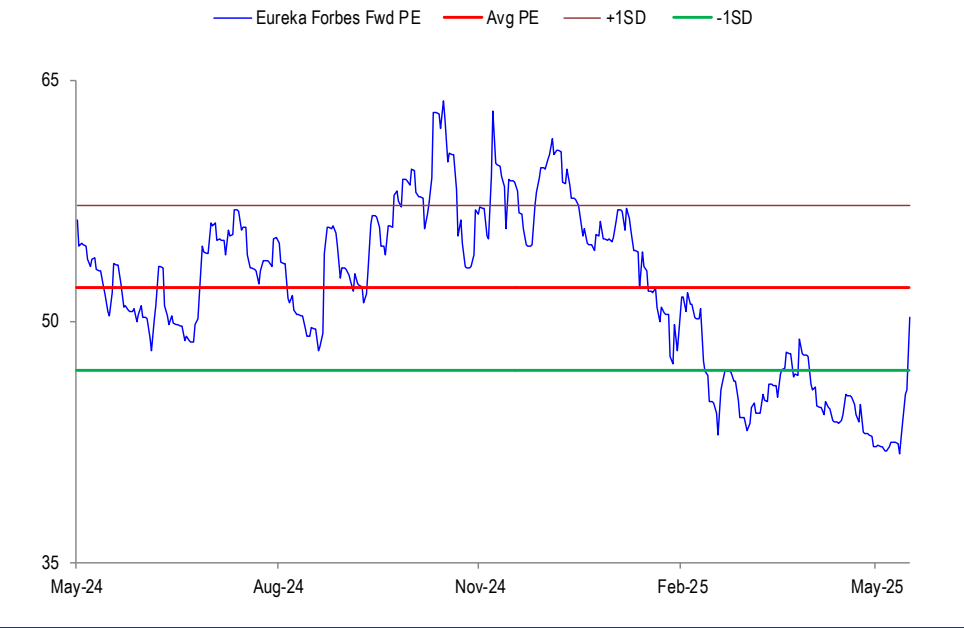
**Exhibit 6. ...aiding EBITDA margin expansion of 295 yoy and 269 qoq**

Source: Company, JM Financial

**Exhibit 7. GM benefit along with savings in staff cost and lower other overheads drove strong EBITDA margin expansion**

Source: Company, JM Financial

Exhibit 8. EFL's 1yr avg. PE band



Source: Company, Bloomberg, JM Financial

Exhibit 9. Revision in estimates

INR mn	Revised		Earlier		Change %	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	27,615	31,537	28,093	32,059	-1.7%	-1.6%
EBITDA	3,444	4,292	3,356	4,237	2.6%	1.3%
PAT	2,290	3,088	2,192	2,972	4.5%	3.9%
EPS	11.8	16.0	11.3	15.4	4.5%	3.9%

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	21,837	24,369	27,615	31,537	36,094
Sales Growth	5.0%	11.6%	13.3%	14.2%	14.4%
Other Operating Income	56	0	0	0	0
<b>Total Revenue</b>	<b>21,893</b>	<b>24,369</b>	<b>27,615</b>	<b>31,537</b>	<b>36,094</b>
Cost of Goods Sold/Op. Exp	8,886	10,077	11,378	12,993	14,871
Personnel Cost	3,298	3,305	3,520	3,784	4,069
Other Expenses	7,722	8,332	9,274	10,468	11,854
<b>EBITDA</b>	<b>1,986</b>	<b>2,656</b>	<b>3,444</b>	<b>4,292</b>	<b>5,300</b>
EBITDA Margin	9.1%	10.9%	12.5%	13.6%	14.7%
EBITDA Growth	37.0%	33.7%	29.7%	24.6%	23.5%
Depn. & Amort.	540	580	634	652	684
EBIT	1,446	2,076	2,810	3,640	4,616
Other Income	88	146	305	545	856
Finance Cost	98	56	41	41	41
PBT before Excep. & Forex	1,436	2,165	3,074	4,144	5,431
Excep. & Forex Inc./Loss(-)	-151	42	0	0	0
PBT	1,285	2,207	3,074	4,144	5,431
Taxes	328	563	784	1,057	1,385
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	956	1,644	2,290	3,087	4,046
<b>Adjusted Net Profit</b>	<b>1,069</b>	<b>1,613</b>	<b>2,290</b>	<b>3,088</b>	<b>4,046</b>
Net Margin	4.9%	6.6%	8.3%	9.8%	11.2%
Diluted Share Cap. (mn)	193.5	193.5	193.5	193.5	193.5
<b>Diluted EPS (INR)</b>	<b>5.5</b>	<b>8.3</b>	<b>11.8</b>	<b>16.0</b>	<b>20.9</b>
Diluted EPS Growth	97.8%	50.9%	42.0%	34.8%	31.0%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,285	2,207	3,074	4,144	5,431
Depn. & Amort.	540	585	634	652	684
Net Interest Exp. / Inc. (-)	10	-89	-264	-504	-815
Inc (-) / Dec in WCap.	-418	-607	212	200	200
Others	542	313	0	0	0
Taxes Paid	-14	52	-784	-1,057	-1,385
<b>Operating Cash Flow</b>	<b>1,945</b>	<b>2,460</b>	<b>2,872</b>	<b>3,435</b>	<b>4,115</b>
Capex	-250	-556	-430	-430	-430
Free Cash Flow	1,695	1,904	2,442	3,005	3,685
Inc (-) / Dec in Investments	250	0	0	0	0
Others	-316	-1,129	193	433	743
<b>Investing Cash Flow</b>	<b>-316</b>	<b>-1,684</b>	<b>-237</b>	<b>3</b>	<b>313</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	-964	-250	0	0	0
Others	-237	-184	-41	-41	-41
<b>Financing Cash Flow</b>	<b>-1,201</b>	<b>-434</b>	<b>-41</b>	<b>-41</b>	<b>-41</b>
<b>Inc / Dec (-) in Cash</b>	<b>428</b>	<b>342</b>	<b>2,595</b>	<b>3,397</b>	<b>4,388</b>
Opening Cash Balance	548	2,175	2,517	5,111	8,508
Closing Cash Balance	975	2,517	5,111	8,508	12,896

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	42,256	44,087	46,377	49,464	53,510
Share Capital	1,935	1,935	1,935	1,935	1,935
Reserves & Surplus	40,322	42,152	44,442	47,529	51,576
Preference Share Capital	0	0	0	0	0
Minority Interest	12	12	12	12	12
Total Loans	249	0	0	0	0
Def. Tax Liab. / Assets (-)	8,101	8,073	8,073	8,073	8,073
<b>Total - Equity &amp; Liab.</b>	<b>50,619</b>	<b>52,172</b>	<b>54,462</b>	<b>57,550</b>	<b>61,596</b>
Net Fixed Assets	54,641	54,733	54,628	54,507	54,352
Gross Fixed Assets	3,064	3,373	3,773	4,173	4,573
Intangible Assets	52,287	52,402	52,402	52,402	52,402
Less: Depn. & Amort.	881	1,327	1,796	2,288	2,805
Capital WIP	172	286	250	221	183
Investments	550	590	590	590	590
Current Assets	6,090	8,044	11,267	15,416	20,670
Inventories	2,527	2,529	2,866	3,273	3,746
Sundry Debtors	1,375	1,801	2,041	2,331	2,668
Cash & Bank Balances	975	2,517	5,111	8,508	12,896
Loans & Advances	453	393	404	416	429
Other Current Assets	760	805	845	887	932
Current Liab. & Prov.	10,663	11,194	12,023	12,962	14,016
Current Liabilities	3,390	3,596	3,915	4,289	4,715
Provisions & Others	7,273	7,598	8,107	8,673	9,301
Net Current Assets	-4,572	-3,150	-756	2,453	6,654
<b>Total - Assets</b>	<b>50,619</b>	<b>52,172</b>	<b>54,462</b>	<b>57,550</b>	<b>61,596</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	4.9%	6.6%	8.3%	9.8%	11.2%
Asset Turnover (x)	0.4	0.4	0.4	0.5	0.5
Leverage Factor (x)	1.5	1.4	1.4	1.4	1.4
RoE	2.6%	3.7%	5.1%	6.4%	7.9%

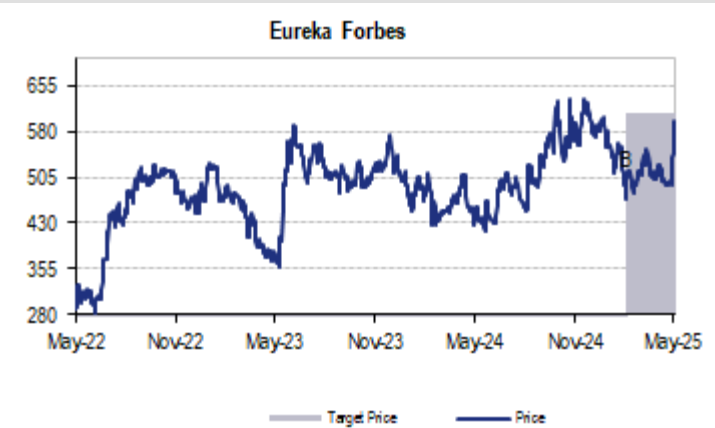
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	218.4	227.9	239.7	255.7	276.6
ROIC	2.6%	3.8%	5.1%	6.7%	8.6%
ROE	2.6%	3.7%	5.1%	6.4%	7.9%
Net Debt/Equity (x)	0.0	-0.1	-0.1	-0.2	-0.3
P/E (x)	107.7	71.4	50.3	37.3	28.5
P/B (x)	2.7	2.6	2.5	2.3	2.2
EV/EBITDA (x)	57.2	42.1	31.7	24.6	19.1
EV/Sales (x)	5.2	4.6	4.0	3.4	2.8
Debtor days	23	27	27	27	27
Inventory days	42	38	38	38	38
Creditor days	36	31	31	32	32

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
17-Feb-25	Buy	610	

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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