

Eureka Forbes Ltd (EFL) is a part of private equity firm Advent International which was bought from Shapoorji Pallonji group. EFL is engaged in the health and hygiene segment with diverse product categories such as water purifiers, vacuum cleaners and air purifiers in India.

- ✦ **Strengthened leadership team:** EFL is managed by Mr. Arvind Uppal as Chairman and Mr. Pratik Pota as MD & CEO since Aug'22. Additionally, it has recently made various changes in its top management in order to strengthen its operations from strategy head, technology to supply chain. We expect meaningful contribution of these changes over the long term.
- ✦ **Strong Financial Performance:**
  - EFL has successfully sailed through its transformation strategy with broad based volume growth in last six successive quarters, Q2 was a fourth successive quarter of double digit growth. FY24 was the first full year of transformation journey for EFL with PAT of Rs. 106.9 cr vs Rs. 42.5 cr in FY23, registering ~152% yoy growth.
  - EFL delivered revenue of Rs. 1,226 cr in H1FY25 vs Rs. 2,189 cr in FY24. We expect topline growth of ~14% CAGR between FY24-FY27E. Company's operating margin profile has also seen uptick from ~6% in FY23 to 10.5% in H1FY25.
  - The company operates on a very low working capital cycle of 1 month, with receivable days at ~22 days and inventory days of ~1.5-2 months. As on Sep'24, it has a net surplus of Rs. 119 cr.
- ✦ **Under penetration of water purifiers in India** which stood at ~7% in 2024 offers a huge opportunity for industry players to focus on expanding the penetration across various regions. EFL is investing heavily on advertisements to increase the awareness in the market, as a result, Q2 revenue grew by ~14.7% with advertisement expenses growth of 40% yoy.
- ✦ EFL is currently valued at 39.7x to FY27E EPS. EFL is driving its overall performance through various initiatives such as focus on advertising investment, increase in market penetration, savings from high cost service business while improving AMC metrics. We assign 50x of PE to FY27E EPS to arrive at target price of Rs. 694 with an upside of 26% over the CMP.

Figures in Rs Cr

Year	Revenues	Growth	EBIDTA	Margin	PAT	Margin	EPS	P/E	EV/EBITDA	ROE
FY24	2,189	5.2%	199	9.1%	107	4.9%	2.19	251.1x	50.5x	2.5%
FY25E	2,496	14.0%	264	10.6%	161	6.5%	8.34	66.0x	37.5x	3.8%
FY26E	2,845	14.0%	336	11.8%	219	7.7%	11.30	48.8x	28.8x	5.0%
FY27E	3,243	14.0%	401	12.4%	269	8.3%	13.88	39.7x	25.1x	6.0%

### FUNDAMENTAL TEAM

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