

## Eureka Forbes | BUY

## FY25 Annual report analysis

FY25 was a stellar year for Eureka Forbes (EFL), visible from a) step-up in product business sales growth (+17%) with significant acceleration in electric water purifier sales (+18.1%), b) service business starting to see green shoots with efforts on AMC unit sales and improving customer experience yielding results, c) margin expansion, despite stepped-up brand investments (+25.5%), led by better efficiencies/leverage benefit in staff cost, service charges, freight and IT expenses. We like EFL's growth story - execution so far has been impressive; a debt-free balance sheet, negative working capital and strong FCF generation provide comfort. With product business momentum sustaining, likely uptick in service business revenue over the next few quarters can lead to a further rerating. Maintain BUY with unchanged TP of INR 715 (40x Sep 27E EPS).

- **Strong momentum in product business led by acceleration in electric water purifiers, robotics and air purifiers:** Eureka Forbes delivered a strong performance in its products business in FY25, with growth accelerating to 17% YoY (vs. 12.7% in FY24), led by both volume and favourable price/mix. In terms of segments, electric water purifiers saw a sharp step-up in sales growth (up 18.1% vs. 10.6% in FY24), supported by focus on driving penetration sustained innovation and premiumisation. While overall growth in vacuum cleaners moderated on a high base (grew 12.8% vs. 18.9% in FY24), the robotics sub-segment continued to witness strong traction, led by innovation (3x increase in range) and rising adoption of convenient cleaning solutions.
- **Green shoots visible in service business, revenue flow-through expected from 4QFY26E:** The service business (1/3<sup>rd</sup> of FY25 sales) grew c.3% (vs. flat sales in FY24). While FY24 was about improving affordability through launch of tiered AMCs, the focus in FY25 was on enhancing customer experience (strengthened customer app/rolled out new service technician app), scaling up AMC unit sales (with personalised AMC recommendations, targeted campaigns to win back lapsed customers) and filter sales (through filter innovations and a separate go-to-market strategy). The outcome has been positive - the share of digitally booked complaints rose sharply to 80% in FY25 (vs. 33% in May'23), the active app installed base expanded to over 1.6mn (vs. 140k in May'23) and 64% of AMC bookings were digital in FY25 (vs. 28% in May'23), with dominant share from churned users. Increase in AMC units sales (double-digit booking seen in 1QFY26) points to green shoots and acceleration in service revenue should be visible from 4QFY26/FY27E.
- **Costs optimisation/scale benefits drives profitability:** Despite GM contracting by c.80bps (due to buyback, promotions), EBITDA margin expanded 182bps YoY (+116bps YoY ex-ESOP) in FY25 through rigorous cost optimisation, even as the company stepped up brand investments to drive growth. Savings in service charges (down 150bps as % to sales), staff costs (down 146bps as % to sales), and productivity improvements provided headroom for higher A&P spends (+124bps YoY as % to sales) while supporting overall margin expansion. We believe benefits of digital-led efficiencies & disciplined cost control will enable EFL to sustain transformation journey with enhanced growth and profitability.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	21,837	24,224	27,580	31,672	36,406
Sales Growth (%)	5.0	10.9	13.9	14.8	14.9
EBITDA	1,986	2,656	3,218	4,159	5,171
EBITDA Margin (%)	9.1	10.9	11.7	13.1	14.2
Adjusted Net Profit	1,069	1,613	2,116	2,972	3,932
Diluted EPS (INR)	5.5	8.3	10.9	15.4	20.3
Diluted EPS Growth (%)	97.8	50.9	31.2	40.5	32.3
ROIC (%)	2.6	3.8	4.7	6.4	8.3
ROE (%)	2.6	3.7	4.7	6.2	7.7
P/E (x)	99.7	66.1	50.4	35.9	27.1
P/B (x)	2.5	2.4	2.3	2.2	2.0
EV/EBITDA (x)	52.9	38.9	31.3	23.5	18.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 22/Aug/2025



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#### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	715
Upside/(Downside)	29.8%
Previous Price Target	715
Change	0.0%

#### Key Data – EUREKAFO IN

Current Market Price	INR551
Market cap (bn)	INR106.5/US\$1.2
Free Float	34%
Shares in issue (mn)	193.5
Diluted share (mn)	193.5
3-mon avg daily val (mn)	INR108.1/US\$1.2
52-week range	656/452
Sensex/Nifty	81,307/24,870
INR/US\$	87.5

#### Price Performance

%	1M	6M	12M
Absolute	-2.2	6.8	5.1
Relative*	-2.0	-2.0	4.8

\* To the BSE Sensex

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.

**Exhibit 1. Sustained uptick in advertising & sales promotion expenses with focus on driving penetration...**

Other expenses break-up (INR mn)	FY23	FY24	FY25
<b>Advertisement expenses</b>	<b>760</b>	<b>866</b>	<b>1,095</b>
Selling and Sales Promotion expenses	1,140	1,202	1,500
Freight, Forwarding and Delivery charges	556	649	677
Travelling and Conveyance expenses	152	168	202
Legal and Professional Fees	482	148	215
Service Charges	2,960	3,003	2,968
Information Technology Expenses	531	541	479
Logistics Expenses	200	197	245
Other Establishment Expenses	331	290	319
Wages to contractual workers	119	154	166
Logistics Expenses	200	197	245
Balance other expenses	600	306	221
<b>Total</b>	<b>8,031</b>	<b>7,722</b>	<b>8,332</b>

Source: Company, JM Financial

**Exhibit 2. ...while extracting efficiencies in service charge, freight and IT expenses...**

Other expenses	FY23	FY24	FY25
<b>Advertisement expenses</b>	<b>3.7%</b>	<b>4.0%</b>	<b>4.5%</b>
<b>Selling and Sales Promotion expenses</b>	<b>5.5%</b>	<b>5.5%</b>	<b>6.2%</b>
<b>Freight, Forwarding and Delivery charges</b>	<b>2.7%</b>	<b>3.0%</b>	<b>2.8%</b>
Travelling and Conveyance expenses	0.7%	0.8%	0.8%
Legal and Professional Fees	2.3%	0.7%	0.9%
<b>Service Charges</b>	<b>14.2%</b>	<b>13.8%</b>	<b>12.3%</b>
<b>Information Technology Expenses</b>	<b>2.6%</b>	<b>2.5%</b>	<b>2.0%</b>
Logistics Expenses	1.0%	0.9%	1.0%
Other Establishment Expenses	1.6%	1.3%	1.3%
Wages to contractual workers	0.6%	0.7%	0.7%
Logistics Expenses	1.0%	0.9%	1.0%
<b>Other misc expenses</b>	<b>2.9%</b>	<b>1.4%</b>	<b>0.9%</b>
<b>Total</b>	<b>38.6%</b>	<b>35.4%</b>	<b>34.4%</b>

Source: Company, JM Financial

**Exhibit 3. Staff costs as % to sales have moderated – benefit of scale & reduction in permanent employee count**

Particulars	FY23	FY24	FY25
Permanent employee count	2,884	2,633	2,721
Staff cost ex-ESOP (INR mn)	3,031	2,953	3,084
ESOP Charges (INR mn)	-	345	221
<b>Staff cost (incl ESOP) as % to sales</b>	<b>14.6%</b>	<b>15.1%</b>	<b>13.6%</b>

Source: Company, JM Financial

**Exhibit 4. EFL's invested capital (ex-cash/goodwill/intangible assets) remains negative**

Particulars (INR mn)	FY23	FY24	FY25
Average capital employed	60,790	60,799	62,336
Goodwill + other Intangible assets	51,867	51,734	51,595
C&CE	185	613	955
<b>Invested Capital (ex – cash/goodwill/intangible assets)</b>	<b>(10,860)</b>	<b>(11,729)</b>	<b>(13,131)</b>

Source: Company, JM Financial

**Exhibit 5. Working capital remains negative led by AMC advances**

Working Capital (INR mn)	FY23	FY24	FY25
Inventory	2,200	2,527	2,529
Debtors	1,237	1,375	1,801
Short term loans	1	5	5
Other Current Financial Assets	9	9	6
Other Current Assets	552	632	530
Payable	2,087	1,936	1,832
<b>Contract Liabilities (Current)</b>	<b>3,910</b>	<b>3,771</b>	<b>3,286</b>
<b>Contract Liabilities (Non-Current)</b>	<b>1,173</b>	<b>1,288</b>	<b>1,495</b>
Advance from customers	130	190	330
<b>Working Capital</b>	<b>(3,300)</b>	<b>(2,637)</b>	<b>(2,071)</b>

Source: Company, JM Financial

**Exhibit 6. OCF generation remains healthy enabling to step up capex to build capabilities as well as drive FCF**

Particulars (INR mn)	FY23	FY24	FY25
OCF	1,806	1,945	2,460
<b>Less: Capex</b>	<b>132</b>	<b>250</b>	<b>556</b>
FCF	1,674	1,695	1,904

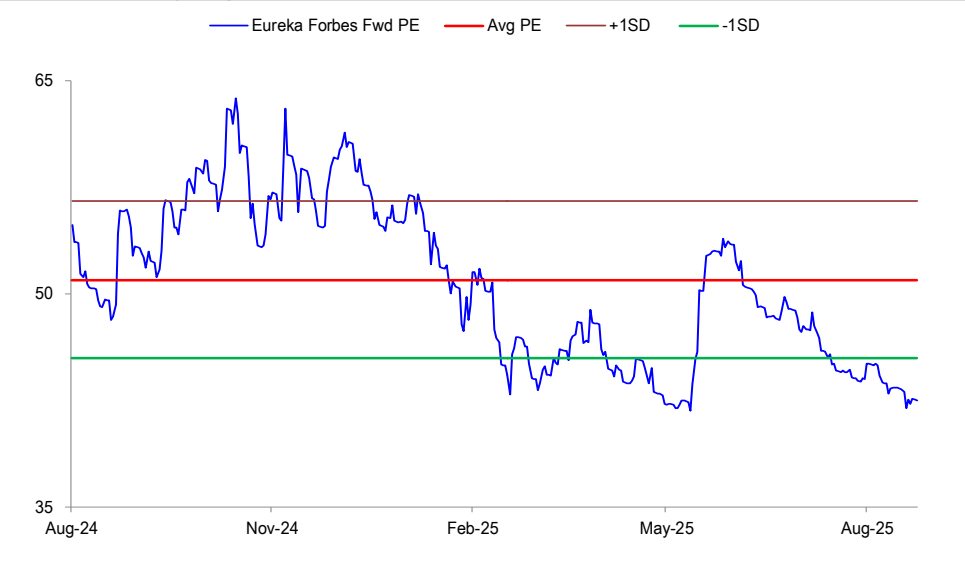
Source: Company, JM Financial

**Exhibit 7. Key launches in different product segments – 30+ new products launched in FY25**

Product Segment	FY25	FY24
<b>Water Purifiers / Water Softeners</b>	<ul style="list-style-type: none"> <li>• Heavy Metal Remover Technology</li> <li>• Water Saver Technology</li> <li>• Mercury Free LED for microbial disinfection</li> <li>• Instant UV LED reactor inline UTC Water Purifier</li> <li>• Aqua guard with Nanopore Long-life filters</li> <li>• Water Saver Auto flush system</li> <li>• Smart Technology features like display of TDS levels, tracking filter life.</li> </ul>	<ul style="list-style-type: none"> <li>• Intellimix technology</li> <li>• SlimTech</li> <li>• UV LED technology</li> <li>• Water quality Indicator</li> <li>• Iron Absorption</li> <li>• Instant Hot Technology</li> </ul>
<b>Vacuum Cleaners</b>	<ul style="list-style-type: none"> <li>• Smart Clean Robotic cleaner</li> <li>• 5-Minute Quick Mapping in Robotic Vacuum Cleaners</li> <li>• Cordless Upright Vacuum cleaner with cyclonic technology</li> </ul>	<ul style="list-style-type: none"> <li>• Cordless Upright vacuum cleaner</li> <li>• Pet grooming kit</li> </ul>
<b>Air Purifiers</b>	<ul style="list-style-type: none"> <li>• Smart Air Purifiers</li> </ul>	<ul style="list-style-type: none"> <li>• Surround 360 degree air technology</li> </ul>

Source: Company, JM Financial

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



## Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	21,837	24,224	27,580	31,672	36,406
Sales Growth	5.0%	10.9%	13.9%	14.8%	14.9%
Other Operating Income	56	146	0	0	0
<b>Total Revenue</b>	<b>21,893</b>	<b>24,369</b>	<b>27,580</b>	<b>31,672</b>	<b>36,406</b>
Cost of Goods Sold/Op. Exp	8,886	10,077	11,446	13,144	15,108
Personnel Cost	3,298	3,305	3,520	3,784	4,069
Other Expenses	7,722	8,332	9,397	10,585	12,058
<b>EBITDA</b>	<b>1,986</b>	<b>2,656</b>	<b>3,218</b>	<b>4,159</b>	<b>5,171</b>
EBITDA Margin	9.1%	10.9%	11.7%	13.1%	14.2%
EBITDA Growth	37.0%	33.7%	21.2%	29.3%	24.3%
Depn. & Amort.	540	580	636	656	678
EBIT	1,446	2,076	2,582	3,504	4,493
Other Income	88	146	298	526	827
Finance Cost	98	56	41	41	41
PBT before Excep. & Forex	1,436	2,165	2,840	3,989	5,278
Excep. & Forex Inc./Loss(-)	-151	42	0	0	0
PBT	1,285	2,207	2,840	3,989	5,278
Taxes	328	563	724	1,017	1,346
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	956	1,644	2,115	2,971	3,932
<b>Adjusted Net Profit</b>	<b>1,069</b>	<b>1,613</b>	<b>2,116</b>	<b>2,972</b>	<b>3,932</b>
Net Margin	4.9%	6.6%	7.7%	9.4%	10.8%
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>10.9</b>	<b>15.4</b>	<b>20.3</b>
Diluted EPS Growth	97.8%	50.9%	31.2%	40.5%	32.3%
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	2,840	3,989	5,278
Depn. & Amort.	540	580	636	656	678
Net Interest Exp. / Inc. (-)	10	-89	-257	-485	-786
Inc (-) / Dec in WCap.	-418	-607	216	183	182
Others	542	318	0	0	0
Taxes Paid	-14	52	-724	-1,017	-1,346
<b>Operating Cash Flow</b>	<b>1,945</b>	<b>2,460</b>	<b>2,709</b>	<b>3,325</b>	<b>4,006</b>
Capex	-250	-556	-430	-430	-430
Free Cash Flow	1,695	1,904	2,279	2,895	3,576
Inc (-) / Dec in Investments	250	0	0	0	0
Others	-316	-1,129	187	414	714
<b>Investing Cash Flow</b>	<b>-316</b>	<b>-1,684</b>	<b>-243</b>	<b>-16</b>	<b>284</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>2,425</b>	<b>3,268</b>	<b>4,249</b>
Opening Cash Balance	548	2,175	2,517	4,942	8,209
Closing Cash Balance	975	2,517	4,942	8,209	12,459

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	42,256	44,087	46,202	49,174	53,106
Share Capital	1,935	1,935	1,935	1,935	1,935
Reserves & Surplus	40,322	42,152	44,268	47,239	51,172
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>54,288</b>	<b>57,260</b>	<b>61,192</b>
Net Fixed Assets	54,641	54,733	54,627	54,502	54,354
Gross Fixed Assets	3,064	3,315	3,715	4,115	4,515
Intangible Assets	52,287	52,421	52,421	52,421	52,421
Less: Depn. & Amort.	881	1,289	1,748	2,228	2,730
Capital WIP	172	286	239	194	147
Investments	550	590	590	590	590
Current Assets	6,090	8,044	11,091	15,141	20,288
Inventories	2,527	2,529	2,862	3,287	3,778
Sundry Debtors	1,375	1,801	2,039	2,341	2,691
Cash & Bank Balances	975	2,517	4,942	8,209	12,459
Loans & Advances	453	393	404	416	429
Other Current Assets	760	805	845	887	932
Current Liab. & Prov.	10,663	11,194	12,020	12,972	14,040
Current Liabilities	3,390	3,596	3,913	4,299	4,738
Provisions & Others	7,273	7,598	8,107	8,673	9,301
Net Current Assets	-4,572	-3,150	-929	2,168	6,249
<b>Total - Assets</b>	<b>50,619</b>	<b>52,172</b>	<b>54,288</b>	<b>57,260</b>	<b>61,192</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	4.9%	6.6%	7.7%	9.4%	10.8%
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%	4.7%	6.2%	7.7%

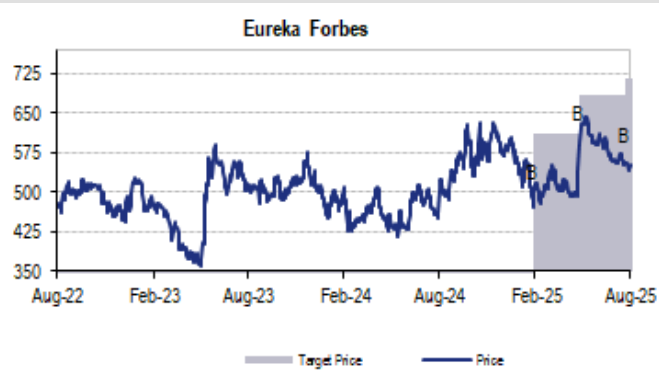
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	218.4	227.9	238.8	254.2	274.5
ROIC	2.6%	3.8%	4.7%	6.4%	8.3%
ROE	2.6%	3.7%	4.7%	6.2%	7.7%
Net Debt/Equity (x)	0.0	-0.1	-0.1	-0.2	-0.2
P/E (x)	99.7	66.1	50.4	35.9	27.1
P/B (x)	2.5	2.4	2.3	2.2	2.0
EV/EBITDA (x)	52.9	38.9	31.3	23.5	18.0
EV/Sales (x)	4.8	4.2	3.7	3.1	2.6
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	
16-May-25	Buy	685	12.3
12-Aug-25	Buy	715	4.4

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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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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