

Eureka Forbes (EUREKAFO) - BUY

Company Update

Current Market Price (CMP)

Rs.571

Target Price

Rs.700

Rationale:

- Distribution—expanding reach and improving in-store presence.
- Service business—key focus area in second phase of transformation.
- Unique stock option plan—most of the options are performance-based.
- Cost optimization enabling margin expansion, despite a step-up in A&P spends.
- We expect EPS (earnings per share) to grow by 56.5% in FY25E and by 35.9% in FY26E.
- We maintain our estimates and Fair Value of Rs700.

Company update:

Positives:

- Co. has moved from net debt of Rs160 cr as of Mar 2022 to net cash of Rs130 cr as of Mar 2024.
- Tech upgrades—shift to digital invoices, new partner and customer facing.
- Manufacturing—reducing dependence on Chinese imports for rolled membrane.

Negatives:

- Return ratios are low.

(A&P: Advertisement & Promotion)

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For detailed report dated 11th Sep 2024. Note: CMP & valuation may differ due to difference in dates.



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