

Eureka Forbes (EUREKAFO)

Consumer Durables & Apparel

BUY

CMP(₹): 595

Fair Value(₹): 800

Sector View: **Cautious**

NIFTY-50: 25,020

May 17, 2025

On the right track

Eureka Forbes (EFL) reported 10.9% growth in continuing business in 4Q, led by high-teens growth in the product business. This came with a 13% adj. EBITDA margin (all-time high), despite 28% growth in A&P spends. EFL ticked most of the boxes in FY2025—(1) product growth acceleration to high teens, (2) margin expansion despite a step-up in A&P spends, led by a tight control on other costs and (3) healthy FCF generation. Service growth, though weak at present, is expected to improve in FY2026. We raise estimates by 2-3%, roll over and revise our DCF-based FV to Rs800 (53X June 2027E PE). **BUY.**

4QFY25: Double-digit growth momentum continues

Consolidated revenues grew 10.7% yoy to Rs6.1 bn (~0.7% beat), led by the sixth-consecutive quarter of DD growth (up 10.9% in 4Q versus 11.3% in 3Q) in the continuing business (standalone). The product business grew in the high teens, led by premium electric water purifiers and robotic vacuum cleaners. GM was up 40/190 bps yoy/qoq to 59.7% (~175 bps beat). The sequential improvement was due to a better product mix, cost efficiencies and lower consumer promotions. Service charges grew 4.3% yoy to Rs827 mn. Service charges (as % of sales) fell 80 bps yoy to 13.5% (KIE: 13.6%). Employee expenses (ex-ESOP) grew 5.2% yoy, while ESOP charges fell 78% yoy due to year-end adjustments. Other expenses grew 12.1% yoy due to 28.3% growth in A&P. EBITDA margin (ex-ESOP) expanded 160 bps yoy to 12.9% (KIE: 11.8%), driving ~26.6% yoy growth in EBITDA to Rs792 mn (~10.5% beat). The margin expansion was led by operating leverage and cost optimization. PBT/PAT growth stood at 65%/32% yoy, aided by a 30% decline in finance costs and 133% growth in other income.

Focus on product innovation and service growth to accelerate growth in FY2026

EFL expects the product business to continue in its mid-to-high teens growth trajectory in FY2026, notwithstanding the challenging market conditions. The company will maintain its thrust on innovation to (1) further reduce the total cost of ownership in water purifiers so as to accelerate penetration, (2) improve its premium mix by scaling up smart water purifiers and robotic vacuum cleaners. In vacuum cleaners, management highlighted that robotic vacuum cleaners have grown at 100% CAGR in the past few years, and it expects this category to grow at 75-110% CAGR in the next few years as well. On the service front, management expects growth to accelerate in the next 3-4 quarters. It has seen AMC volume growth, improvement in customer NPS scores and green shoots in service revenues as well. Without sharing any explicit guidance, management shared that the EBITDA margin will keep expanding year after year, even as it further ramps up A&P spends.

We raise estimates by 2-3% and roll over; FV rises to Rs800 (from Rs750)

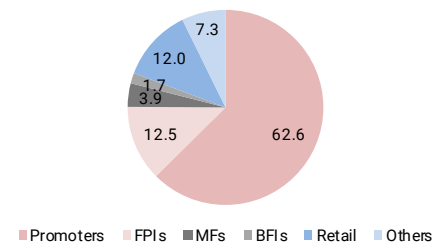
We raise revenues marginally and margin forecasts by 30 bps, leading to a 2-3% increase in FY2026-27E EPS. We roll over and raise our DCF-based FV to Rs800 (~53X June 2027E EPS). Maintain **BUY.**

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	595/800/BUY
52-week range (Rs) (high-low)	648-397
Mcap (bn) (Rs/US\$)	115/1.3
ADTV-3M (mn) (Rs/US\$)	146/1.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	17	21	39
Rel. to Nifty	10	12	27
Rel. to MSCI India	10	11	31

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	7.9	10.4	14.4
EPS growth (%)	71.9	32.6	37.7
P/E (X)	75.7	57.1	41.4
P/B (X)	2.8	2.7	2.5
EV/EBITDA (X)	42.2	33.2	24.9
RoE (%)	3.7	4.7	6.1
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	24	28	32
EBITDA (Rs bn)	2.7	3.3	4.3
Net profits (Rs bn)	1.6	2.2	3.0

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 16, 2025

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Umang Mehta

Jaykumar Doshi

Eesha Mohanty

Praneeth Reddy

FY2025 roundup

Revenue/EBITDA/PAT grew by 11.3%/33.7%/44.6% yoy to Rs24.4 bn/Rs2.7 bn/Rs1.6 bn. EBITDA margin expanded by 182 bps to 10.9%, despite 25.5% increase in A&P spends. Net cash stood at Rs2.6 bn as of March 2025 (versus Rs1.2 bn as of March 2024).

Key takeaways from earnings call

- ▶ **Revenue growth.** Consolidated revenues grew 10.7% yoy in 4Q, continuing its momentum to deliver double-digit growth for the sixth consecutive quarter. The product business witnessed high-teens growth, led by premium electric water purifiers and robotics vacuum cleaners. The growth was driven by both higher volumes and mix, supported by innovation, improved visibility, customer experience, digitization and cost efficiencies. **Management expects the product business to grow in mid-to-high teens rate in the near term.** Revenues from **continuing businesses** (excluding discontinued businesses, namely health conditioners, Corona Guard, safety & security devices, Forbes Pro Cleaning Services, exports and semi-finished goods sales) grew **~10.9% yoy** (versus 11.3% in 3Q).
 - **Water purifier revenues.** This category witnessed sustained volume growth, led by both premium and economy segment. The product portfolio is well balanced across economy, mass premium and premium category. Management is focused on reducing the total cost of ownership—covering both upfront and recurring costs—to boost category penetration. Recent launches such as Aura 2X on the online platforms and Aquaguard Enhanced NXT present in modern retail, feature a two-year filter life, lowering ownership costs. Additionally, the gains from premium categories will be invested in the economy segment, driving penetration further. The company also plans to continue premiumization with new product launches in the next 3-4 months, and expects strong traction for the IoT-enabled smart purifiers in FY2026E.
 - **Vacuum cleaners.** Management emphasized its market leadership in robotic vacuum cleaners, a category that has grown 100% yoy in the past three years. The company expects 75-110% growth in the next few years as well. Initially driven by e-commerce and online channels, the category has now expanded into general and modern trade, signaling broader market acceptance. The company is witnessing increased acceptance of this category across metros and believes the same growth trajectory as washing machine. The company has appointed Shraddha Kapoor as the brand ambassador for its vacuum cleaner range.
 - **Air purifier sales** grew about 3-4X faster than the industry forecasts (over a small base) in FY2025, led by innovations and GTM strategy.
 - **Service revenues.** The company continued to witness significant increase in customer satisfaction and experience. The company has witnessed green shoots in FY2025, as the company saw growth in the AMC units. This growth was driven by initiatives such as tiered AMC offerings, D2C investments, digitization, awareness campaigns for genuine filters, GTM strategy for filters, and partnerships with technicians. To enhance service efficiency, the company launched a technician app 45 days ago, enabling real-time monitoring and enforcing complaint resolution protocols—preventing new complaints from being addressed until the previous one is closed by the customer. While service revenue has grown yoy, its saliency to the overall topline has declined in FY2025. Management expects value growth to align with volume growth over time, as service revenue is amortized (expect improvement in next 3-4 quarters).
- ▶ **Margins.** Gross margins expanded by 38 bps/188 bps yoy/qoq to 59.7%, led by a better product mix, cost efficiencies and the buyback program. The company highlighted that as it has scaled up, it can negotiate better with vendors, aiding the GM. The gross margins for the service business is better than the product business. The company continues to invest in A&P. EBITDA margin (ex-ESOP) expanded 162 bps yoy to 12.9%, driving ~27% yoy growth in EBITDA to Rs792 mn. This was led by operating leverage and a structured cost optimization program.
 - **Service charges** grew by 4.3%/12.3% yoy/qoq to Rs827 mn, while service charges (as % of sales) declined 82 bps yoy to 13.5%.
 - **Employee costs** (including ESOP) declined 3.8% yoy, while ESOP expenses declined 78%/63.4% yoy/qoq to Rs21 mn. The drop was attributed to year-end adjustments. Going forward, management expects the ESOP expenses to remain at Rs50-55 mn per quarter.

- **Extraordinary.** The company reported a Rs100 mn gain from an insurance claim related to a fire incident at its Delhi warehouse in 4QFY24. However, this was offset by a Rs88 mn loss due to the phasing out of certain product categories and models, including their components, driven by changing economic conditions and technological obsolescence.
- Legacy costs such as IT costs have decreased in absolute terms and as a percentage of sales on the back of improved technology and renegotiations of contract terms.

Revenues from continuing operations grew by 10.9% yoy in 4QFY25

Exhibit 1: Consolidated quarterly results of Eureka Forbes, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			2025	2024	yoy (%)
					KIE	yoy	qoq			
Total Income	6,127	6,087	5,536	5,977	0.7	10.7	2.5	24,369	21,893	11.3
Total Expenditure	(5,356)	(5,430)	(5,003)	(5,386)	(1.4)	7.1	(0.6)	(21,713)	(19,906)	9.1
Raw materials	(2,472)	(2,564)	(2,255)	(2,524)	(3.6)	9.6	(2.1)	(10,077)	(8,886)	13.4
Service charges	(827)	(827)	(793)	(736)	0.0	4.3	12.3	(2,968)	(3,003)	(1.2)
Employee expense (incl. ESOP)	(816)	(832)	(849)	(795)	(1.9)	(3.8)	2.7	(3,305)	(3,298)	0.2
ESOP expense	(21)	(60)	(92)	(57)	(65.3)	(77.5)	(63.4)	(221)	(345)	(35.9)
Other expenditure	(1,241)	(1,208)	(1,107)	(1,331)	2.8	12.1	(6.8)	(5,364)	(4,720)	13.6
EBITDA	771	656	533	591	17.4	44.6	30.3	2,656	1,986	33.7
EBITDA (%)	12.6	10.8	9.6	9.9	180 bps	295 bps	269 bps	10.9	9.1	182 bps
EBITDA pre-ESOP	792	716	625	648	10.5	26.6	22.1	2,877	2,331	23.4
EBITDA pre-ESOP (%)	12.9	11.8	11.3	10.8	115 bps	162 bps	208 bps	11.8	10.6	116 bps
Depreciation	(151)	(152)	(140)	(151)	(0.8)	7.6	(0.0)	(580)	(540)	7.4
Interest	(11)	(15)	(16)	(12)	(25.2)	(30.4)	(6.8)	(56)	(98)	(42.4)
Other income	44	47	19	44	(6.7)	132.8	(0.9)	146	88	65.9
PBT	653	537	396	473	21.6	64.9	38.0	2,165	1,436	50.8
Exceptional items	12	-	(151)	-				42	(151)	
Tax expense	(170)	(137)	(31)	(123)	23.8	455.7	38.3	(563)	(328)	71.5
PAT	495	400	214	350	23.8	131.4	41.2	1,644	956	71.9
Adjusted PAT	483	400	365	350	20.9	32.2	37.9	1,602	1,108	44.6
Fully diluted share count (mn)	209	209	209	209				209	209	
Adjusted EPS	2.3	1.9	1.7	1.7	20.9	32.2	37.9	7.7	5.3	44.6
Key ratios (as % of revenues)										
Gross margin	59.7	57.9	59.3	57.8	177 bps	38 bps	188 bps	58.6	59.4	(76)bps
Service charges	13.5	13.6	14.3	12.3	(9)bps	(82)bps	118 bps	12.2	13.7	(154)bps
Employee cost	13.3	13.7	15.3	13.3	(35)bps	(201)bps	3 bps	13.6	15.1	(150)bps
Other expenditure	20.3	19.8	20.0	22.3	42 bps	26 bps	(202)bps	22.0	21.6	45 bps
Effective tax rate	25.6	25.6	12.5	26.0	(0)bps	1,305 bps	(40)bps	25.5	25.5	(5)bps

Source: Company, Kotak Institutional Equities

We raise EPS estimates by 2-3%, led by an increase in margin forecasts

Exhibit 2: Eureka Forbes—key changes to earnings estimates, March fiscal year-ends (Rs mn, %)

	Revised estimates (Rs mn, %)		Old estimates (Rs mn, %)		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Revenues	27,858	32,128	27,789	31,916	0.2	0.7
Gross profit	16,182	18,528	16,080	18,361	0.6	0.9
Gross margin (%)	58.1	57.7	57.9	57.5	20 bps	10 bps
EBITDA	3,311	4,288	3,225	4,156	2.7	3.2
EBITDA (%)	11.9	13.3	11.6	13.0	30 bps	30 bps
PAT	2,180	3,003	2,130	2,929	2.3	2.5
EPS (Rs)	10.4	14.4	10.2	14.0	2.3	2.5

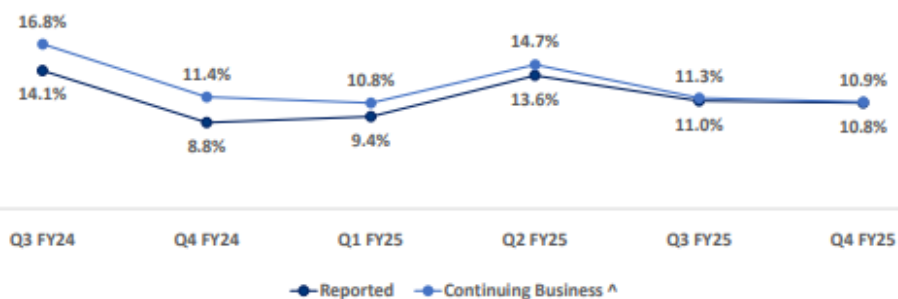
Source: Company, Kotak Institutional Equities estimates

EFL's continuing business saw sixth-consecutive quarter of double-digit growth

Exhibit 3: Eureka Forbes—growth of continuing and overall business

Revenue : Sixth consecutive quarter of double-digit growth

Revenue Growth



- Double-digit growth momentum continued with 10.9% YoY increase in Continuing business
- Products business delivered high-teens growth
- EWP Premium portfolio and Robotics continued to drive growth in Q4

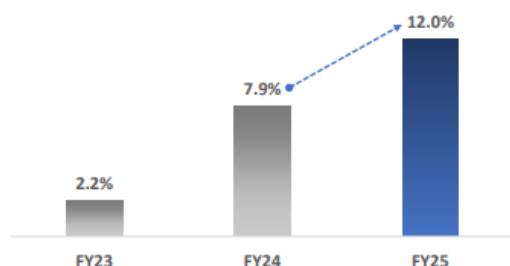
Note: Continuing business growth excludes discontinued businesses/portfolio (Health Conditioner, Corona Guard, Safety and Security Devices, Forbes Pro Cleaning Services, Exports & Semi Finished Goods sales)

Source: Company, Kotak Institutional Equities

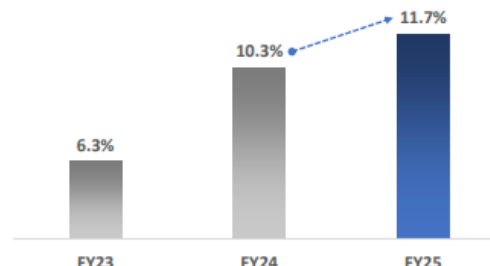
Exhibit 4: Eureka Forbes has ticked most of the boxes in FY2025

FY25 in Summary : Step-up in both revenue growth & profitability

Revenue Growth

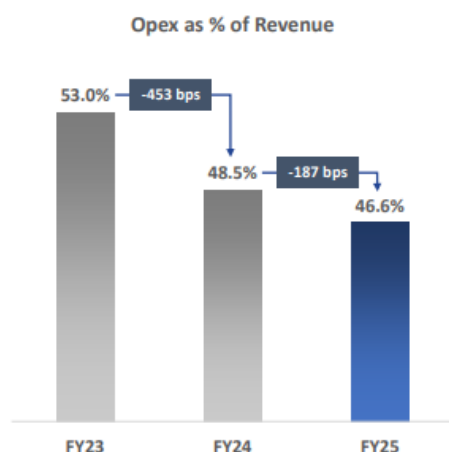


Adjusted EBITDA margins



Operating leverage enabling growth investments & profitability improvement

Improving Operating Leverage



Strong Cost Management

Particulars (Rs. Cr)	FY25	FY24	Change (YoY)
Employee expenses	306.4	293.3	4.4%
% of revenue	12.6%	13.4%	
Service charges	298.4	301.6	-1.1%
% of revenue	12.2%	13.8%	
A&SP	259.5	206.8	25.5%
% of revenue	10.7%	9.4%	
Other expenses	272.0	260.2	4.5%
% of revenue	11.2%	11.9%	
Total operating expenses	1,136.2	1,062.0	7.0%
% of revenue	46.6%	48.5%	
Operating expenses (ex. A&SP)	876.7	855.2	2.5%
% of revenue	36.0%	39.1%	

Source: Company, Kotak Institutional Equities

Exhibit 5: Eureka Forbes—revenue breakdown by category, March fiscal year-ends (Rs mn)

Segment revenues (Rs mn)	2018	2019	2020	2021	2023	2024	2025E	2026E	2027E	2028E
Water purifiers	13,127	12,988	13,801	11,997	16,780	17,743	19,044	21,233	24,399	28,142
- Products	8,663	8,198	8,597	7,172	9,239	10,222	11,384	12,823	14,645	16,710
- Services	4,464	4,790	5,204	4,825	7,540	7,521	7,615	8,277	9,285	10,536
- Rentals	0	0	0	0	0	0	44	133	469	897
Vacuum cleaners	2,521	2,487	2,658	2,620	2,450	2,913	4,049	5,263	6,316	7,390
Air purifiers	136	137	145	160	197	237	426	639	799	999
Other businesses	2,073	2,811	2,249	3,085	1,419	1,000	850	723	614	522
Total revenues	17,857	18,423	18,854	17,863	20,845	21,893	24,369	27,858	32,128	37,053

Growth (% yoy)										
Water purifiers (products)	(10.9)	(5.4)	4.9	(16.6)	0.0	10.6	11.4	12.6	14.2	14.1
Water purifiers (services)	21.7	7.3	8.6	(7.3)	0.0	(0.3)	1.3	8.7	12.2	13.5
Water purifiers (rentals)								198.1	253.9	91.0
Vacuum cleaners	(8.3)	(1.4)	6.9	(1.4)	0.0	18.9	39.0	30.0	20.0	17.0
Air purifiers	(14.2)	0.6	6.0	10.5	0.0	20.0	80.0	50.0	25.0	25.0
Other business	42.6	35.6	(20.0)	37.2	0.0	(29.5)	(15.0)	(15.0)	(15.0)	(15.0)
Total revenues	(2.6)	3.2	2.3	(5.3)	0.0	5.0	11.3	14.3	15.3	15.3

Salience (%)										
Water purifiers	48.5	44.5	45.6	40.2	44.3	46.7	46.7	46.0	45.6	45.1
Vacuum cleaners	14.1	13.5	14.1	14.7	11.8	13.3	16.6	18.9	19.7	19.9
Air purifiers	0.8	0.7	0.8	0.9	0.9	1.1	1.7	2.3	2.5	2.7
Other business	11.6	15.3	11.9	17.3	6.8	4.6	3.5	2.6	1.9	1.4
Services	25.0	26.0	27.6	27.0	36.2	34.4	31.2	29.7	28.9	28.4

Note: Company's historical numbers are not exactly comparable with numbers of FY2023 and beyond, due to restructuring of several entities

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: Condensed consolidated financials of EFL, March fiscal year-ends (Rs mn)

	2023	2024	2025	2026E	2027E	2028E
Profit model						
Revenue	20,845	21,893	24,369	27,858	32,128	37,053
Gross profit	12,513	13,007	14,292	16,182	18,528	21,243
EBITDA	1,450	1,986	2,656	3,311	4,288	5,321
EBITDA ex-ESOPs	1,450	2,331	2,877	3,531	4,508	5,541
Other income	102	88	146	317	512	566
Finance cost	(203)	(98)	(56)	(56)	(56)	(56)
Depreciation and amortization	(565)	(540)	(580)	(626)	(687)	(844)
Extraordinary items	(400)	(151)	42	—	—	—
Profit before tax	385	1,285	2,207	2,946	4,057	4,987
Tax expense	(120)	(328)	(563)	(766)	(1,055)	(1,296)
Minority interest	(1)	—	—	—	—	—
PAT	264	957	1,644	2,180	3,003	3,690
Basic EPS (Rs)	1.4	4.9	8.5	11.3	15.5	19.1
Diluted EPS (Rs)	1.3	4.6	7.9	10.4	14.4	17.6
Balance sheet						
Equity	40,988	42,268	44,099	46,279	49,282	52,972
Minority interest	12	12	12	12	12	12
Total borrowings	1,210	249	—	—	—	—
Current liabilities and provisions	9,575	9,556	9,530	10,092	11,161	12,446
Total liabilities	19,317	19,026	19,279	19,972	21,241	22,773
Total equity and liabilities	60,306	61,294	63,378	66,251	70,522	75,746
Net fixed assets	2,942	2,896	3,118	3,407	3,880	7,561
Goodwill/Intangible assets	51,891	51,746	51,614	51,343	51,072	50,801
Investments	875	676	749	749	749	749
Cash and equivalents	185	613	955	3,128	6,387	7,267
Current assets and miscellaneous	4,969	6,073	7,977	10,832	14,902	16,715
Total assets	60,306	61,294	63,378	66,251	70,522	75,746
Free cash flow						
Operating cash flow	1,806	1,945	2,460	2,557	3,690	4,626
Capital expenditure	(213)	(284)	(597)	(583)	(813)	(4,169)
Free cash flow	1,594	1,661	1,863	1,974	2,877	458
FCF per share	7.6	7.9	8.9	9.4	13.8	2.2
Ratios						
Revenue growth (%)	NA	5.0	11.3	14.3	15.3	15.3
Gross margin (%)	60.0	59.4	58.6	58.1	57.7	57.3
EBITDA margin (%)	7.0	9.1	10.9	11.9	13.3	14.4
EBITDA margin ex-ESOP(%)	7.0	10.6	11.8	12.7	14.0	15.0
PAT margin (%)	3.2	5.1	6.6	7.8	9.3	10.0
Net debt/equity (X)	0.0	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)
Book value (Rs/share)	212	218	228	239	255	274
RoAE (%)	1.6	2.7	3.7	4.8	6.3	7.2
RoACE (%)	2.0	3.2	4.5	5.5	6.8	7.9

Source: Company, Kotak Institutional Equities estimates

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

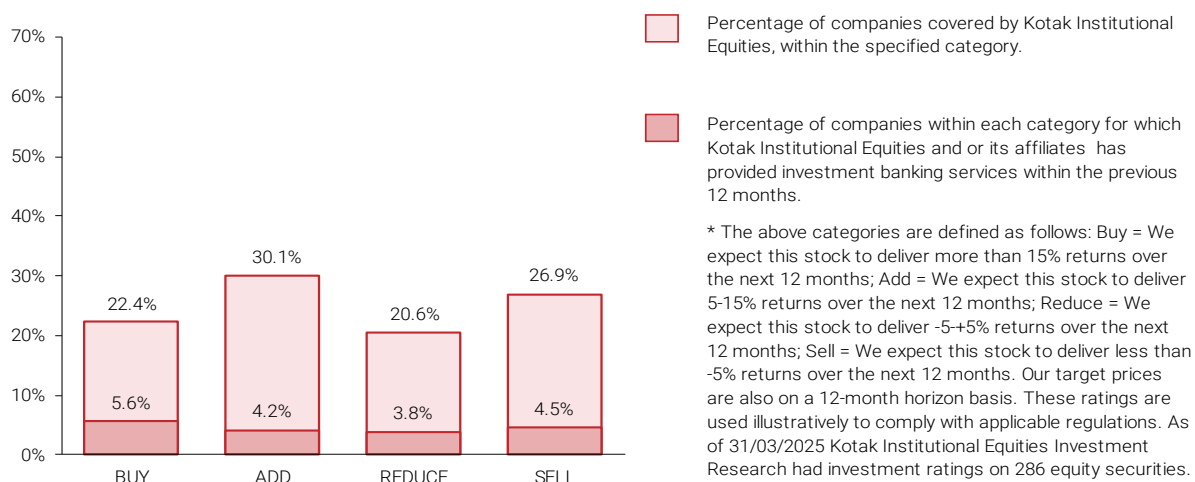
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

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Source: Kotak Institutional Equities

As of March 31, 2025

Coverage view

The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: **Attractive, Neutral, Cautious.**

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