

Eureka Forbes Limited

December 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	301.25 (Reduced from 320.00)	CARE AA-; Stable	Upgraded from CARE A+; Stable
Issuer rating	0.00	CARE AA-; Stable	Upgraded from CARE A+; Stable

Details of facilities in Annexure-1.

Rationale and key rating drivers

Revision in the rating assigned to long-term bank facilities and issuer rating of Eureka Forbes Limited (EFL) factors in the significant and sustained improvement in scale of operations and profitability in the last two years led by cost rationalisation and productivity improvement initiatives taken by its management. EFL reported a consistent growth in revenue post-acquisition by Advent International Corporation (Advent), the company has reported a growth of 5% and 12% in FY24 and H1FY25 respectively after years of muted growth observed with the erstwhile management. CARE Ratings Limited (CARE Ratings) expects the scale to further improve on a y-o-y basis, while maintaining profitability. Profit before interest, lease, depreciation and tax (PBILDT) before exceptional items margins too expanded from ~6% in FY23 to ~11% in H1FY25 on standalone basis. The industry outlook for water purifier and vacuum cleaner segments continues to be robust with increasing urbanisation, income levels, higher participation of female labour in workforce, and rising emphasis on health and hygiene among others. EFL is the market leader in water purifier and vacuum cleaner segments with a market share of over 40% and 60% respectively and has been gaining market share over the last two years (per the Management articulation). Driven by strong industry outlook EFL is expected to sustain the growth momentum in scale and profitability with minimal reliance on external debt.

EFL's financial profile continues to be strong reporting a net debt negative position by end of FY24. Its consolidated net debt level reduced from ₹177 crore as on March 31, 2022, to surplus of ₹124 crore as on September 30, 2024, with a cash balance & liquid investments of ₹203 crore as on September 30, 2024. With lean operating cycle and no major capex plans, the total debt to PBILDT (TD/PBILDT) is expected to sustain at below unity in the medium term.

The rating continues to derive strength from established brand presence and leadership position in water purifiers and vacuum cleaners' market in India with its well-established nationwide distribution network, optimal utilisation of existing installed capacity, experienced board members and management team, and strong liquidity position.

However, rating strengths are tempered by susceptibility to raw material price volatility and presence in highly competitive market with changing market dynamics and customer preferences.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Continuous improvement in scale of operations and profitability.

Negative factors

- Increase in TD/PBILDT above 1x on a sustained basis.
- Any large debt funded acquisition/investment impacting liquidity/financial position.
- Decline in scale of operations and profitability on a sustained basis.

Analytical approach: Consolidated, as there exists business, financial and management linkage with the subsidiaries. List of companies consolidated is listed under Annexure 6.

Outlook: Stable

The stable outlook reflects expectation of continued leadership position in water purifiers and vacuum cleaners markets in India, stable scale of business, sustained profitability and adequate liquidity position.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:**Key strengths****Significant improvement in margins aided by cost rationalisation measures in the last two years**

Post takeover by Advent, the management has undertaken cost rationalisation and initiatives (investment in marketing, digitalisation, R&D). Cost efficiencies and new product launch/improved services resulted in revenue growth and margin expansion. In FY24, EFL reported 5% growth in sales from ₹2,085 crore in FY23 to ₹2,189 crore and 12% growth in H1FY25 to ₹1,227 crore on y-o-y basis. Consistent improvement in scale of operations supported by cost rationalisation measures has boosted the margins from ~6% in FY23 to ~11% in H1FY25. CARE Ratings expects margins to strengthen further driven by the management's continued focus on enhanced productivity levels apart from higher scale of operations.

In revenue terms, water purifier is single largest contributor with share of 42%, followed by services (36%), vacuum cleaner (14%) and others (9%) in FY24. Others include air purifiers, and pet grooming products among others.

Market leadership in domestic health and hygiene segments

In India, EFL holds market leadership position in water purification systems and vacuum cleaner segments with market share of over 40% and 60% respectively (per management articulation). EFL has strong brand recall with Aquaguard, Euroclean and Aquasure brands under its umbrella. As on March 31, 2024, the company has a presence in 20,000 general trade outlets and modern trade outlets across 2,400 towns. EFL's Direct Sales Network provides them access to people's homes and this channel sales and the associated relationship remain unique. The company has strong service network of over 8,000 service engineers across 19,500 postal codes of India.

Robust financial position

EFL has a sound financial position with robust capital structure represented by overall gearing of 0.01x as on September 30, 2024. EFL's consolidated net debt level reduced from ₹177 crore as on March 31, 2022, to a debt of surplus of ₹124 crore as on September 30, 2024. With reduction in debt and improvement in profitability, the TD/PBILDT improved from 0.97x in FY23 to 0.20x in FY24 and is expected to remain below unity in the medium term. With adequate capacity in place, there are no major capex plans. The company also does not foresee significant debt addition, which would enable it to maintain robust capital structure and coverage metrics.

Lean operating cycle

EFL's operating cycle continues to be lean with collections period of 22 days and no major inventory stocking requirement. EFL maintains raw material inventory of ~1.5-2 months. Hence, the working capital cycle remained at ~1 month, not necessitating large working capital requirement. This is reflected in low utilisation of funds-based limits at 7% in 12-month ended September 2024.

Strong sponsor with experienced board members & management team

EFL is majorly owned by Lunolux Limited, an entity of Advent, which holds 62.56% stake in EFL as on September 30, 2024. Advent is a global private equity fund with US\$89 billion of assets under management as on June 30, 2024, and widespread presence across diverse sectors. EFL is managed by a professional board with Mr. Arvind Uppal as Chairman, who has experience of over three decades in the consumer durables industry. Mr. Pratik Pota as the Managing Director (MD) and Chief Executive Officer (CEO) has experience of over three decades in leadership roles across national and multinational companies.

Favourable Industry outlook

EFL mainly has operations in water purifier, vacuum cleaner and air purifier segment. With increasing urbanisation, incomes levels, higher participation of female labour in workforce, rising emphasis on health and hygiene, usage of the consumer appliances is expected to rise. In India, market penetration of vacuum cleaners, water purifier is extremely low at less than 2%-

6% compared to 60%-80% in developed nations. Thus, underlying growth potential in water purifier segment, vacuum cleaner and air purifier segments is expected to remain robust in the medium term.

Key weaknesses

Susceptibility to raw material price volatility

The raw material cost constitutes ~41% of total cost of sales in the last two years. Primary raw material prices (including plastic, copper, and steel among others) in the consumer durables industry have been on rise in the last one year, leading to pressure on operating margins. While margins improved, the company's ability to continue strengthening margins while expanding scale of operation would be the growth driver.

Presence in highly competitive market with changing market dynamics

EFL faces stiff competition from new entrants in the water purifiers and vacuum cleaner's product category challenging India's dominant market share. Overall, the consumer durables industry is exposed to newer entrants and cheaper alternatives. Despite stiff competition in the Indian Health & Hygiene segment, EFL has first mover advantage, strong distribution network and direct sales force, which support it in maintaining a market leadership position, particularly in Indian water purification and vacuum cleaner segments.

Liquidity: Strong

EFL's liquidity profile is strong, generating sufficient accruals (₹142 crore in FY24, including the deferred tax) against term debt obligation of ₹25 crore. Utilisation of EFL's (standalone) working capital bank limits has also been low with average utilisation being ~7% in 12-months ended September 2024. EFL had cash balance & liquid investments of ₹203 crore at consolidated level respectively as on September 30, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: EFL is complying with emission norms, filing timely returns and periodic reports are submitted to Central Pollution Control Board and State Pollution Control Board per statutory requirements. EFL also installed Effluent & Sewage Treatment Plants at both facilities to recycle and reuse of treated water. EFL is exposed to social risks such as compliance with health, safety standards and evolving consumer lifestyle changes. However, the company has a well-defined set of processes to address work-related hazards effectively. The company is EMS compliant with ISO 45001 certification for mitigating the health risks and to address the safety issues. Board comprises adequate mix of executive and non-executive/independent directors (four of seven directors are Non-Executive - Independent Director), reflecting prudent corporate governance practice.

Applicable criteria

[Definition of Default](#)

[Consolidation](#)

[Issuer Rating](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Household appliances

EFL is a public listed entity; engaged in the health and hygiene segment with product profile comprising water purifiers, vacuum cleaners, air purifiers and home security systems. EFL markets water purifiers under the brand 'Aquaguard', 'Dr. Aquaguard' and

'AquaSure' (non-electric purifiers) catering to affluent and sub-affluent segments of the society, respectively. Apart from water purifiers, EFL also sells vacuum cleaners and air purifiers.

Lunolux Limited, an Advent entity (a global private equity investor) acquired 72.56% of the stake in EFL from SPCPL (holding cum-operating company of SP Group) on July 31, 2022. Advent holds 62.56% stake in EFL as on September 30, 2024.

Brief Financials - Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	2,084.64	2,189.26	1226.52
PBILDT	145.16	198.66	132.38
PAT	26.47	95.65	79.90
Overall gearing (times)	0.03	0.01	0.02
Interest coverage (times)	7.16	20.32	39.63

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2025	12.50	CARE AA-; Stable
Fund-based/Non-fund-based-Long Term		-	-	-	288.75	CARE AA-; Stable
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE AA-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-Long Term	LT	288.75	CARE AA-; Stable	-	1)CARE A+; Stable (02-Jan-24)	1)CARE A; Stable (03-Oct-22)	1)CARE BBB-; Positive (10-Mar-22) 2)CARE BB+ (CW with Positive Implications) (27-Sep-21)
2	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	1)Withdrawn (10-Mar-22) 2)CARE A4+ (CW with Positive Implications)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
								(27-Sep-21)
3	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA-; Stable	-	1)CARE A+; Stable (02-Jan-24)	1)CARE A; Stable (26-Dec-22) 2)CARE A (Is); Stable (03-Oct-22)	1)CARE BBB-(Is); Positive (10-Mar-22) 2)CARE BB+(Is) (CW with Positive Implications) (27-Sep-21)
4	Fund-based - LT-Term Loan	LT	12.50	CARE AA-; Stable	-	1)CARE A+; Stable (02-Jan-24)	1)CARE A; Stable (03-Oct-22)	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Infinite Water Solutions Private Limited	Full	There exists business, financial and management linkage with the subsidiaries.
2.	Forbes Aquatech Limited	Full	
3.	Euro Forbes Limited	Full	
-	Forbes Lux FZE	Full	

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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