

November 20, 2025

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Scrip Code: 543482 Scrip ID: EUREKAFORB Ref.: EFL/BSE/2025-26/52	National Stock Exchange of India Limited Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Symbol: EUREKAFORB Ref.: EFL/NSE/2025-26/52
---	--

**Subject : Intimation of Transcript of Earnings Conference Call held on Friday,
November 14, 2025**

Dear Sir/Madam,

Pursuant to Regulation 30(6) read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Call held with Analysts/Investors on Friday, November 14, 2025. The transcript of the aforesaid Earnings Call is also available on the website of the Company at www.eurekaforbes.com.

Request you to kindly take the above information on record.

Thanking you,

For Eureka Forbes Limited

Shilpa Jain
Company Secretary & Compliance Officer

Encl: As above



“Eureka Forbes Limited
Q2 FY26 Earnings Conference Call”
November 14, 2025

**MANAGEMENT: MR. PRATIK POTA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
MR. GAURAV KHANDELWAL – CHIEF FINANCIAL
OFFICER**

Moderator:

Ladies and gentlemen, good day, and welcome to Eureka Forbes Limited Q2 FY26 Earnings Conference Call. We have Mr. Pratik Pota, Managing Director and CEO; and Mr. Gaurav Khandelwal, CFO, Eureka Forbes, with us. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Before I hand it over to Mr. Pratik Pota, please note the disclaimer. Certain statements made by the management in today's call may be forward-looking statements. These forward-looking statements reflect management's best judgment and analysis as of today. The actual results may differ materially from the current expectations based on a number of factors affecting the business.

I now hand the conference over to Mr. Pratik Pota. Thank you, and over to you, sir.

Pratik Pota:

Good afternoon, and I welcome you all to the Q2 FY26 Earnings Call of Eureka Forbes Limited. I'm extremely pleased to share that Q2 was an important milestone quarter for us. We delivered a strong revenue growth of 14.9%, driven by high teens growth, both in our products and in our service business. For the first time ever, we added more than Rs. 100 crores of revenue YoY in a quarter. This growth was not only in the context of a challenging external environment, but also on the high base of a 13.6% growth of last year.

Our focus on building and expanding our product categories is playing out well. In water purifiers, our 2 years range aimed at lowering the lifetime ownership cost for customers, has expanded well, and driven growth.

In addition, our Smart IoT range also began scaling up well. We saw very, very encouraging traction to our products during the festive season, both in online and in offline channels. In cleaning, our focus on driving convenient cleaning continued, and it gave us encouraging results in the quarter.

Our robotics range grew at a very strong pace on the back of the premium additions to the portfolio, the Forbes SmartClean Auto Bin and the Forbes SmartClean Fully Automatic Cleaning Station. With the growth and the growing salience of robotics, which now contributes to nearly 60% of VC sales, the cleaning category has now emerged as a powerful growth engine for us.

With this quarter, our products business has delivered consistent and broad-based double-digit growth in every single quarter over the last 2 years. We expect this momentum to sustain in the periods ahead. I'm also pleased to share that we have recently inaugurated our revamped R&D centre in Bangalore, and this will add more muscle to our product innovation capabilities.

On the service side, the business turnaround continued and indeed, gained momentum. After a double-digit growth in our service AMC bookings, our growth trajectory accelerated in Q2 with overall service revenue, including AMC bookings, growing in high teens. This growth came on

the back of both, growth in our AMC count, as also in an increase in ASP driven by a higher mix of multiyear AMCs, which, as you can imagine, lead to a better customer lock-in.

Going forward, we have strong plans lined up for service, and we expect this momentum to continue without a shadow of doubt. In addition, we strengthened our interventions aimed at improving customer experience. This in turn led to our customer service KPIs stepping up significantly and reaching an all-time high.

On the profitability front, Q2 adjusted EBITDA crossed Rs. 100 crores for the first time ever with a lifetime high margin of 13.1%. Our EBITDA margin expanded 162 basis points YoY during the quarter, even after a 21% increase in advertising and promotion spends. It is clearly evident that operating leverage is playing out for us.

Going forward, as we increase the scale of the business with gross margins remaining healthy, this will create a positive and virtuous cycle, giving us additional headroom for both, growth investments and profitability improvement. Our profit after tax in Q2 was Rs. 61.6 crores at a PAT margin of 8%, growing 32% over last year.

In summary, in a difficult market environment, we delivered a very strong quarter in Q2 with a very healthy growth in our product categories and in the service business, along with a step-up in our profitability. Looking ahead, our focus will remain on category creation and on driving growth through increased awareness, affordability, availability and affinity for all our categories.

In addition, we will deliver a significantly improved and best-in-class customer experience and also drive service revenue growth, both through AMCs and through filters. We remain confident of driving sustained double-digit growth with a YoY margin expansion in the periods ahead.

Finally, before I conclude, I just want to say that we are looking forward to hosting you at our upcoming Investor Day on November 27th in Mumbai, meeting you in person, and sharing our plans for the next phase of our exciting transformation journey.

With that, I now hand you over to Gaurav to give some more flavour on our performance.

Gaurav Khandelwal:

Thank you, Pratik, and good afternoon, everyone. Starting off with the Q2 headline numbers. Our revenues at Rs. 773 crores grew by 14.9% on a YoY basis. Product business continued its momentum and registered high teens growth. This growth was volume and mix led, and we saw strong growth in both the economy and the premium segments.

On the service side, we continue to witness good traction, which began from Q1 this year. AMC bookings growth accelerated and grew by strong double-digits in value. This was driven by both, volumes and ASPs. Within that, the multiyear AMC mix improved, which helps in driving customer retention.

While the reflection of service bookings in financials will come with a lag due to service amortization, this provides a healthy revenue stream for the quarters ahead. Our transformation interventions have taken us to a place where we believe that we will be able to drive double-digit bookings growth in service in the quarters ahead as well.

As we have communicated previously, while the revenue is amortized over the tenure of the AMC, the cost is recorded upfront. After absorbing this higher upfront cost and a YoY increase of 21% in growth investments, adjusted EBITDA for Q2 crossed Rs. 100 crores with a lifetime margin of 13.1%, up 162 basis points YoY.

Moving to gross margins. Our Q2 gross margins at 56.5% were range bound versus 56.3% last year and 25 basis points higher on a YoY basis. While on a sequential basis, you may see a 322-bps contraction, it is important to clarify that this has been the trend, where Q2 margins tend to be lower due to seasonality led product changes.

We believe that our structural advantages and guardrails on gross margin in the form of a healthy product and service mix, portfolios straddling various price points and effective cost management, give us several levers on gross margin. Gross margins from Q3 onwards will go up again. Profit after tax for the quarter grew 32% on a YoY basis.

I will now cover H1 summary. Revenue at Rs. 1,381 crores was a growth of 12.7%. Adjusted EBITDA for H1 was Rs. 168.5 crores, resulting in a growth of 20% YoY. Our margins are up 70 basis points on a YoY basis. Our strong cost management program has helped deliver COGS savings, and this is reflected in our gross margins being range bound. Reported PAT for H1 was at Rs. 100.1 crores with a growth of nearly 29%. Cash flow in H1 was impacted due to working capital deployment. This pattern is consistent with previous years.

Within working capital, debtors increased due to three main reasons. Number one, Q2 is always a seasonal quarter due to monsoons and pre-festive billing. Within that, the revenue mix is biased towards channels like e-commerce and modern trade, the standard terms of trade are given. 87% of the increase in debtors that you see is attributable to these two channels alone.

Lastly, ahead of the GST 2.0 rollout, customer orders were back ended and closer to the GST 2.0 applicable days, and this also impacted working capital cycles. These will unwind in H2 as has happened in the past. On the inventory front, besides the impact of seasonal buildup, we've also consciously increased the stock levels of the import portfolio to ensure supply security. As we progressively move to more indigenization, this will go down.

On that note, I would once again like to extend to you a warm invitation for the upcoming Investor Day, and we look forward to hosting you there. Thank you.

Moderator:

Thank you very much. Our first question comes from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi:

Congrats to the entire team for a really excellent set of numbers in this quarter despite having a very strong base. So, two, three questions. One, the vision is mentioned in the PPT as a D2C health tech company. So, Eureka Forbes is already doing extremely well in general trade. So why do we want to become more of a D2C company or the understanding about D2C is incorrect in this context. Just need one clarification on that.

Secondly, it is also mentioned about some loss of revenues due to GST shift period. So, what would be probably the loss of revenues during the anticipation of GST changes? That is second.

And third, if you can update on the pet care products that we had introduced around 3 or 4 quarters ago?

Pratik Pota:

Thank you, Aniruddha. Thank you for the wishes. Let me take your first question first on our vision to be a D2C health and hygiene company. And how does that play out given our historical strength or historical legacy.

Actually, if you take a step back, Aniruddha, we believe that Eureka Forbes was actually India's first D2C company 40 years back through our direct sales channel, albeit in a very, very physical and a brick-and-mortar way. We have, as we speak now, a first-party data of nearly 15 million customers. We reach our customers through both, our direct sales channel and through our service network. We are probably the only durables brand that has privileged access to customers' homes.

More recently, we built on that legacy using a digital platform to build our own app. Our app now has more than 1.5 million monthly active users who come to us for transacting, who come to us for looking at products and of course, for service interactions. We believe that this strength that we have of being able to reach customers directly, both physically and digitally, gives us a tremendous advantage.

As a case in point, at this time of the year, where there is a lot of discussion around air quality and air pollution, we have mounted an aggressive campaign targeted at our installed base, our existing customers, to using just D2C channels, to drive the cross-selling of air purifiers, and we are seeing some encouraging results. We believe this is a sign of things to come. So, our vision of transforming into a D2C company is merely a logical but digital extension of where our legacy lies. I hope I was able to answer that question, but happy to talk in more detail at the Investor Day.

On the second question. I'll request Gaurav to just chip in here.

Gaurav Khandelwal:

Yes. So, I think Q2 was an interesting quarter because there were two factors at play. First was the GST rollout because what it led to was a situation that ordering for nearly a 30-day period is something which had slowed down quite a bit. So that was a negative factor which played out. But equally, there was an element of a positive factor as well, which was a relatively earlier festive period compared to last year.

So, between the two, it kind of cancelled each other out and hence, during the quarter, I wouldn't call out any meaningful impact on a net basis. I think from our perspective, the key metric, which is looking quite good is the tertiary and secondary sales growth. That is what we've been focusing on, and that is moving in the right direction.

Pratik Pota:

If I can take the third question, Aniruddha, about pet care. You're right, we had launched our pet care range as part of our first set of innovations about 2.5 years back. It met with, I think, a reasonably good response from pet owners, and it was actively being sold until about a couple of quarters ago. Our learning from the sales of pet care cleaner was that while consumers like the pet care vacuum cleaner, I think they were looking for slightly more comprehensive cleaning solutions.

So, we have now evolved the pet cleaning and pet grooming functionality using our robotics range. So, if you see our robotics range, one of the use cases for robotics is the cleaning of pet hair that's shed. So, we have seen the use case of pet care and cleaning of pet hair as a big driver of robotics preference. And as we talked about also in the earnings presentation, robotics was a big driver of growth for us last quarter. And like I said, one of the drivers of that also was pet care.

Moderator: Our next question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Hi, thank you for the opportunity and congratulations on a strong set of numbers. I want to understand one thing, as you highlighted, Gaurav sir, it has netted off. One was the festive and second was the GST thing. So, it will be a fair understanding possibly in Q3, at least because of early festive, there won't be a loss because of GST sales.

And secondly, in Q1 call, you highlighted because of working capital Q1 sales was impacted. So, has better working capital at dealer level led to better sales in Q2? Or should we see more like a 15% kind of a sustainable growth rate, possibly can speed up because of pickup in the service business?

Gaurav Khandelwal: Yes. On your first question, Keshav, I think we don't see any meaningful impact happening in Q3. So, your understanding of that is right. I think from our perspective, what we are seeing is that the product momentum that is there is quite good, it remains quite strong. I think what is now adding to it is the service turnaround. So, we don't expect any meaningful impact to come through there because of GST or festive in Q3.

I think the only callout that I would have is that as you would have noticed, the consumer sentiment does continue to remain mixed and that is still getting reflected in various sectors and parts of the economy. So that's the bit you know, that to what extent that plays out is there, but I think outside of that, we don't see any impact coming through.

From a working capital standpoint, yes, in Q1, in the initial parts of the quarter, as we had mentioned, trade working capital was blocked because summer products were there. But towards the end of the quarter, that had kind of evened out, so that is something which kind of in Q2, we don't see any impact of that playing out and nor do we see the impact of that playing out in Q3 as well.

Pratik Pota: If I can just add to that, Keshav, a couple of points that I want to underline. I think the demand environment continues to remain challenging. Notwithstanding that, we have a strong set of plans to drive growth, both in products and in our service business. In products, you have seen sustained growth for many quarters now.

We grew by high teens last quarter. And the good news now is that we have not just one growth engine, but multiple growth engines. We have a strong growth engine in, of course, water. Robotics and cleaning is our big growth engine now as are the other smaller categories of softeners and air purifiers. So, we have multiple engines firing on growth. We also have renewed momentum in our service business. We talked about an acceleration in Q2, and we also said that we expect this to sustain.

So, we are confident about the growth prospects going forward. How that will show up in terms of given the service revenue accounting, et cetera, that time will tell. But in terms of our growth vectors and our confidence in the growth that lies there, I think we have a high degree of confidence.

Keshav Lahoti: Understood. Got it. Sir, my second question would be, as I see your margin have expanded quite a bit by 260 bps this quarter. So, when we see the brand spend is high and margin expanding, so is it fair to assume this year, we will see a strong expansion in margin? How should we see this in upcoming quarters?

Gaurav Khandelwal: So, Keshav, our view on margins is that we always look at it on a full year basis. And given the performance that we've had in H1, we will continue to aim for a full year margin improvement. So that is something that we'll aim for. I think very clearly what's come across and you made a very good point that this is after a very high growth investment. So even the 162-bps improvement is after the 58-bps increase in A&SP spends. So, I think there are two main things I would call out. One, clearly the impact of operating leverage and number two, our cost programs are giving us very, very good outcome.

So, we will continue aiming for a full year margin improvement. Whether it would be similar to last year, it was nearly 120-125 basis points higher, perhaps not, because that may mean that maybe we are holding back on growth investments, but you can expect our margin expansion to come through.

Moderator: Keshav, sorry to interrupt. We request you to please rejoin the queue if you have any further questions, Keshav. Our next question comes from the line of Renu Baid from IIFL Capital.

Renu Baid: Congrats team for the strong performance. My first question is, can you highlight how has been the mix of your products and services portfolio for the H1 of the financial year? And within the product mix, have you seen a material change in the share given that robotics has been growing at a much faster pace. So, the cleaning portfolio share would have increased in the mix?

Pratik Pota: Thank you, Renu. Let me talk about your first question. I think as we mentioned earlier, we have seen a strong momentum in our products and in our service business last quarter and indeed in the H1 of this year. Products grew by high teens last quarter on the back of both, strong volume growth as also an increase in ASP on the back of a premium products launch. We also saw a high teens growth in our service business, coming, like I said, both from the AMC, as also from filters, and within AMC, it was both a volume growth as also growth in multiyear AMC.

Given the strong momentum that we see in service and product, there has been no material mix change in the H1 between service and product. That remains pretty much in the same range. Within the product categories, you talked about cleaning and robotics. Robotics of a smaller base has shown very strong growth, as we mentioned. We've built a strong portfolio of products in robotics. We've built a very detailed playbook, which works off our strengths, our strengths across multiple channels, our strength in D2C, our strength in service, and it really helped grow the portfolio.

So, the robotics growth and the cleaning growth, therefore, has been ahead of the other categories last quarter. So, the mix did move in favour of robotics and in favour of cleaning last quarter. I think that said, it's important to also underline the fact that our gross margins in this category are healthy, and they are not going to be dilutive to overall P&L as we go forward.

Just one more point to add, in robotics, our growth has come also from a premium end of our portfolio, the fully automatic cleaning station as also the auto bin station, which come at higher gross margins and which are, therefore, more P&L accretive. In water as well, we have seen strong growth coming from the premium end of the portfolio, along with the economy range. So, between the growth that we see in various parts of the category, we do not expect to see any margin dilution going forward.

Renu Baid:

Sure. And just in continuation to that, typically, our volume tends to see a much better acceleration in the second half of the financial year. And if that is to happen along with sustenance of this premium portfolio mix supporting gross margins, do we see operating margins actually heading better than H1 in H2, given operating leverage as well as sustenance of the mix that we have seen?

Gaurav Khandelwal:

Renu, that could be a possibility. I think the only callout that I would have is that what we are seeing on now a sustained basis is that all our product segments are growing. So, whether it is water, whether it is VC, whether it is air, whether it is softener. And I think, hence, equally the key consideration for us is also the fact that how do we kind of keep pushing this growth higher and higher and whether it makes sense to make slightly ahead of time investments.

As an example, if you look at Q1, our margins were down YoY, but we had made ahead of time investments, which have played out now. So, we will keep that consideration in mind when we look at margin expansion. But yes, I think with our gross margin profile, the operating leverage possibility is there. But I think at this stage to say whether it will be better than H1, maybe a bit too early, but you can expect our YoY margin expansion to be healthy given the fact that H1 itself has clocked in at 70 basis points.

Renu Baid:

Sure. And lastly, Pratik did mention that overall, the demand environment continues to remain challenging. We have now seen almost 20-25 days post the festive season through. So, have we seen a meaningful tapering down of the volume momentum at tertiary and secondary level? Or it was just a timing issue and business demand is not that weak as it was initially at the start of Q2?

Pratik Pota:

No, Renu, like I said, the overall demand environment remains mixed, remains challenging. That said, post festive, while the demand environment hasn't changed materially, we see the offtakes and the tertiary sales momentum being reasonable and in line with what happens after a typical festive peak. So that's number one.

Number two, in that difficult demand environment, as I mentioned earlier in my comments, we have a very powerful set of initiatives to drive growth in water, in cleaning, in air, and in the other parts of the business, including in service.

Let me talk about water purifiers first. In water, we have scaled up during the quarter, our 2 years filter life range and that, as you can imagine, lowers the cost of ownership significantly. And when we did our dipstick check to look at the profile of the new users we were getting, we were extremely reassured to see, and we were very pleased to see that almost 70% of users who are buying the 2 years purifiers are first-time category entrants. So, it's ticking the box and playing to the thesis of growing penetration.

Equally, our premium portfolio did well in Q2 and continues to do well in this quarter as well. So, while we see the environment being a little soft as indeed it was last quarter, and you saw our number delivery, we expect our numbers to be reasonably good and strong and healthy, notwithstanding what we see in the environment outside.

Moderator:

Our next question comes from the line of Umang Mehta from Kotak Securities.

Umang Mehta:

Thank you and congratulations on a good set of numbers both, Pratik and Gaurav. My first question was on competition. So, while your numbers are quite robust, we have seen a couple of new entrants kind of talk about very kind of healthy initial traction, which they've got in their water purifier portfolio. Any increase in competitive intensity that you're picking up? And does it concern us in terms of our trajectory? Or is the market big enough for us to accommodate these new entrants?

Pratik Pota:

Thank you, Umang. Thank you for the wishes, and I think it's a great question. I think, first of all, before I respond to it specifically, I think it's important to sort of recognize that increasing competition and the presence of the arrival of new entrants is a very clear signal that this category has promise and has potential. And all new entrants, when they come in, they create new news, they create excitement, they create awareness of the category, and they end up driving category growth.

So, we welcome all competition because we believe it's going to be creating this virtuous cycle of higher growth. We are the strongest brand, unequivocally the strongest brand in this category. We are synonymous with trust, with service, with care. And as the category grows, we will stand to benefit. Our growth last quarter was healthy across all categories, including in water.

In water, we are sustaining our investments in growing penetration, in growing the category and you just heard my answer earlier about the 2-year filter life category products, which are drawing a lot of new users into the category. And we also keep investing in driving premiumization and driving faster replacement cycles. Some of the new entrants, working off a very small base may have had higher growth. But I think clearly, what we see as market leaders is that there is no impact on our market share.

Indeed, in e-commerce, where there was some early competitive activity a couple of years ago, we have managed to recover and grow share to the highest ever across both our e-commerce platforms. So, while we see competition, we see more activity, as the leading brand in this category, we are not impacted right now and we see that it will only help drive growth for the category.

- Umang Mehta:** Very clear. And the second one was on service. So, I heard you mentioned high teens growth in service revenues. Is it because of spares? Or I mean, if you can share some more colour, because if we take high teens growth in product, then implied revenues for service would have been lower, right, growth-wise?
- Gaurav Khandelwal:** So just to clarify, the high teens growth that is there is a combination of the growth in the revenue growth in filter and the bookings in AMC. So, since it is the bookings in AMC that will come with a lag, otherwise, you rightly pointed out a high teens growth in product and high teens growth in service would logically lead to high teens growth on an overall basis. It is just that the service amortization would come in with a lag. But the good news is that we are seeing growth both in our AMC bookings, which will get reflected in the quarters ahead and also in our filter business.
- Pratik Pota:** If I may add Umang to what Gaurav said, our service AMC booking growth, just the AMC bookings, without the filter part, actually accelerated over last quarter. And therefore, both parts of the service business, both our filters portfolio and also our AMC bookings have shown very healthy growth.
- Moderator:** Our next question is from the line of Mr. Achal Lohade from Nuvama Institutional Equities.
- Achal Lohade:** Congratulations for the great set of numbers. Just the first question, in terms of premium, how do we define premium in the water purifier? And if you could just talk a little bit about the mix, what was it like 3 years back? What is it now? What potential it has? I think that would be helpful.
- Pratik Pota:** Thank you, Achal. In water purifiers category, the premium segment is defined as products which are above Rs. 20,000 price point in the RO segment, which, as you can imagine, is the bulk of the water purifier category, almost 90%. Over the last 2 or 3 years, we have driven innovations, we've driven growth across the spectrum of the water purifier portfolio. In the beginning, our growth was on the back of Aquaguard Sure, which is entry-level water purifier, which led to significant volume growth and an increase in the economy part of the mix.
- Thereafter, we've invested in premium innovations and building a premium portfolio, and we saw strong growth come to us last year through the premium business. So, on a 3-year basis, if I zoom out, our mix of economy has remained the same, increased marginally. Our mix of premium has increased, and the mix of the mid-price segment has shrunk a little bit because people have upgraded to premium.
- Achal Lohade:** Okay. Understood. Second, similarly, if you could call out in terms of the distribution mix, the channel mix in terms of the D2C, general trade and the modern trade/e-commerce?
- Pratik Pota:** So Achal, I think as you're aware, I think we have a strong omnichannel presence and all our channels contribute roughly symmetrically to our sales and to our revenues. Between the channels, last quarter, we saw very strong growth in organized trade and modern trade. We saw very strong growth coming from e-commerce, and we saw strong growth coming also from the direct sales channel.

The channel that has been under pressure for some time now, and this is not just for us, for the entire category, indeed for the entire space of appliances and durables, is traditional trade, which is under pressure from the organized trade channel. So the general trade channel, it grew, but it grew less than the other channels. And the engines of growth were both modern trade and e-commerce.

Achal Lohade: Would you be able to give the mix?

Gaurav Khandelwal: Our revenue is, by and large, evenly spread out between the four channels, give or take, 300 to 400 basis points between each other. Having said that, progressively, if I were to step back and take, let's say, a 3-year view of the business, the share of modern trade and e-commerce has gone up and the share of direct and GT has gone down. But even in some ways, that also provides us a hedge because at any point in time, if there's a particular channel under pressure, there are other levers that are available, which help in kind of driving growth.

Achal Lohade: Understood. Just last question.

Moderator: Sorry to interrupt. May I request you to please rejoin the queue if you have any further questions, please. Our next question is from the line of Harshit Kapadia from Elara Capital.

Harshit Kapadia: Thanks for the opportunity and Congrats for a great set of numbers to the Eureka team. A couple of questions. Just wanted to check what's the status on the rental model that we were looking to launch in the water purifier segment? Is it still on cards?

Second, on product side, I just wanted to know, have we now crossed the 50% mark share in water purifier for the organized segment for Aquaguard. Third is on the filter side on the service side, has a large part of the growth come through conversion of non-Eureka filter customers to Eureka filter customers? Or has it been completely more new booking where we have seen growth? That's the third question.

Pratik Pota: Thank you for the wishes, Harshit. Let me respond to your first question first on subscription or rental. As you're aware, we had looked at the rental model a couple of years ago. We had tried a pilot in Chennai, which has gone reasonably well, and we had distilled some learnings from the pilot. We have all the capabilities ready now to do a scaled rental play when we want to. However, given what we are seeing as the growth opportunity and the growth runway in the conventional product business, as of now, we do not intend to get into subscription. It's a readiness that we've got and that we keep on standby and activate if and when required.

On the second question that you asked, I wasn't entirely sure of the question but let me try and respond to it and then in case there if you need any clarification, happy to respond. As we said earlier, the organized trade channel has been a big driver of growth for us, not just in the last quarter, but over the last 2 or 3 years. The organized trade and the modern trade channel comprises the national modern trade players like Croma, like Vijay Sales, like Reliance Digital as also regional modern trade chains. All of these players have grown strongly over the last 2 or 3 years and have grown geographically and using same-store growth as well.

In each of these partners, we have a strong presence, and we are market leaders in the modern trade channel across the country. And our share position has if anything grown even stronger.

Your third question on filters and our service revenue, I think our service revenue has grown, as we mentioned earlier, on the back of both AMC bookings and with filter growth.

We have a large base of Aquaguard customers who are not in our AMCs and for whom filter replacement becomes a monetization opportunity. And our filters growth has come from tapping into the base of out of warranty, out of contract customers, who otherwise would have gone to the local filters market, and that will remain a big source of growth for us going forward.

Just to take a step back and remind us, Eureka Forbes has historically focused mostly, in fact, solely on the AMC business. It's only the last 1 year that we began building out a playbook for participating in the filters opportunity. And you'll see more of that coming along over the next 2 or 3 quarters.

Moderator:

We have our next question from the line of Balasubramanian from Arihant Capital.

Balasubramanian:

Thank you so much for the opportunity. This 2-year filter life, I think its key innovations will reduce the cost of ownership for our customers. Is there any risk of cannibalizing the high margin recurring revenue from filter replacement sales and associated service assets? And secondly, service business is growing with double-digit AMC booking growth. The growth is coming from the existing installed base or it's heavily reliant on new product sales? And what is the retention rate for AMC after the first year.

Pratik Pota:

On your first question, you're absolutely right in that the 2-year filter life products address a fundamental barrier, which is the perceived high cost of ownership and by addressing that barrier, they end up driving growth for us. The 2-year filter life products make the category more affordable, more accessible and we've seen the impact of that play out.

We are seeing growth coming from the adoption of the 2-year filter life products. And as I mentioned earlier on the call, more than 70% of customers who bought these products are first-time category entrants. So indeed, they are helping and they're serving the objective of driving category expansion.

If you recall, we had about 2-2.5 years ago launched an affordable Aquaguard, Aquaguard Sure, to drive category growth. That too, we are seeing strong growth. And this, therefore, is the second step in driving category penetration. From a service revenue perspective, I think as we've said earlier as well, only a small proportion of our large installed base of users are in our AMC offering. We see immense potential to grow our service revenue by tapping into this base of customers who are outside our AMC purview right now, by driving filters and by driving access to them through the network of market technicians which are out there in the ecosystem.

So, between growing our AMC revenue and tapping into this filters opportunity, we do not expect to see any meaningful risk on our service revenues going forward. On the retention rate that you asked, I think given the fact that we have record levels of customer SAT and customer service, our retention rates remain very healthy. We would not be able to share and divulge the number for competitive reasons.

Balasubramanian: Okay. Sir, just last question beyond water, air and cleaning, what are the specific new health tech product categories you are exploring? When can we expect to see first launches from this new initiative?

Pratik Pota: Bala, all our current categories are in the space of health and health tech. As you may be aware, we've transformed a meaningful part of our portfolio in water to being smart and being connected. All our robotics products are smart and are connected. Two of our top-selling air purifiers are also smart and connected. And therefore, it is our objective to weave these products together and create a network which is D2C, which allows customers to know exactly what the consumption is of water, their air quality, et cetera.

To your second part of the question, we remain open to looking at new category entries. But for the moment, we believe that we have an abundant runway to grow in our current categories themselves. You are aware that the penetration of water purifiers is nearly about 6%, 6.5%. Cleaning is even lower, and air hasn't even got started. So just between these three categories, we see a lot of headroom to grow before we start exploring other categories.

Moderator: Our next question is from the line of Parikshit Kabra from Pkeday Advisors LLP.

Parikshit Kabra: Congratulations on a great set of numbers, guys. I just have two questions. First is actually the question. The second is just an observation. The observation let me just say first is, are you guys planning on giving out dividends or some kind of share buyback now because you're generating enough money. So, unless there is an acquisition or you have something in your sights, why not give it back?

But the question I wanted to ask was on the services part, which was that historically, we have been discussing about how there are edge cases in our services that create horrendous experiences for our customers, and that has a massive overhang on the overall feel or the perception of quality of our service. So what incremental steps have you guys taken in that space to improve and reduce the number of edge cases? And specifically, if you can comment on one of the issues that I have raised in the past, which is the tenant's issue.

Gaurav Khandelwal: Yes. I think on the dividend and share buyback option, I think you're right that it's a healthy cash position and this will only improve going ahead. So, I think that remains an option. Having said that, our bias at this stage of the transformation would be towards looking at growth opportunities, and that is an ongoing process. But yes, at an appropriate point in time, if the Board feels that it has to be in the form of rewarding shareholders through dividend or share buyback, we would be open to it. But as I mentioned, our bias would be towards growth investments.

Pratik Pota: Thanks Gaurav. And Parikshit, if I may turn to your second question on how we are handling edge cases. First of all, I think we are acutely aware and cognizant of the importance and the need to contain and to mitigate the impact of edge cases. Like I said earlier, our customers SAT scores on an average have improved both in the last quarter and more longer term as well. And like I said, our customer SAT scores for installation or indeed for complaints, et cetera, have reached all-time highs.

I think on managing the edge cases, we are now beginning to make a meaningful improvement in addressing the edge cases and extreme service failures. We have set up a special desk both here at the central level and also in the regions at managing escalations.

Our escalation TATs, where there is noise on social media or whether there's other kind of escalation, the TATs have improved meaningfully over the last 3 months. We have put in a small team to proactively pre-empt escalations when we see that there is a pattern emerging of a customer complaining repeatedly or a complaint open for more than x number of hours or x number of days. We have a team which moves proactively to reach out to the customers and address and resolve that complaint before it becomes an escalation.

We also put in a small team, which is focused only on social media escalations and closing the loop with them very quickly. We've also moved to align our partner and our technician incentives as also the rewards for our team members based on how fast we resolve escalations. In addition, we've also put in place a dedicated work stream to improve the spares availability at our business partner points because as you imagine, sometimes lack of spares becomes a reason why there's an escalation. And I'm happy to report that our spares availability has improved meaningfully again in the last 2 or 3 months.

We also have strengthened our digital assets to make sure that a complaint cannot be parked unless and until it's resolved and that prevents the technician from sometimes gaming the system.

Equally, if there are technicians who customer does not want, we found a way digitally to make sure we assign technicians who are effective and who are able to resolve the customer's issue. So lot of small things we've done, and I could go on. But all of them are helping us materially improve the edge case resolution. You will see that play out, I think, much more visibly in the next 3 to 6 months.

Parikshit Kabra: Anything on the tenant's issue, Pratik?

Gaurav Khandelwal: Parikshit, on the question around tenancy related number changes and asset tagging, we did try out a few pilots. I think, however, one large part of the learning that came was that it was susceptible to gaming and leakages. So that is something which kind of we've gone a bit back to the drawing board to see what is the other way. Because as you can imagine, this is an area where a technician could game, and we've seen that happen. So, we're just very mindful of that implication.

Pratik Pota: We are looking to resolve that through other solutions, which have better governance but are also effective in addressing the very real pain point of tenants that you mentioned. So that's a work in progress, and you'll see something coming out in fact, in the next 2 or 3 months.

Moderator: Our next question is from the line of Shrinarayan from Baroda BNP Paribas Asset Management Company.

Shrinarayan: Thank you for the opportunity. So firstly, I wanted to know where we are in the journey of negotiating our contracts with the vendors wherein we had some levers to expand our gross margins.

Gaurav Khandelwal: Thank you, Shrinarayan, for your question. I think that process has already started, and I would say it started nearly a year back. And the key trigger for that was the fact that the business had seen and continues to see good volume growth. So that is something which gives us a very, very important lever in negotiating costs. So that is something which is already an ongoing process. I don't think at any point in time, we can say that, that activity is over because constantly, new opportunities come up, new things come up, new ideas come up. So that's an ongoing feature.

At a principal level, one important change that we've done is that we now discuss with our vendors the forward plan for the year and are able to give them visibility of the volume and the growth ahead and hence, able to extract and negotiate prices from them in a win-win manner, so that is an ongoing process. And I think one of the key reasons that you see our gross margins to be very, very stable is the fact that there are cost efficiencies which are flowing in.

If you were to step back and take a 3-year view of the business, on a 3-year period, we've been able to drive a penetration strategy, we've driven volume growth, our service business has lagged the product business, we've been able to expand into newer categories and yet you see a gross margin impact every year to be a 50 basis point and no more. And one big part is the efficiency benefits that have come on the COGS side.

So, this is an ongoing process and where we stand today, we feel quite comfortable with how the program is structured. It's got institutionalized within the organization, and we expect this to be a source of savings going ahead as well.

Shrinarayan: Sir, if you can highlight more in terms of quantification, maybe let's say, the percentage of vendors with whom you have already renegotiated or the total value of purchases wherein this has been done and how much is pending. That will help in forecasting future gross margins.

Gaurav Khandelwal: Sure. I think two or three parts to it. One, if I just start off with your last bit in terms of what you should assume for the gross margin going ahead. I think our gross margins will remain range bound. I think a good reference point is the journey that you've seen over the last 3 years and that could be one way to kind of see the gross margin stability. That's point number one.

In terms of what percentage of our vendors we've addressed, for the high-value items, we've reached out to 100% of the vendors. But I think the important point to say is that it's an ongoing recurring process. It's not that you negotiate once and then there is no other negotiation, because constantly, we are also working on changing our product design, bringing in newer specs, removing features which may be not needed. So, there are a bulk of things that keep happening. So, it's an ongoing process that is there. But all our vendors, all the high-value vendors have been touched by the program. We partner with them.

In terms of the exact quantification of the value, as you can imagine, that is something which we would not be in a position to share but suffice it to say that it is making a very meaningful impact as far as our gross margins are concerned.

Shrinarayan: And similarly, on the IT spends?

Gaurav Khandelwal: IT spends again, if I were to draw your attention, if you look at again the last 3-year trends, the IT spends have been stable, which effectively means that operating leverage is playing out. I

would also draw your attention to the fact that during this period, the extent of digitization in the organization has also gone up substantially. So, you see a reasonably stable spend profile, but with a much higher degree of digitization, which then indicates that there are efficiencies being driven there as well.

So, we will continue to remain focused on that. If I were just give you flavour and you would have it in the annual report as well, but FY23, our spends were Rs. 53 crores, FY24 it was Rs. 54 crores, FY25 it was Rs. 48 crores. So, on a 3-year basis, spends are flat to marginally down for a business which is much larger in size, and which is far more digitized.

Shrinarayan:

Got it. And lastly, on the demand side, so you said we are facing some challenges. So basically, are these challenges on the customer side or because of competition, let's say, from unorganized or private labels of few companies. So, what is impacting the most?

Gaurav Khandelwal:

No, I think when we said that the challenging demand environment, it was more in the macro context that we are talking about. As you would have seen in quite a few sectors and parts of the economy, the demand environment as reflected in the numbers have been relatively muted. So that's the reference that we were making to. It was not in the context of either competition or unorganized players.

Just to kind of reiterate, as far as competition is concerned, our shares remain stable, and we believe that more competition is helping the category expand, and we don't see any risks on that front.

Number two, unorganized players. I think the more this category innovates, and it is going down that path, the more organized players come in. The more there is consumer awareness about health and hygiene, unorganized segment will get a lesser salience. But our reference was in the context of the larger macro demand environment and nothing specific to us or any factor attributable to the company.

Moderator:

Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, gentlemen.

Pratik Pota:

Thank you for joining the call today and I hope that we were able to address the questions to your satisfaction. In case there are any queries that remain unanswered, or should you need any more clarifications, please feel free to reach out to us, and we'll be happy to respond. Look forward to seeing you all in Mumbai next fortnight. Thank you so much and have a great evening. Thank you.

Moderator:

On behalf of Eureka Forbes, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Note: This document has been edited to improve readability

Contact Information:

Ms. Nupur Agarwal – Head – Investor Relations
Investor e-mail id: investor.relations@eurekaforbes.com

Regd. & Corporate Office:

B1/B2, 7th Floor, 701, Marathon Innova,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai - 400013
Corporate Identification No: L27310MH2008PLC188478