Eureka Forbes Limited
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EUREKA FORBES
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February 17, 2025

BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers,	Exchange Plaza, C-1, Block - G,
Dalal Street,	Bandra Kurla Complex,
Mumbai - 400 001	Bandra (East), Mumbai - 400 051
Scrip Code: 543482	
Scrip ID: EUREKAFORB	Symbol: EUREKAFORB
Ref.: EFL/BSE/2024-25/82	Ref.: EFL/NSE/2024-25/43

Sub: Intimation of Transcript of Earnings Conference Call held on Tuesday, February 11, 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 Tuesday, February 11, 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

Pragya Kaul
Digitally signed by Pragya Kaul
Date: 2025.02.17 16:10:12 +05'30'

Pragya Kaul
Company Secretary & Compliance Officer

Encl: As above

"Eureka Forbes Limited

Q3 FY'25 Earnings Conference Call"

February 11, 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 the Eureka Forbes Limited Q3 FY '25 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 this conference, please signal an operator by pressing star and 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 result 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 Q3 FY '25 earnings call of Eureka Forbes Limited. Before I start, I would like to apologize in advance for my voice quality. As you can tell, I have a really sore throat, and my voice will therefore sound a little hoarse.

In Q3, we reported a revenue growth of 11% over last year, with a revenue of Rs. 597.8 crores. Excluding the impact of discontinued operations, our Q3 revenues grew by 11.3% year-on-year. This was the fifth successive quarter of double-digit growth for a continuing business, and it was underpinned by a product business which grew in mid-teens.

I would like to point out that the Q3 growth came on top of a high Q3 FY '24 base and amidst challenging demand conditions. In line with our strategy, we stepped up our advertising and sales promotion spends, which grew by 19% year-on-year. This was on the back of a 40% year-on-year increase in Q2 and a 21% increase in Q1.

Stepping back, a key factor contributing to our growth has been our focus on innovations. In the first phase of a transformation, our focus was on building capabilities and on catching up. With both these objectives achieved, we are now in the phase of claiming a rightful role as innovation leaders and indeed as thought leaders in the category.

Our premium innovations launched over the last 9 months have been the biggest engines of growth for us. Products like Blaze Insta hot water purifier and the Designo NXT Under-The-Counter water purifier have both grown to be market leaders in their respective segments and have helped drive overall water purifier growth.

In line with this, I'm pleased to share that towards the end of Q3, we have launched what is India's first truly smart water purifier, the Aquaguard Ritz Pro with IoT. The functionalities of the product include preventive alerts, water quality monitor, water consumption and hydration monitor, device health check, etcetera, all of which are available on the EFL app. This device, and most such smart devices going forward, will make water purifiers a much more integral part of consumers' life, and indeed, drive daily customer engagement with our products.

On the cleaning side, the vacuum cleaner category continued its pivot towards convenient cleaning, with robotics devices being the engines of growth. Our Forbes Smartclean Pro robotic vacuum cleaner, the Forbes Robo Vac N Mop Easy and the Forbes Smartclean Auto Bin all helped drive strong growth in the robotics segment. I'm also pleased to share that our air purifier business grew 3x year-on-year in the seasonally critical Q3.

From a channels' perspective, growth was broad based across all channels, with particularly strong growth in e-commerce, followed by direct sales. Growth in the retail segment was a little muted, and further softened after the end of the festive period.

On the service side, I'm pleased to share that our customer service KPIs showed significant improvement in Q3. Our investments in technology and on driving organizational focus have helped drive this improvement. More work remains to be done, and we will continue on this journey of customer centricity in the future as well.

The impact of growth and the associated operating leverage was visible on all profitability parameters. On the profitability side, the adjusted EBITDA margin increased to 10.8%, expanding 94 basis points on a year-on-year basis. This margin improvement was delivered despite a deliberate choice of significantly dialing up on advertising and sales promotion expenditures. Our profit after tax grew 53.6% year-on-year to Rs. 34.8 crores for Q3.

Looking ahead, notwithstanding the relatively soft demand conditions, our focus will continue to remain on driving growth. We will sustain growth investments and stay the course on driving penetration, increasing innovations, improving customer experience, digitizing our business, and extracting cost efficiencies. We remain confident of driving sustained and profitable growth in the periods ahead.

With that, I would like to hand you over to Gaurav.

Gaurav Khandelwal: Good afternoon everyone, and thank you, Pratik. Starting off with the Q3 numbers, our revenues at Rs. 597.8 crores grew 11% on a year-on-year basis, and adjusted for discontinued businesses, our revenues grew by 11.3%. Adjusted EBITDA margins expanded 94 basis points year-on-year to 10.8% in Q3. Adjusted PBT grew 28.7% year-on-year, and PAT at Rs. 34.8 crore grew 53.6% year-on-year.

On the revenue side, product business continued to register growth in teens, with premium innovations and robotics being the key growth drivers. Our Q3 growth of 11.3% was in the context of a base effect caused by 16.8% growth in Q3 FY '24 and an earlier festive season this year. Added to this, was the relatively muted demand environment. A combination of product innovations, sustained advertisement and sales promotion spends, and attractive consumer offers led to this growth in Q3. In line with our strategy, our A&SP spends grew 19% year-on-year in Q3.

Our Q3 gross margins at 57.5% were higher by 125 basis points on a sequential basis as Q2 margins were impacted by seasonality. Year-on-year margins were down 142 basis points, largely due to a continuation of consumer offers post festive period and channel mix. Driven by operating leverage, our expenses, excluding ESOP as a percentage of revenue were lower by 236 basis points versus previous year. Our focus on cost program will continue to drive further efficiencies.

Our expenses remain range-bound both on a year-on-year and quarter-on-quarter basis. On a year-on-year basis, expenses were up 5.7% with A&SP spends being higher by 19%. On a sequential basis, expenses were down by 7.2% largely due to Q2 being a seasonally stronger quarter. This was reflected both in the form of lower A&SP spends and people incentive cost. Non-cash ESOP charges at Rs. 5.7 crores were at similar levels as Q2 and Rs. 10.7 crores in Q3. We expect ESOP charges to stabilize at these levels.

Other lines below EBITDA remain largely stable. Depreciation for this quarter stood at Rs. 8.1 crore, an increase versus previous quarter and year. Several technology and product innovation investments have now gone live and is now being reflected in the depreciation charge. I'm pleased to share that our credit rating has now been upgraded to AA- Stable by CARE. I must point out that this is the third upgrade in the last 2 years. In this quarter, rating coverage was also started by CRISIL at similar levels. Let me now get some color on the 9 months year-to-date performance. Our revenues have grown 11.5%, EBITDA margins have expanded by 120 basis points and PAT has grown by 60.3%.

An important aspect of these 9 months numbers is the sustained performance in each of the quarters. Our revenues have grown double digits, and product revenues within that have grown in teen all through. Year-on-year margin expansion has been in the range of 94 basis points to 166 basis points in the 3 quarters on the back of sustained A&SP spends.

A combination of the steady top line growth and margin expansion has led to PAT growth of 40.7% in Q1, 83.2% in Q2, and now 53.6% in the current quarter. In summary, Q3 is a continuation of the improvement we have seen in our business since the last 2 quarters.

Given the relatively muted consumer sentiment, our immediate focus will be on driving growth. The sustained and steady performance seen in all the quarters of this year give us the confidence in our strategy of driving sustained, profitable growth. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Thanks for the opportunity and congrats for the high-teen product sales growth. My question was on the volume growth in water purifiers this quarter, would you be able to share some color? And also, how is the base variant doing, the ones you launched last year?

Pratik Pota: Thank you, Umang. Let me respond to your question on water purifier volume growth. I think our performance in Q3 was on the back of both, volume growth in water purifiers and on the back of our premium innovations doing well. If I wind the clock back a little, you would recall that in the first phase of our transformation, we had stepped up our investments in driving penetration, which led to a strong volume growth in the first year. I'm happy to report, that both on a YTD basis, and like I said in the most recent quarter, that volume growth sustained, and we saw good, strong volume growth continue.

But what also helped us this quarter and indeed in the last two quarters as well, is the increasing role that our premium innovations are playing, which was part of our strategy for this year. So our growth this year in water and this quarter other than water was a combination of both good robust volume growth along with premium innovations.

And looking forward, back to your question on the base variant, I think again the base variant across all our channels continue to do well and drive growth, volume growth as well. And we expect that to continue.

If you look at our category, the reality is that even with the volume growth that we've delivered over the last couple of years, penetration levels still remain very low, and we see a significant runway continuing to grow penetration, even as we drive our premium innovation. So we expect this to continue in the future.

Umang Mehta: Got it. Thank you. And the second one was on, so Kent's filing showed some numbers on the channel mix. While I understand that you do not share exact numbers, the difference in GT channel seems quite stark between Eureka and Kent. So any steps which you are particularly taking to address that? Or do you think that their mix is unusually high and this category should settle with a lower GT mix?

Pratik Pota: No, thank you, Umang. Yes, you're right. We have studied Kent's DRHP closely to gain insights on their business, on their portfolio, on their channel mix, like you said, on the growth profile and the profitability profile as well. And based on that analysis, we see many areas in which we can learn and we can change and drive our operations.

One instance, for example, as we have spoken often in the past is in the area of profitability. Their margin profile gives us evidence, not that we needed it, of the headroom that we have to drive profitability. There are many areas like that where we've looked at the data and drawn up our benchmarks. Beyond that, I don't want to comment on specifics, except to say that we are truly an omnichannel company.

We have very, very strong both channel mix between traditional trade that you spoke about, modern trade, our direct sales channel, which is, as you know, our unique strength and of course the growing strength that we have in e-commerce and an online place. So we feel comfortable with the channel mix. But that said, we'll of course continue to learn from whatever our competitors are doing and seeing how we can improve our operations.

Umang Mehta: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go head.

Aniruddha Joshi: Thanks for the opportunity. So while product growth is in strong double-digit, so is it a fair assumption that services have grown in probably mid to high single digits on a year-on-year basis. That is question one. And secondly, now obviously we have taken multiple initiatives to drive the services revenues and in a way reduce the services cost also, also to reduce the loss of revenues and even reduce the cost in servicing as well.

So is it a fair assumption that now almost most of the initiatives and the benefits are in the numbers and probably here on the profitability should remain at similar level? Means, is Q3 a representation of a normal margin, or should we see more efforts and, in a way, increase in profitability in FY'26 also?

Pratik Pota: Thank you, Aniruddha. Let me start by responding to your first question on our performance in service. I think there were several aspects to our service performance. The first one was, as I mentioned in my opening remarks, we saw a very clear and a very significant increase in our customer satisfaction scores and therefore in our service quality and our customer experience.

And that improvement has been an ongoing feature since the early part of this year, and that continued to play out in Q3 as well. On the service revenue side, our service revenue underperformed product, like you mentioned, and our growth was well below product growth. That said, we have rolled out, as you mentioned, a number of initiatives towards driving service revenue.

Many are already in play, some are in the pipeline. Between them, we expect our service revenue to gain momentum in the periods ahead. And while it's still early days, I must say that we are beginning to see some green shoots already. And progressively, we see our service revenue becoming more robust and growing better as we go forward. On your second question about, therefore, is this the end state margin or not? I will request GK to pitch in.

Gaurav Khandelwal: Sure. I think, clearly, there is a very clear headroom which exists as far as profitability is concerned. I think just to remind ourselves, we are nearly at the end of the second full year of the transformation. And it would be way too early to kind of say that are we reaching a steady state? Certainly not.

And let me disaggregate this for you at 3 different levels. First, at an aggregate Eureka Forbes level, the very key driver that you see is operating leverage. If you look at this year's number as well and I look at Q3, for example, an 11% growth has given an operating leverage of nearly 250 basis points on cost, and that just tells you how much more opportunity is there. So that is one clear headroom that we see, just sheer scale will drive operating leverage and profitability. If I were to disaggregate this even further, first, on the service side, there are still opportunities that are there.

Besides growth, I think plugging leakages, extracting efficiencies is an ongoing process. At no point in time can one say that we've reached an end point. It's an ongoing process. You extract certain efficiencies, you invest back in business. Certain things you let it flow to the bottom line, but this is going to be an ongoing feature. And we still have several work streams to drive those efficiencies.

When I look at the product side of the business, there again, the very fact that in aggregate if we are at 11% margin with the service business, it tells us that our product portfolio is at a margin which is lower than where we would want it to be. And there also we see very clear opportunities in terms of driving cost efficiencies, and there are several work streams that are there.

So big picture, if I were to step back, I think we are not even close to saying where we would be from an endpoint perspective. There's still a fair amount of runway that we see. And if you can look at this year's YTD number, the margin expansion on a year-on-year basis has been 120 basis points. And that is something that from our perspective, our aim would remain to keep on driving year-on-year margin efficiencies, and we expect that to sustain going ahead.

Pratik Pota: And if I may add to what Gaurav just said, I think as we look at the competitive context and competitive benchmarks, as I just mentioned in my response to Umang's question earlier, we see clearly headroom for improving profitability. So, I absolutely agree with Gaurav. We have a lot of room for us to expand profitability and expand margins, and we are nowhere done yet.

Aniruddha Joshi: Okay. Sure, sir. That's very helpful. Just last question. Air purifier has Sizable market centre at least in North India. Now we are seeing demand rising in other major cities like Mumbai, Bengaluru also. So, any update on the growth in air purifier, especially considering this is the peak season for air purifier?

Pratik Pota: No, Aniruddha, you are right. This is absolutely the peak season for air purifiers. And as I mentioned, we saw a very healthy increase. We had a tripling of revenues from air purifiers in the last quarter. A significant portion of those revenues came from the North as is true for the category, but we began seeing momentum also in the other markets.

That said, this category is still North-centric. And we expect that mix and that skew to start balancing out progressively in the future. And we'll start seeing the category scale up in other markets where we see air pollution as a very real problem. So, while the market is still very North-centric, that mix will change.

Aniruddha Joshi: Really helpful. Pratik sir, please take care as you have a really bad throat.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Thanks for the opportunity. Sir, first question is on the sustained traction in the premium segment. Possible to get some color on how much was the growth in the premium portfolio and the mass portfolio in the quarter? And what would be the premium salience for us compared to competition? Just to understand how sustainable and how in the longer term we can continue to see a stronger traction from this portfolio?

Gaurav Khandelwal: Thank you, Siddharth. First, I think, again to reiterate that we've seen overall volume growth and that volume growth has not been restricted to premium portfolio, but also to our economy portfolio. Second, I think, clearly, premium for us has been over-indexed in this particular quarter, and it's a continuation from what we've seen in the previous quarter.

I think one clear learning that is coming across is that you put out the right quality of product with industry-first features that is something that works really well with consumers, and we continue to see very good demand for our premium portfolio.

What it has done in this particular quarter is that since it's outgrown other segments within water purifier, its share in the overall pie has increased. But having said that, we still retain a very, very balanced portfolio between economy, mid and premium.

The second point to draw attention to would be that I think we've gone from, in some ways, being laggards on innovation to now very clearly moving to a space where we are taking the lead. I think the latest example being an industry-first IoT smart water purifier. And you will keep on seeing more such innovations going ahead as well. So, we do expect our growth in our premium portfolio to continue.

Pratik Pota: If I may add to what Gaurav said, I think another interesting feature of our performance in the premium segment was that we saw a very clear upgradation from the mid-price segment to the premium segment. Consumers who were in a lower price point, upgraded when they saw the premium propositions, for example, the Blaze Insta Hot product, and that helped move the needle and move the mix in the salience more towards the premium segment compared to what was there last year.

Siddhartha Bera: Got it, sir. Second question is on the service side. So, we had launched multiple tiers to expand the service base. So, can you share some color on when, in which tier have we seen the maximum adoption? Just trying to understand if that has been the reason for a slightly slower service growth for us. So, some color there will be helpful?

Pratik Pota: Yes, Siddharth, as you mentioned, we had launched segmented or tiered AMCs earlier last year. And I think what we have seen very clearly this year is robust volume growth, robust growth in unit AMCs that we have sold. So, the objective that we had when we made our AMCs more affordable was to drive greater AMC adoption. And we were encouraged to see that volume growth played out as we had expected.

Going forward, as I mentioned in my earlier response, the multiple initiatives that we have taken even post the launch of tiered AMC are now beginning to land impact. And going forward, we see service revenues, therefore gaining in momentum. But specifically, the launch of the tiered AMC has indeed worked the way we had hoped it would, which is to drive volume growth and drive AMC adoption.

Siddhartha Bera: Thanks a lot. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

Rahul Ranade: Just one question. So just a clarification here. So, in terms of, let's say, any consumables that are used in the service business, those still get classified under service income, right? Is that the right understanding?

Pratik Pota: Yes. Rahul, the consumables that are used as part of our service revenue business, service business rather are indeed reported as part of service revenue.

Rahul Ranade: Okay. And any filters, I think, or any other consumables that we had started to sell, which were kind of used by third-party service people, those are reported as product revenues. Is that the right way to look at it?

Pratik Pota: No, Rahul. All sales of filters, no matter which channel it goes through, comes under service revenue reporting.

Rahul Ranade: Understood. So, product is basically just the new machines that we sell there?

Pratik Pota: That's right, Rahul. Absolutely.

Rahul Ranade: Okay. Fair enough. And just in terms of the service revenue, like this is kind of a repetition of the earlier question, but what kind of volume growth are we seeing in terms of the services? And should we look at it as a plus, kind of a positive volume but a slight drag in terms of ASPs because of the tiered AMC structure that we had rolled out, and that is why the service overall revenue as such seems to be a little muted. Is that the right way to look at it?

Pratik Pota: Yes, Rahul. As I mentioned, we have seen robust volume growth in our service business. Our unit AMCs have grown in volume and grown in numbers. And this was in line with our strategy to grow our AMC penetration and drive greater AMC adoption. However, that has come, as you mentioned, with a dilution in ASP as consumers have gravitated towards a portfolio of different tiers within the AMC. As a result of which, the revenue growth in service has been muted with the ASP dilution over the volume growth that we have seen.

Moderator: The next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Fund. Please go ahead.

Naushad Chaudhary: Two questions. First on the service business. I just wanted to know if you are able to share the AMC advances growth in the balance sheet on a year-on-year basis? That would be helpful?

Gaurav Khandelwal: Yes. So Naushad, we report our balance sheet every 6 months as part of the regulatory requirements. Having said that, I'll just reiterate that we've seen volume growth in our AMC franchise. Our strategy was to drive volume growth because, again, it was a portfolio which had not seen volume growth for a while.

So that is a path that we've pursued. In some ways, it's a replication of the strategy that we adopted for product as well. This, as you can imagine, also came in with an ASP dilution, which is there. But importantly, we've seen volume growth in the franchise. And going ahead, we are seeing an uptick in the business even in value terms because the franchise is becoming bigger.

Naushad Chaudhary: Okay. Second, last quarter we had rolled out the buyback offer for purifier. And can you share some more on this? How is the response? And anything on this strategy?

Gaurav Khandelwal: Yes. No, this is something which has worked quite well. Interestingly, we did not keep it restricted only to a buyback of our own device. We had kept it open-ended for even other brands and the response has been very good.

In fact, it's been one of the reasons which has contributed to consumers upgrading from mid-segment to premium segment that Pratik spoke about earlier because it was an offering which was very attractive for consumers and has been a contributor to the growth in the premium portfolio. Given the response that we have got, we've also kind of extended this in Q3 as well beyond the festive period.

And the other important dimension to add is that in a GTM like ours and specifically when it's a direct sale, offers like these end up with a very high conversion ratio because you have a sales person sitting inside a home and is able to very quickly identify for a consumer what could be an old device and offer a new device at a great price.

So, from our perspective, the buyback offers have worked very well. Importantly, we've not kept it limited only to Eureka Forbes devices. And given the success that we've seen, we continue to operate these teams even now.

Moderator: The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Thank you for giving me this opportunity. But Pratik, one highlight, let me start with a request, right? Service is such a key element of our business? I would appreciate if you can deliberate, if you can start giving quarterly numbers on that, on the revenue part, which is coming from services because otherwise lots of questions are on that? And we have to probably determine as to what is the service revenue growth.

So, that's one suggestion. But my question to you, Pratik, is that this whole service part, it's lagging the product part, and you started this whole transformation journey on the service part a bit later than product. But what is it that is taking a bit longer than expected? What are the issues that you are facing apart from the lower ASPs that you have implemented, to increase the adoption? Is it the existing base of 8 million, which was there a year or so back?

Is bringing them into the organized net, cutting the leakages there an issue? Or is the new conversion an issue? Can you just give us some color and also some quantification on how fast have you been able to stop the leakage, so to say, or bring back some of these customers who are not in our net back to the company's stream of revenue, both on filters as well as on the service part? That's number one question.

Pratik Pota: No, thank you, Rohit. Thank you for your concern. And thank you for your suggestion on sharing of quarterly numbers for service. It's been duly noted. I think you asked a very interesting question on the service revenue and why the service revenue and the growth there is lagging the product business. I think one reason for that is what you began by mentioning yourself, which was that by design, in our phasing, we had rolled out our product interventions earlier. And as evident in the robust product growth that we've been delivering for the last few quarters.

In Stage 2 of a transformation, we began rolling out our service interventions, whether it was dialing up the service quality, whether it was launch of a tiered AMC, launching of a D2C and our website and many other interventions in the field to help manage our technician workforce better. The reason why the impact will take time to come or has taken time to come is because of 2 or 3 reasons.

One is that there are existing behaviors, legacy behaviors for many, many years, which take time to change. And I say behaviors, I mean behaviors from consumers, behavior from channel partners, behavior from technicians. So, these take time to change and for the impact to play out. The second reason is that, as you're aware, there is a very large unorganized market, a parallel market, which keeps interplaying with the organized Aquaguard in Eureka Forbes service market. And while we have worked systematically to cut leakages, co-opting a much larger share has taken time.

That said, I must also, in the same breath, point out that we have taken a number of steps and a number of interventions to cut down the leakages. And we are seeing each one of them make incremental impact. And cumulatively, where we are today in service, we feel a lot more confident now than what we were possibly a year ago. And we feel confident that these impact, these initiatives will land a cumulative impact in the periods ahead. And like I said earlier, green shoots are beginning to get evident.

But I must say that these are early days, but we are seeing green shoots. And systematically, we'll keep chipping away at some of these barriers, at driving customer behaviour change, at driving greater customer awareness, driving filters differentiation and filters availability and distribution, co-opting a much larger set of technicians, both our own and from the parallel market in driving our filter sales, our AMC sales. All of these, we believe, we are very confident actually that going forward these will make an impact.

Prolin Nandu: That's very clear, Pratik. My second question is, see, we are a very unique consumer durable company, right, where a decent part of our revenue comes from annuity income in the form of service. Also, we have a very unique proposition in terms of our direct salesperson who have access to some of the customers whom we can cross-sell across different products that we have in our basket.

So when you think about your company from a lifetime value that it provides to the customer of how you value a customer from a lifetime point of view, where was it, let's say, 2 years back when this whole transformational journey started? Where is it now? And where can you take it, let's say, next 2 to 3 years? How do you think about Eureka Forbes as a brand and a company from a lifetime value of a customer to cost of acquisition of a customer point of view?

Pratik Pota: No, Prolin, that's a really good question. And I think you've sort of distilled the essence of what makes Eureka Forbes such a powerful business. The fact that we have a very large installed base of customers, very happy, very loyal customers built over the years. We have both an annuity that sustains from a service business, but we also have a very strong direct sales network, which with the service business allows us to reach customers' homes, resolve their complaints and issues, but also to be able to cross-sell and upsell. I think in an earlier response we spoke about the very encouraging feedback and the uptick we saw in the buyback offer.

One big reason was that we have these channels. We have these possibilities. Ever since we began the transformation, we have rolled out very specific steps to help create and unlock much greater lifetime value. I think the first step was to roll out a very powerful digital back end. We've often spoken about us being really a D2C company, but we were a D2C company in a very physical, very brick-and-mortar way. But by strengthening our digital back end, we have complemented the physical access with a very, very strong digital backbone. And we are beginning to see that play out both in service and in product.

So for instance, a very significant part of our service revenue now comes from our digital assets. And that number has grown every quarter over the last 8 quarters. Equally, we had mentioned in the last earnings call that we had rolled out a product commerce functionality online on our website.

And we've seen that also pick up momentum this quarter. And we ran a festival program during Diwali on our own D2C asset, and we saw a very, very strong response to that. So that's one example of the way we have used our direct and our service network to drive and unlock much more lifetime value. So that's one example. Let me give you another example of cross-selling.

The fact that we've got a very large installed base and that we've got the access that I spoke about also allows us to sell and cross-sell categories which are evolving, which are still very small, but which need to be incubated and nurtured. For example, robotics. The fact that our direct sales network can take a robotic device to a customer's home, even if it's a water purifier inquiry and demonstrate the robotic device and very often land that sale, if not there and then, subsequently. So that's an example and one reason, by the way, why robotics has done so well for us is because we have this unique access. So that's another example.

The third way we have tried to secure a lot more of customer value is in ensuring that we protect our customer data. And I spoke earlier in response to your earlier question about leakages, etcetera, and the parallel market. I think it will be fair to say that a couple of years ago or earlier, our customer data was available a little bit more widely. Year and a half ago, we rolled out customer number marking, and we've secured customer data. And therefore, it will not be easy for anybody to take out and to extract value from our customers. That's another example.

The fourth example is the way we've strengthened our direct sales network, and we strengthened our service network. The fifth example is the buyback offer that we spoke about earlier. And I could go on all afternoon. But there are a number of things we've done which have meaningfully helped unlock our customer value. That said, given the relatively early phase of our D2C evolution, we see a significant runway to do much, much more and, if anything, extract even more lifetime value. So we've just got started on many of these things.

Moderator: The next question is from the line of Palak from MIV Investment Management.

Palak: So sir, my question is, I was going through our annual report. In the other liability, we have a line item which is basically income received in advance. If I add the non-current and the current liability, the amount is approximately Rs. 500 crores. When I was going through the note, I understand that this is basically income which is received in advance for the maintenance services, which is for the period of 1 to 4 years.

But in our revenue recognization policy, 75% of this revenue we are recognizing in the first financial year. But if the period is for the 4 years, then isn't the 75% a very aggressive revenue recognition policy that you are following?

Gaurav Khandelwal: Yes, no, let me just clarify, Palak. So the revenue recognition happens exactly basis the tenure of the AMC. So, the tenure of the AMC could be a 1-year, 2-year, or 3-year. And hence it happens exactly basis that. The range that you are referring to is the 1- to 3-year period that you mentioned is the range that is given out.

It does not mean that the revenue or the AMC that are sold are of an even period that it's 25% in 1 year and the similar levels in each of the years. So, the range is just indicative of what could be the tenure of an AMC. The revenue recognition is basis the exact tenure of the AMC. On an average, our AMCs end up with a tenure of anywhere between 18% to 20%, and hence you will find roughly 70% of our revenue coming within the year.

Palak: So, basically there will be certain products where the tenure could be 1 year, 2 years, 3 years. So that is an average of all the products that we sell.

Gaurav Khandelwal: That's right. The largest chunk, if I go by the count of AMCs sold, the largest chunk comes from the single year AMCs. But equally, there are consumers who want to buy a longer tenure AMCs. And hence, the revenue recognition happens basis the weighted average that comes through.

Moderator: The next question is from the line of Rishabh Gang from Sancheti Family Office. Please go ahead.

Rishabh Gang: Thank you for the opportunity. So, you mentioned that our air purifier business has grown by 3x YoY. But I think at an overall revenue level, it is still not playing a great role, right? So how are we investing on spreading the awareness of the use case as well as Eureka's presence in the category? Because I did some analysis on Eureka's presence in this category as well as like on YouTube and Amazon.

And our presence looks very tepid. Like, for example, when I search for air purifier on Amazon, we are not even on the first page of search, right, let's say, 20, 25 searches. Like if a prospective customer searches for air purifier on Amazon, there is a chance that they will not even find us. Choosing our product versus someone else is the next question, right?

Also, even on the sales floor platform like Amazon looks very low prima facie. Let's say for the products that you have, the number shows like 50-plus bought in past month, whereas for competitors it is 500 or 1,000-plus bought in past month, right? So how do we plan to tell people that we are a dominant player in this category and we are very serious about it?

Gaurav Khandelwal: Yes. So, Rishabh, I think let me start off by saying that air purifier in general as a category within the country is relatively small. And the same applies for each of the individual players who are there in the category. So hence, even in our case, the business is relatively small at this point in time.

But on that base, we have indeed grown 3x. That's one. Number two, from scaling of the category, it is certainly on the horizon. But obviously, from our perspective, we've kind of prioritized growth in water purifier, vacuum cleaners, and service because that growth is giving us the headroom to kind of then start growing air purifier business.

As a first start, what we are doing is to use and leverage our direct channel, because if you were to go to the e-com platforms, there are considerations of ROI, etcetera, which have to be there. And for a category which is still not large enough that ROI may not work out. What we are adopting as a strategy is to use our direct channel because that is giving us complete access to home and using that as a first port of call on a GTM lens.

The second thing that is happening in parallel is to get in product innovations and it's still early days there, and drive this particular category. It's for this particular reason that you will not find us on the first few pages on the first few searches of any e-comm platform that you would go because we are largely using our direct channel from a GTM standpoint.

But this is clearly a category, I think if I were to just wind back 2 winters back, this was seen as an NCR problem. I think pretty much there is consensus now that it extends to most of the cities, including Mumbai. So clearly, the category is beginning to gain traction. But this is something which will have to be built over a period of time.

Rishabh Gang: Also, on the opportunity to cross-sell, right? So let's say, I am an active AMC user of Eureka Forbes, I bought through direct platform only, and I have not received a single message till date from Eureka, right, to what I understand, for cross-selling, right, a robotic vacuum cleaner or air purifier, right?

This is such a low-hanging fruit. I'm actually looking for buying an air purifier, but Eureka has never sent me a message. Okay, we also sell air purifier, why is it not happening?

Gaurav Khandelwal: No, Rishabh, it's a fair feedback. And what you point out is clearly an early win opportunity. We do it in a few cases, but in a few cases, we still have learnings. So, thank you for the feedback, and we'll make sure that we incorporate it in some form.

Pratik Pota: And to just to add to that, we do have a very structured cross-selling program. And as I mentioned earlier, many of our products in this quarter have benefited from that cross-selling program. I talked about robotics. Indeed, Gaurav mentioned air purifiers as well. So, we would love to understand why we did not reach out to you and how you got excluded.

And that's something we'll figure out after this call. But your feedback is well taken. And all that I want to say and add is that cross-selling is and will remain a very important area for us to drive growth. And we have the base and the customer data for us to do that.

Moderator: We have the next question from the line of Parikshit Kabra from Pkeday Advisors LLP.

Parikshit Kabra: Thank you for the opportunity. I wanted to actually go back to the services business again. And I obviously have been paying attention to the entire conversation so far. So, I appreciate the fact that the volumes have grown up and the ASP has come down and hence the growth has not remained as fast. But then can you give us a sense of how much has the volume gone up?

I know you're not going to share numbers, but can you tell us how much of the incremental customers that are coming? Are we increasing our penetration in terms of AMC being sold along with the machine? Has that been happening? How are we trending there?

Gaurav Khandelwal: Thank you, Parikshit. No, so the metric that we measure is since the machine comes with a 1-year warranty, at that point in time there is no reason for an AMC to be bought by a consumer. So that's not something that is a point of sale and hence we don't measure that. But the metrics that we measure, the primary metric that we measure is actually volume growth for a simple reason that this is, again, has been a franchise where there's a large unorganized market that is there.

And I think just getting a part of that would start driving volume growth. Also, it is in sync with our strategy of using pricing as a lever to drive volume growth. So that's the primary metric that we drive. Associated metrices that which are there are certain conversion metrices.

On the volume growth, I wouldn't be able to give out specific numbers, but this is something where we've seen healthy volume growth compared to the past trends that we've had. But more importantly, I think it has now achieved a particular scale where we also have line of sight to value growth also coming through.

Parikshit Kabra: Gaurav, the last part statement is the part that I'm not able to understand because one would think if you're only going to talk about in terms of volume growth, if the overall numbers are not risen adequately in the sense that the elasticity that we expected, the price elasticity that we expected this category to have is not how it's played out, right?

Because the reduction in ASP has not given us a more than compensatory increase in volumes, then maybe this strategy of reducing prices was not the best strategy.

Gaurav Khandelwal: I think, see, at the end of the day, it is not the only strategy. It is one of the levers that we've exercised. But bear in mind the fact that this is an annuity business. So you have sustained periods of volume growth, that then indeed starts translating into a value growth. So that is something which will play out.

Having said that, there are equally learnings that are there certain places where pricing may not be a lever. Those course corrections are something which are an ongoing exercise. So that is something that we keep doing it in certain segments and there are certain segments where we've seen pricing not give us the elasticity.

So those are the corrections which have been done to make sure that we don't lose out value there. But importantly, I think given where we stand from our perspective, the key thing that we are having a line of sight to is value growth to start coming through.

Moderator: We have the next question from the line of Siddharth Purohit from InvesQ Investment Advisors Private Limited. Please go ahead.

Siddharth Purohit: Sorry if this question is repetitive, but can you say what would be the ESOP charges on an annualized basis? And like tentatively for FY '26, what could be the charges?

Gaurav Khandelwal: Yes. The ESOP charges that we are currently trending is Rs. 5.7 crores. It was similar in the last quarter as well. And going ahead also, we should expect a similar range of ESOP charges. So roughly, you can assume the ESOP charges to be anywhere between Rs. 23 crores to Rs. 25 crores on an annual basis.

Moderator: Ladies and gentlemen, we will take that as our last question for today. If you have any further questions, you may reach out to the company Investor Relations team. I would now like to hand the conference over to the management for closing comments. Over to you, gentlemen.

Gaurav Khandelwal: Thank you for joining the call today. I trust that we were able to address the questions today to your satisfaction. In case there are any queries that remain unanswered, please reach out to us, and we will be glad to respond. Thank you, and have a great day.

Moderator: Thank you. On behalf of Eureka Forbes Limited, 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

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