**Eureka Forbes Limited** (formerly Forbes Enviro Solutions Limited)
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June 05, 2023 EFL/BSE/2023-24/32

**BSE Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001

**Scrip Code: 543482**
**Scrip ID: EUREKAFORBE**

**Sub: Intimation of Transcript of Earnings Conference Call held on Tuesday, May 30, 2023**

Dear Sir/Madam,

Pursuant to Regulations 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, May 30, 2023.

The transcript of the Earnings Call is 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
*(formerly Forbes Enviro Solutions Limited)*

PRAGYA KAUL
Digitally signed by PRAGYA KAUL
Date: 2023.06.05 21:48:27 +05'30'

Pragya Kaul
Company Secretary & Compliance Officer

Encl: As above

"Eureka Forbes Limited

Q4FY23 & FY23 Earnings Conference Call"

**May 30, 2023**

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

**Moderator:** Ladies and gentlemen, good day and welcome to Eureka Forbes Limited Q4 FY23 and FY23 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 Pratik sir, 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 everyone. I am pleased to welcome you all to the first investor call for Eureka Forbes after the company's listing last year. We thank you for your patience and understanding. These calls will now be a regular feature of our calendar. In addition, we will also be engaging with our investors and the wider community outside of these quarterly calls as well. Since this is our first earnings call, we thought it would be appropriate to share some more information about EFL and the more recent developments in the company. Let me first start off with a wider context.

As you are aware, we operate in the space of pure water, clean earth and pure air. The categories of water purifiers, vacuum cleaners and air purifiers play a critical role in enabling the health and hygiene for our communities, families and individuals. These categories, however, have very low penetrations in India and therefore offer considerable headroom for growth. Additionally, these categories will see tailwinds from the enhanced post-pandemic consumer sensitivity towards health and hygiene and from programs on universal electrification and pipe water availability, which will provide a strong platform to drive growth and penetration.

We believe that at Eureka Forbes, we are well placed to lead and participate in this growth. We are pioneers in the cleaning and water categories in India with a 40 years plus heritage. In Aquaguard, we have a power brand that enjoys tremendous consumer trust and acceptance. Our omnichannel presence, including a direct sales network and a nationwide service network, give us unique advantages and position us well for driving sustained multi-year growth. Recently, we began working on a new transformation strategy that will drive growth, improve profitability and unlock value for the business.

This exciting strategy, titled Project Udaan, will propel us towards a vision of transforming into a vibrant D2C health and hygiene leader, delivering sustained and profitable growth. Let me say that again. It will propel us towards a vision of transforming into a vibrant D2C health and hygiene leader, delivering sustained and profitable growth through a strong product portfolio, best-in-class innovations and obsessive focus on customer service, all delivered through a digital-first model.

Towards this, I would now like to outline the new strategy and the themes that we are working on. Our first strategic pillar is to grow the water business, both by growing the category as also by driving differentiation and premium innovations. Water purifiers in India have a very low penetration of only 5% and we will focus on driving accessibility, relevance and affordability to address the category barriers and drive growth.

Our recent campaign launched in quarter 4, titled Nal se kapda hatega toh sar se kapda hatega, aimed at the cloth and sieve users, along with product price affordably starting at INR6,499, were steps in that direction. In addition, we will also drive premium innovations to serve customers who are becoming more discerning and design conscious and looking for new differentiated products and new features from what they buy. The second pillar of our strategy will be to grow the categories of cleaning and air.

In cleaning, there is both a category growth task as also a premiumization agenda and we will grow the business through a portfolio that addresses both. Given the increasingly poor air quality across the country, we believe that air purifiers offer significant potential and our role here will be to nurture and incubate the category and drive consumer education and awareness.

The third strategic theme is about transforming our customer experience.

Today's customers expect control, convenience and speed and we have several initiatives lined up that will give customers a much better and completely reimagined experience. We will give customers the ability to schedule and monitor their service and provide ratings and feedback. In addition, we will also equip our service network with digital tools that will in turn help them provide seamless service delivery to our customers.

Our fourth pillar is about operating with leaner cost structures and a much more efficient operating model. We have put in place a structured program to drive efficiencies and execution is underway in areas of productivity, cost negotiations and control on spends. Our scope of work covers not just cost but cash optimization as well to create the headroom for growth and for investments. Technology is now all pervasive and being digital first is our fifth strategic pillar.

We believe digital will play a critical role in leveraging our 8 million plus customer base and the large network of feed force and channel partners. We have embarked on a digital strategy aimed at improving customer experience, employee and partner experience as also at driving agility. Our digital assets are being rebuilt and will be optimized for delivering convenience, engagement and commerce to our customers.

Finally, our army of proud, passionate and committed Euro champs will be the sixth and the most critical pillar. We are building a team that will be an exciting amalgam of experience and fresh talent and this will be critical in driving the transformation agenda. We have strengthened the leadership team by hiring at various levels across functions and across the organization. In addition, we are building the culture focused on customer centricity, collaboration, agility, ownership and accountability.

In summary, we are excited about the opportunity of driving growth and profitability on the back of innovations and improved customer experience and a more efficient operating model. I will now turn my attention to Q4 FY23 and full year FY23. In Q4, consumer demand continued to be subdued and was reflected in our top line growth. Our net revenue stood at INR 508.1 crores, a decline of 8% over last year. During the quarter, we launched a new range in water purifiers including Aquaguard Superio, Blaze and Eden.

We also launched the latest range of robotic vacuum cleaners. Our EBITDA in Q4 FY23 was INR 47.4 crores at 9.3% of revenue and a growth of 35.6% over last year. Our operational efficiency initiatives reflected in a sequential and year on year improvement in EBITDA margins. Most importantly, our Q3 and Q4 margins reflect a decisive shift in our margin trajectory up from our past levels of low to mid-single digits. Similarly, better cash management enabled reduction in our net debt by 70% plus, thereby creating headroom to invest in growth.

We aim to significantly step up our capex in FY24 to support the growth and retargeting agenda. On a FY basis, net revenue came in at INR2080.4 crores, a growth of 2.2% year on year. EBITDA for the year stood at INR131.7 crores at 6.3% of revenue. In summary, we have started off on an exciting transformation journey, Project Udaan, that will fundamentally reshape our business, unlock growth and profitability, and help us evolve into a D2C health and hygiene powerhouse. We look forward to sharing updates with you about this in the quarters ahead. I will now hand you over to Gaurav, our CFO, who will provide more colour on the financial performance and the numbers. Over to you, Gaurav.

**Gaurav Khandelwal:** Thank you, Pratik. Good afternoon, everyone, and thank you for joining us. Starting off with the Q4 performance. During the quarter, our revenue was INR 508.1 crores and grew by 8% on a year-on-year basis. This was due to a combination of a soft demand environment and some impact of transformation, including portfolio rationalisation. EBITDA grew by 35.6% year-on-year to INR47.4 crores, leading to a margin of 9.3%, an expansion of 300 basis points versus previous year, and also a sequential improvement by 61 basis points.

Improvement in year-on-year EBITDA margins was driven by a combination of cost initiatives and a relatively soft commodity environment. Annual debt reduced from INR177 crores as at end of March-22 to INR50 crores as at end of March-23, a 72% reduction. This was on the back of focused transformation initiatives in the areas of digital collection and improved inventory management. And this was reflected in our finance cost, which reduced by 47.9% from INR6.7 crores to 3.4 crores in Q4.

We believe that the combination of an improved margin profile and lower debt gives us headroom for growth investments. Aided by EBITDA margin expansion and lower finance costs, our PBT before exceptional items grew by 120.9% to INR35 crores. PBT margin for the quarter was at 6.9%, an expansion of 400 basis points year-on-year. During the course of the year, we have made several choices to ensure focus on our core portfolio. Continuing with that in Q4, we recorded an exceptional charge of INR9.1 crores related to closure of non-core product lines.

PAT was INR 16.3 crores compared to INR8.2 crores in Q4 FY22, an increase of 98%. I now move on to the full year performance. Our revenue for the year was INR2080.4 crores up 2.2% year-on-year. EBITDA for the year grew 20.2% to INR131.7 crores. EBITDA margin was at 6.3%, an expansion of 94 basis points year-on-year. Depreciation and amortization expenses increased to INR55.3 crores compared with INR31 crores last year due to the full year impact of amortization of intangible assets.

PBT before exceptional items grew by 19.5% to INR67 crores. PAT was INR17.1 crores compared to INR26.3 crores last year with a drop being attributable to exceptional charges. To summarize, we have embarked on an exciting journey of transformation under Project Udaan. With our strong brands, omnichannel presence, wide service coverage and the energy of our Euro champs and partners, we believe that we are well-placed to drive long-term growth and profitable growth. The initial impact of our early initiatives is visible in our profitability and cash flows and we intend to make steady progress on other transformation fronts as well. On that note, I would now like to hand over to Q&A.

**Moderator:** Thank you very much. The first question is from the line of Vimal Gohil from Alchemy Capital Management. Please go ahead.

**Vimal Gohil:** Yes, sir. Thank you for the opportunity and great to have you guys on the first ever conference call.

**Moderator:** Mr. Gohil, sorry to interrupt you. Please increase the volume of your device.

**Vimal Gohil:** Yes, great. Sir, my first question is on the overall demand environment. While you highlighted that it is being soft, but are you seeing some signs of improvement of late? That is question number one. And the question number two is on margins. While there has been significant improvement, how do you think about it from here on and what will be the primary levers of margins going forward? Thanks.

**Pratik Pota:** Thank you. I will take on the first question and request Gaurav to chip in on the margin question. On your first question about our expectation of the change in trajectory, as I mentioned in my opening remarks, we have been faced with a reasonably tough macro environment in the last couple of quarters. We expect that with the coming festive season, that demand environment should begin to improve. We are seeing a few green shoots, but I would say not appreciably so. And we expect the demand curve to shift only coming to festive season.

**Gaurav Khandelwal:** Yes. Committing on the margins, so we see margin expansion over a period of time as an outcome of all the work that we do under our transformation agenda of growth and customer service.

Having said that, we do recognize the need for operational efficiencies and hence one of the strategic pillars is about leaner cost structures. We have put in place a structured program to drive efficiencies and as we speak, execution is underway in several areas, as an example, productivity, cost negotiations, and strong control on spends.

The first step in this journey is reflected in our Q3 and Q4 results, which represent a break from a past EBITDA trajectory. Also, I would want to add that our work in this area would not just be limited to cost but would also encompass cash initiatives to keep providing the fuel for growth investments.

**Vimal Gohil:** So Gaurav, where do you see the levers come? I mean, considering the fact that the demand is going to remain slightly challenging for a couple of quarters, where do you see the levers coming from and what are the challenges, because my assumption here is that you would have also taken up some legacy-related issues in the company. So how are you meeting those, if you can just help us understand that? Thank you.

**Gaurav Khandelwal:** Yes, I think the margin expansion would be a combination, as I mentioned, of growth and improving our customer service. Because again, cost continues to be an area of focus and that is something where the work will be ongoing. So that would remain a lever available for margin expansion and of course, growth would add on top of it.

**Pratik Pota:** Just to add to that, we spoke about the transformation into being a digital first organization. As we start implementing our digital solutions, it will have an impact on improving productivity, and cutting costs. So even outside of the growth lever, we feel reasonably confident that we have the elbow room to improve productivity and to cut the inefficiencies and wastage and improve margin.

**Moderator:** Thank you. Mr. Gohil, may we request that you return to the question queue for follow-up questions. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow-up question, we would request you to rejoin the question queue.

The next question is from the line of Swati Hiroo from Ratnabali Investment. Please go ahead.

**Swati Hiroo:** Hi. So like you just mentioned, the water purifier industry has a penetration of about 5%. So clearly people are not perceiving this to be a necessity in their homes. So you being the market leader, how do you plan to address this challenge?

**Pratik Pota:** Thank you, Swati. Thank you for the question. And yes, you are right. Despite the fact that the water quality in India is distressed, the penetration in the country of water purifier is still 5%. Urban has a higher penetration of 12%, rural is 3%.

If you double click on the non-users, there are broadly three segments that emerge. One is a segment of customers who use cloth filters, cloth and sieve. They believe they are taking some action to at least remove the physical impurities, but they take no other action. Then there is a large segment of customers who use boiling as an intervention. And there are large segments of customers who also use bottled water.

There remains a small cohort of customers who also make no intervention, who just drink tap water. We have identified the category barriers and the triggers for each of these segments. For instance, the customers who use cloth and sieve filters, the barriers that we have, while unlocking their behavior, there are two barriers; fundamentally, they believe that they are taking some action and that they are doing something to improve the quality of water.

In their case, our campaign, that we reach out to them and tell them that cloth filters are not enough. They do not kill bacteria. They do not kill viruses. And on top of that, we have provided a solution that's affordably priced starting at INR6,499 for a UV product, combined with distribution expansion and combined with outreach through an aggressive advertising campaign.

So identifying barriers to category growth, investing in the right products at the right price points, supported by category creating communication and distribution expansion will be the levers of growth for us.

**Swati Hiroo:** Okay. And what would be the management's guidance, say, on top line and bottom line three years down the line?

**Pratik Pota:** Swati, I think I want to step back and reiterate what I said in my opening remarks that we are fortunate to operate in categories with tremendous headroom for growth. We also are fortunate to have a customer base who is becoming increasingly sensitive and aware about the importance of health and hygiene.

As we address category barriers, as we drive innovation, we expect to see sustained multi-year growth in all our categories. We would refrain from providing the guidance but suffice it to say that we see a long runway for growth across all categories, across all consumer segments, not just in category growth, but at multiple price points. As we know, India, there are price points, there is a preparation task and a category growth task, there is equally an upgradation task and a differentiation and premiumization task. And we will participate in all these segments and address all these consumer opportunities.

So there is no paucity or scarcity of growth opportunities and we are excited by the prospect.

**Moderator:** Thank you. Ms. Hiroo, may we request that you return to the question queue for follow-up questions. Ladies and gentlemen, please limit your questions to two per participant. Should you have a follow-up question, we would request you to rejoin the question queue.

The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

**Harshit Kapadia:** Yes, hi. Sir, good afternoon and thanks for the opportunity and congratulations for a strong margin performance in this challenging environment. So two questions from my side, since you have rationalized your categories, I believe we have closed some of your categories like HC and probably Coronaguard. Are you going to further see any write-off happening in this financial year FY'24? That is the first question.

And secondly, at the AGM, Eureka Forbes AGM, Pratik sir had mentioned about that you would want to benchmark your margins to the industry level. Now, when you consider your nearest peer as your benchmark, or do you consider consume electrical industry as a benchmark?

**Pratik Pota:** Can you repeat the question, please? The last part wasn't very clear.

**Harshit Kapadia:** Yes. So when you had mentioned at the AGM, you generally would want to achieve your margins very much close to your industry peers. Are you referring to your closest industry peers, or are you referring only to the electrical industry peers, just to get a sense?

**Gaurav Khandelwal:** Yes, thank you, Harshit, for your question. So on the first one, what we've done so far as far as the portfolio is concerned is exited those product lines, which were of a scale, which did not contribute meaningfully to the business. So it's about Health Conditioners, it's about Coronaguard, it's about our securities division and most recently about a B2B Forbes cleaning service portfolio. So that is something that we've made a choice around it.

Going ahead, we will continue to keep looking at the opportunities that are there to see what are the margin of creative choices that can be made and basis that we would keep taking decisions.

**Pratik Pota:** Harshit, if I can come in on your second question about our benchmarking, we benchmark and we look at peers both who are more proximate in the category that we operate in as also the largest space of consumer developers and the even larger net space of consumer companies.

As we look at our margin opportunity, we have to keep two things in mind. There is, of course, the need to improve profitability to make sure we reduce wastage, increase productivity, drive digitalization, get the right portfolio mix and the right cost structure. There is also equally the need for us to make sure we make the right investment choices and the margins that we will, therefore, arrive at will be a combination of these two.

I think we made the point in our opening remarks that we see headroom for margin expansion and also we see headroom for significant growth and that will be the journey for us in the years ahead, in the quarters ahead to drive sustainable and to drive profitable growth for our portfolio.

**Harshit Kapadia:** Fair enough sir. Just if I could just step in on one more question. If I look at Eureka for the last 10-year period, FY'12 to FY'16, we have seen a CAGR of close to 11% to 12% in revenue growth, but last five years, FY'17 to '21, the growth has been more or less challenging for Eureka Forbes. If you can highlight what has been the issues that Eureka Forbes was having, and also how are some of these issues being addressed by this new management, and what is the market share present of Eureka Forbes and any target that you have in mind to achieve market share in water purifier space?

**Pratik Pota:** Yes, so let me try and address that one question, which actually was three questions Harshit, but let me just try and respond to that. I think on your first question that in the recent past, Eureka Forbes has had a bit of a growth challenge. There are two or three reasons for it. First of all, in the vital environment, in the last four or five years, there have been challenges in terms of demonetization followed by GSTs, and of course last couple of years of COVID. So there has been a structural challenge that the category has faced itself.

Apart from that, there have been two or three challenges that Eureka Forbes has had to deal with. The first one is I think the underinvestment we made in innovation and we've allowed ourselves to slip versus competition. So that is something that has clearly hurt us, number one.

Number two, the fact that we have downsized some of our channels to drive efficiencies and to cut costs, I'm talking of 2018, 2019, not in the recent past. Without creating the commensurate strength in other channels, that has impacted business as well.

We recognize the need for us to build a strong portfolio of products, which are differentiated, which are competitive, which restore thought leadership. And you will see us driving innovation very aggressively in the period ahead. Innovation that will both grow penetration at the bottom end of the market, but equally importantly drive premium propositions, both in water and the other categories.

On your question of market share, I think we are fortunate to have an omni-channel presence that straddles retail, straddles direct, and of course straddles e-commerce. And we are fortunate to have a strong market share in all of these channels, and as a result of, which we are strong market leaders, both in water and in cleaning. And our objective going forward is, of course, to make sure that not only do we drive category growth, but we also increase our share presence in all these categories.

That said, I think it's important to recognize that the battle here is not as competitive as it has to be one of driving overall category growth. But we will remain competitive and we will drive share gain as well.

**Moderator:** Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

**Charanjit Singh:** Hello, sir. Am I audible?

**Pratik Pota:** Yes, Charanjit please go ahead.

**Charanjit Singh:** Yes. Yes, thanks for the opportunity and thanks for the good show in terms of the numbers on the margin front. So my first question is, if you look at the channel mix, how it has changed once we have taken over and used to have more and more of direct channels, which got impacted during the COVID and how those things are shaping up?

Second is on the service part. Service part is an important part in this business. How large is that currently and with a very strong on the feet or ground presence, how we see that service part also scaling up within this overall business pie?

**Pratik Pota:** Thank you, Charanjit. Let me respond to your first question to begin with. Like I said earlier in my response to Harshit, we have a strong channel mosaic across direct sales, whereas, you know we were the pioneers. We have a strong presence in retail, both general trade and modern trade.

And we have a strong and growing presence in e-commerce. Over the last one year, we've made attempts and we've made interventions in strengthening our play in each of these channels.

In our digital sales channel, we have empowered the team with strong and high-quality digital leads. We are enabling them in the future with digitally enabled sales tools, which allow them to drive much higher productivity. The direct sales channel, as you know, is a source of strength for us and differentiation for us. It's a channel where we have a customer in dialogue with us for almost 45 minutes to an hour. And it's a very powerful asset that we intend to use to drive conversion, especially of premium water purifiers and of new concepts, which require category education and category creation. So that's on direct sales.

In retail, both in general trade and modern trade, our focus has been on driving on-ground execution excellence, in driving distribution expansion, and ensuring that we have visibility and get the right portfolio in both of these channels.

In e-commerce, we are fortunate to have a very strong relationship with all key marketplace players and we built a portfolio of products that have allowed us to deliver very strong growth and also to gain share.

So overall, from a product point of view, we have a strong presence across all channels and we have distinct plans and very specific plans at growing our revenues, growing our share through each of these channels.

Coming to the service question that you had, you're absolutely right. Services are a very, very important channel for us. It is a source of customer connect. Hundreds of our business partners and thousands of our technicians across the country help us forge an ongoing relationship with millions of customers.

And we are using this network, as I mentioned earlier, reinventing the service experience and the customer experience through digital enablers. I think all of us know that today's customers, they live in a world where they're doomed to expect 10-minute grocery delivery as normal. They expect on-demand service, service at their fingertips, they expect control, they expect visibility. We will transform and re-imagine our entire service experience to deliver all of this, to deliver convenience, to deliver control, and above all, to deliver productivity to our customers.

And, therefore, elevating the customer experience will be one big part of our strategy. I think with the network that we have, on-ground network, our partners, our employees, complemented with powerful digital enablers will allow us to completely reimagine the customer experience.

**Charanjit Singh:** Got it. Thanks, Pratik, for taking my questions and giving detailed insights. Thank you.

**Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:** Hi. Thank you for taking my question. I'm sorry I'm again harping you on growth. As you said that you are the market leader, you see enablization of digitization, you will get the category also growing, you will gain market share also. But just leaving aside all these things, last 10 years category growth itself has been 10%, 12%. So just in your sense, what do you see a change in the category growth? If you can throw some light on that, that will be really helpful.

**Pratik Pota:** Nitin, I think it's a fair question and it's a good question. But what is the likely outlook of the category in the future? And, of course, as I mentioned earlier, the category has structural tailwinds that are going to help the category move forward. The tailwinds that I spoke about are growing, the hygiene needs and awareness, the pipe water availability, electrification, all these are structural tailwinds.

I think it's up to players like us to then ride on these tailwinds and create a proposition for customers, create a moment of conversion, which allow our customers to convert much faster. I think it would be fair to say that without putting a number on it, I mean, eventually the number that the category will grow by will be a function of multiple things, including macros. It would be hard to put a number down, but it would be fair to say that the groundwork and the base is ripe for a breakout in terms of growth, well-above the numbers of 10%.

Yes, but when will it happen? How fast will it happen? Hard to say, because there are other variables at play as well. But structurally, I think the category is well-poised to move to grow at a faster pace. Again, I want to caveat that by saying that it's a function of multiple things, some within the control of the industry players, some outside, but the structural tailwinds are all there.

**Nitin Arora:** Got it. Second aspect in terms of your distribution. So do you see further the channel, which you spoke about? Do you have still headroom to grow your distribution or rather than just bearing the fruit of your distribution by having more stickiness to customer conversion, or do you see distribution also expanding? You have that scope there as well.

**Pratik Pota:** Nitin, absolutely, I think there is significant headroom for us to grow our distribution presence and our footprint in the country across all our channels. Let me start by talking about the channel, which connects through trade, which is general trade channel in the country.

I think as we start growing the category, as we start putting the right products and the right price point, we create a virtuous cycle by which we'll also help grow the category distribution and the category footprint. Today, we are still available as a category in a small proportion, small percentage of the small domestic appliances universe. And, therefore, there is abundant headroom for us as a category and indeed as a company to grow distribution in retail. That's number one.

Number two, indirect sales. As we work through the network of our own employees and our direct channel partners, we see room to grow the footprint, penetrate more markets and drive, like I said earlier, the new categories, premium propositions and the new concepts.

The e-commerce, of course, as we all know is a story of channel growth and channel expansion both in metros and in small towns. And we are seeing a tremendous tailwind for the category and for us in the channels.

Lastly, the service network. I think we have a strong presence among the largest service networks in the country. As we grow the product portfolio, we will in turn create the enablers for the service network to expand as well.

So I mean just to summarize, I think there is abundant headroom that we see across all channels in driving distribution growth, in driving availability growth and in driving execution excellence.

**Nitin Arora:** That's helpful, Pratik. Just one if I can squeeze in. Generally, in your P&L we see a service charge, which is a very high number and I'm assuming the services part is on your payrolls versus I'm not talking about the unorganized, but let's say a decent sized market share player. We don't see these service charges on P&L that much. I'm assuming it's their way of doing servicing business and your way of doing servicing business. Is this going to materially change going forward? If you can throw some light on that? That's my last question. Thank you.

**Gaurav Khandelwal:** Sure. Nitin, I'll step in. So first, just to throw some color on what this charge represents. So this is largely the charges that we pay for installation, for complaint handling, for call handling, etc. This is what this charge is about.

I just want to clarify that this is something that the people who do it are not on the roles of the company. They are the ones who work with our business partners. What we've seen so far is that this is an area, which is absolutely amenable to digitization. As we digitize our processes, as we improve our tasks, as we get more and more customer centric, we will see that cycle playing out, our complaints going down, our turnaround time is improving. And this is one area where we believe that digitization will play out in terms of varying efficiencies over a period of time.

**Pratik Pota:** If I can just add to that and just give one more contextual point there, Nitin. Today, roughly, just a little over 50% of our complaints and our calls still come through a call center. That number has been reducing over the last few quarters, as you can imagine. But there is abundant room even now to move this number up and to move most of the traffic to our own digital assets.

As that happens, we'll improve, of course, we'll reduce costs, we'll improve reliability, improve speed, and in general, improve the whole customer experience. And there could be many examples like that, which we could cite to talk about the headroom we have in driving efficiencies there. But equally important in improving the overall customer experience.

**Nitin Arora:** Got it. Thank you very much, sir. I'll come back in the queue. All the best.

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

**Aniruddha Joshi:** Yes. So thanks for the opportunity. Two questions, one, can you articulate our distribution structure? What are the touch points that we are having over a period of past three years, how it has increased and how do you see the distribution changing over the next three to four years? That is one question. And secondly, some of the products that we have in the automatic vacuum cleaner.

So the first question is about the distribution, how it has changed and what is our distribution strategy as far as the number of outlets, distributors, and how do we see the going forward that? The second question is also on some of the products which we have introduced are automatic vacuum cleaners, etcetera. So do you see really, there existing market for such kind of products? And again, if you can indicate our market shares, which are there across key products? Yes, that's it from my side. Thank you.

**Pratik Pota:** Thank you, Aniruddha. Let me attempt to answer both of them. On the distribution structure, we have four channels that we work with. The first channel that, we have is a direct sales channel. Eureka Forbes was the first company to introduce a direct to home sales channel 40 years ago. And that remains one of the larger channels for us. Within that, we have both our company employee network and also network managed by our direct franchise partners. So that is a direct sales channel.

We also have a retail network, which goes to distributors and from them to retail outlets across the country. We also have the modern trade channel, where we have direct accounts that we work with, both national modern trade and regional modern trade. We also have direct dealers, whom we service directly. The third channel that we have is e-commerce, with the marketplaces that we work with. And the fourth channel that we have is a large channel, which has service. And that we work through our service partners, who in turn employ service technicians. So those are the four channels that we work through.

Over the years, as you can imagine, e-commerce and retail have grown in contribution because they have grown faster. And direct has become smaller, but still remains a significant part of the revenue mix. On your second question, Aniruddha, on the products and the vacuum cleaners, if I look at the vacuum cleaner category and pull out a little bit, as I mentioned in my opening remarks, the category still has low penetration. One reason for that is there is in India, the habit of using domestic help for household cleaning. However, in the last three years, for obvious reasons, everyone realized the importance of having a cleaning solution, which was outside of the domestic help context.

And all the research shows that the space of convenient cleaning is going to become very large. And when we say convenient cleaning, we mean cleaning that is less laborious, that is automated, and that allows the homemaker or the family member to have the house cleaned, either primary cleaning or top-up cleaning with minimal effort. So the space of convenient cleaning, robotic vacuum cleaners, upright vacuum cleaners, we believe will see strong growth over the next few years. We intend to participate in that.

Equally, the conventional vacuum cleaners are also seeing some tailwind for similar reasons, but at a different price point. So, therefore, certainly there is a market for premium and convenient cleaning products, both robotics and upright. And we have a portfolio and we're building a stronger portfolio in these spaces.

**Moderator:** Thank you. We'll take the next question from the line of Shrinidhi from HSBC. Please go ahead.

**Shrinidhi:** Yes, hi. Thank you for the opportunity and congratulations on a good set of numbers on margin front. A couple of questions on the services business. Just wondering, is there a way to know, how much is the lifetime services revenue potential from a new water purifier that gets installed versus the product cost? And what are typically replacement cycles for a water purifier according to your assessment?

**Pratik Pota:** Yes. Thank you, Shrinidhi. So let me answer your first question. And that's a really key question that you've asked, and it underlines a very important point that, as we sell our products, including the ones, which are priced lower and which aim to expand and grow distribution, grow penetration, we also are able to thereby forge a much longer relationship with our customers. And in the lifetime of the relationship, we also have access to service revenue.

So that's a very important value stream for us. And we intend to sort of double click on that, underline that, make sure we improve the customer experience, and make sure that, we therefore forge and strengthen that relationship. As you can imagine, having a strong relationship with our customers also enables us to do replacement selling. At Eureka Forbes, given our vintage and given the trust that, we enjoy, we are fortunate to have a large number of customers, who've been with us for 20 years, 25 years, 30 years.

We are the only device and the only brand that have experienced. And they come to us, they buy the product, they avail our services. And when the time comes for the replacement, they come back to us and find a replacement product in Aquaguard. The base of customers that we have for water, for example, also allow us to do cross category selling opportunities. And I spoke earlier about the fact that, we are investing in growing cleaning an air. In the fact that we've got a direct sales channel that is well suited and perfectly amenable for doing category creation work, consumer education work. That combined with a large base of customers. who are loyal to us, who trust us, makes for a very, very powerful asset to work off.

Back to your specific question of replacement cycle. The cycle varies, it's a function of the interventions done by marketers like us, of this need that, they create to drive repurchase. The current repurchase cycles are between five years to six years, but we see no reason why, they can't be compressed further through the right interventions, through the right innovations, and through the right nudges to our customers to move up. If we do not differentiate sufficiently, if customers do not see a value in moving up, then they will stay with the cycle of five years to six years. But the more, we premiumize, the more we provide differentiated solutions, the more will be the encouragement that customers will have to move up faster. And that's a lever we intend to deploy.

**Shrinidhi:** Right. This is right. I was just wondering, would it be able to quantify the lifetime revenue services, revenue potential according to you? Is it like 2x the product cost or is it 1x product cost broadly?

**Pratik Pota:** So we wouldn't be able to quantify it and would not like to quantify it either. But you can imagine that a customer stays with us for seven years, eight years, ten years and stays with us over service, with service over that lifetime. That revenue stream is extremely valuable to us. And also it provides, like I said earlier, a good bedrock for us to then renew the relationship both in water and other categories. Beyond that, we would be unable to quantify much update.

**Shrinidhi:** No. That perspective is really helpful. And just building on to this question, I also want to understand, how much are you able to capture this service potential? Is there a lot of this service request getting captured by non-branded players? Well, the machine is of a quality, but someone else is servicing and there is a lot of low hanging fruit that you can capture or its largely you are capturing it.

**Pratik Pota:** No, that's a fair question. We are certainly capturing some part of this revenue to our business partner and service network. That said, we are also aware that, there exists a fairly large market outside of purview. The unorganized market and the market that is serviced, that services customers, maybe at a lower cost, with maybe lower quality. And we intend to drive updation of this market, conversion of this market through two things.

One is consumer education. A lot of customers, who buy these parallel services are not even aware that, they are buying the unorganized sector service. They think, they are buying Eureka Forbes service. So it is our task to therefore create that awareness, to tell customers that this is the only genuine, authenticated Eureka Forbes service provider. So there is one big element of customer education that we are working on.

Equally, we are also aware that, there is a parallel market with counterfeits and spurious filters, which compromise the consumer's health and undermine trust in Aquaguard. So we intend to pursue legal remedies as well in driving this market down and ensuring that, we have conversion happening to the genuine Aquaguard ecosystem.

The third space and the third theme that, we intend to drive, and if you notice in my opening remarks, I used the term D2C. And it was a term, I used advisedly because the way to cement this relationship, going back to some of the earlier questions, is to make sure, we lean over and we go past and overcome the friction and the bottlenecks in the entire activity chain and go to our customers directly.

So, we also intend to invest in building a D2C, a direct-to-consumer platform, which will allow customers to come to us and buy the right products, the genuine products, the genuine filters, and genuine service, because as a brand, we enjoy tremendous trust and tremendous goodwill. We just need to make sure that, customers are able to navigate their way to us easily. And D2C is an important enabler towards that.

**Moderator:** Thank you. We'll take the next question from the line of Aditya Chheda from InCred Asset Management. Please go ahead.

**Aditya Chheda:** Hi, good afternoon. So to understand the business better, if you can help us understand how the revenue is broken up between the vacuum cleaners and the water filter and also how much of it is the traded revenues. And if you intend to add any capacity for in-house manufacturing? That is the first question.

**Pratik Pota:** Thank you. Let me answer the first question first. I think not many people know that the first category that Eureka Forbes launched with, was actually vacuum cleaners. And we continue to have a dominant market share in this category across the multiple segments of conventional vacuum cleaners, the hand-held vacuum cleaners, the wet and dry vacuum cleaners, and the robotic vacuum cleaners. We also have a growing presence in the upright space. And vacuum cleaners comprise a significant part of our revenues and an even larger part of our volumes.

Vacuum cleaners, given the category construct, operate at a lower ASP compared to water purifiers. So therefore, the volume is higher than the revenue mix. Beyond that, I'm afraid, we won't be able to share specific numbers of the category breakup. Both of them are significant. Both of them are material. And we intend to grow both. Air purifiers remain very small and are not material. But as I mentioned earlier, this is a category that will be incubated, will be nurtured. It requires patience. It requires customer education and category creation work. That is often backbreaking but gives a lot of results in the medium to long term. And we intend to invest that and invest behind that, in a calibrated way, albeit.

On your second question about capacity in-house manufacturing, we have a portfolio of the combination of both. We intend to move progressively and in a very conservative deliberate way, more of the portfolio to in-house manufacturing. However, only where it makes commercial sense to do so. That apart, we intend to focus on creating a lot more of IP within Eureka Forbes, so that we can work with OEMs, with design and IP being owned by us. So we intend to do that. And that in keeping with the theme that I spoke about earlier of double-clicking and underlining on innovation.

We will be driving innovation aggressively, innovation across the spectrum, across the categories of water, cleaning and air. And owning the IP, owning design expertise will allow us to therefore create the capability of being able to manufacture in India as well.

**Aditya Chheda:** Perfect. And my second question is that, if we look at the historical other expenses, there were a lot of, such as legal charges at 3% or IT expenses at 2%. So I see a lot of low-hanging fruits to rationalize those. So, have you already included, embarked on those? Or there are some situations, where you can still rationalize these expenses? And also, if you can quantify how the ESOP would be impacted, impacting the employee cost over the next FY '24 and '25, ESOP cost?

**Gaurav Khandelwal:** Sure, Aditya. I will first take the first question. On the other expenses, you make a very valid observation on some of the cost lines and we are very cognizant of that. Even when we have done our benchmarking, we have come to the same realization that, there do exist opportunities in these cost lines as well. We are in the process of one, assessing, two, quantifying and three, executing. So it is going to be an ongoing process. The work as we speak is underway and we believe that, over a period of time, we will be able to drive more efficiencies out of it.

Coming to your second question on ESOP, that is something, which from a Q4 perspective that, accounting is not triggered. We recently have got necessariy shareholder approvals, etcetera and that is something, which will get reflected in our quarter one results.

**Aditya Chheda:** Can you quantify, what that number would be for the next five years?

**Gaurav Khandelwal:** We are in the process of, it is work in progress as we speak. We have just got the necessary approvals and that is WIP.

**Moderator:** Thank you. We will take the next question from the line of Pravin Ranjan Sahay from Prabhudas, Lilladher. Please go ahead.

**Pravin Sahay:** Yes. Thank you for taking my question. My question is pertaining to the balance sheet. You have a deferred tax liability of INR890 crores odd. Can you give some detail on that? Is it going to reduce the way forward? How is that?

**Gaurav Khandelwal:** So, just, I will give a context to it. So the recognition of this liability on the balance sheet was done at the time of the merger. So at the time of merger, there is a business combination accounting that gets triggered as far as applicable accounting standards. Hence, you will see this particular liability on a balance sheet. You will also notice that this goes hand in hand with intangible assets and goodwill recognized on the asset side. So this is effectively a consequence of the business combination accounting that has been done.

**Pravin Sahay:** Okay. Thank you for that. And a goodwill of more than INR2,000 crores odd, are you amortizing this?

**Gaurav Khandelwal:** No. Goodwill is something, which is not amortized. Again as per accounting standards, it has to go through an annual impairment testing. But there is no amortization that happens for goodwill.

**Pravin Sahay:** Okay. Thank you, sir. Thank you for clarification.

**Moderator:** Thank you. The next question is from the line of Jayesh Shah from OHM Portfolio Equi Research. Please go ahead.

**Jayesh Shah:** Hi. Congratulations for good set of results. I have again brought questions in terms of how to look at the size and scale of the company. Given the cost base of INR300 crores of employees, overheads of INR500 crores, service charges of INR1,100 crores, that comes to around INR300 crores, a total of INR1,100 crores of cost base, the revenue base of INR2,000 crores. Where do you think, a normalized operation would be? And I know, while you don't want to give a specific guidance, directionally, is it easy to double the turnover with the same cost base or to cut the cost base by half and grow the turnover steadily by say 10%-15%?

**Pratik Pota:** Jayesh, that's a good question. And it goes back to the point I made earlier in response to several questions. We are fortunate to have a foundation, which is an omni-channel foundation, a foundation, where we have a tremendous brand equity in Aquaguard, tremendous foundational strengths in terms of service, and a base of Euro Champs and our employees, who are experienced, who are knowledgeable, who know this category inside out.

However, that said, we have tremendous headroom as a category and as a company to grow the category, to grow the business across water, across the other categories, to grow the business across multiple channels. I spoke earlier about distribution expansion, whether it's in retail, whether it's in e-commerce, whether it's in direct, there is abundant room to grow. I spoke earlier also about service and the fact that, we are fortunate to have sustained relationships with our customers, but we also are cognizant of the parallel market from which we can derive and extract growth by conversion.

We have a strong base. Even as we work to cut costs and drive efficiencies, and as Gaurav said earlier, some opportunities are available, even as we seek to do that, clearly for a business with our foundation and with our potential, we can grow faster, we can be much bigger. Whether it will be 2x, 1.5x, 3x, when, hard to say, hard to put a finger down. But the important thing to say is to notice and to remind ourselves that. these are potentially very large categories. You go to any other country in South Asia or in the larger Asia market, the penetration of our categories is much, much larger, whether it's water, whether it's cleaning, whether it's air.

So we have a very large, potentially a large runway to grow. We have the foundational enablers. We are making the right investments. For instance, this year, we are making a significant change in our capex trajectory. Typically, we spend between INR15 crores to INR20 crores of capex every year. In FY '24, we intend to really move the needle and spend and invest beyond INR70 crores to INR90 crores of capex. And that is, again, pointing to the fact that, we are investing for the future.

We are investing to drive growth. We are investing in building a much larger and much more vibrant and much more customer-centric Eureka Forbes. So, I guess that's the larger picture, that this is a business that has all the enablers to be a much larger business. The pace at which we can do that, we don't know. We can't be sure right now. But the intent is to grow fast and to grow profitably and to grow sustainably.

And just to add some color, and I'll pick up from what you spoke about earlier. For example, you spoke of service charge. Now, the more we digitize, the more efficiencies will come on their own. The better is the experience on customer service. The lower is the complaint call volume. And that again translates into cost. Another example, if I were to give was, we've got an amazing set of Euro Champs in adjacent channel. Now, with the same setup, we can play the role of building newer categories. And that won't come at an incremental cost. So we have those levers available, which can propel growth without a commensurate increase in cost.

**Moderator:** Thank you. We'll take the next question from the line of Jay Doshi from Kotak. Please go ahead.

**Jay Doshi:** Hi. Thanks for the opportunity. Pratik, this question is for you. In the past nine months, ten months since the time you took over, what are the low hanging fruits that you think, you've already captured and or turnaround measures that you've taken? Where are you in that journey of essentially capturing low hanging fruits and easy turnaround sort of opportunities, both on top line and bottom line?

**Pratik Pota:** Yes, thank you, Jay. It's a good question. The work that has been kicked off in the last eight months, nine months has been a combination of harnessing, like you said, the low hanging fruits. But more importantly, to put in place through the initials and the foundations for becoming a much more vibrant or more profitable, faster growing and a future ready organization. We have made investments in several areas in capability building.

As you have seen, we've built a fairly new leadership team. But we now have a team that is a combination of experience from within Eureka Forbes, as also new inspirations and influences from outside. So that's one big team of work we've done. The other big work theme has been about technology and digital. We've kicked off a lot of work. Some of that is still beneath us. In fact, a lot of the work that we're doing right now is beneath the waterline. It will break out; it will surface soon. But there is a lot of work happening and there is serious paddling happening beneath the surface, beneath the waterline. We've kicked off a lot of work on innovations as well. And again, some of that is visible.

A lot of that will get manifested in the months to come, in the periods to come. The work that you are already seeing manifest and show up is, in the sequential improvement and the year-on-year improvement in margins. And the point that I made in my opening remarks is, we have now broken out from the mid-single digits to low-single digits margin trajectory. And we feel confident of being in this space or more in the terms ahead. So like any transformation, Jay, as you can imagine, there is a need to land some quick wind and to harvest like the low-hanging fruits. But it would be wrong to just focus on that. So, our attempts have been to balance both the short-term delivery and also lay in place for a much larger and much more exciting longer-term transformation.

**Jay Doshi:** Thank you. That's helpful. Just one more, if I may. Your commentary on the near-term was a bit subdued. I was just wondering, despite such solid sort of steps being taken in the last eight, ten months, does the external environment still sort of is very important in terms of the growth trajectory that you can achieve? So, in short, do you have to depend on external environment to improve or the steps that you have taken should still ensure your double-digit kind of growth?

**Pratik Pota:** Yes. I think, again, just to respond, yes, you're right, absolutely. And I spoke earlier. We have taken a fair number of steps to drive change and drive transformation. Like I said earlier, many of them are still a work in progress and will show up in the periods ahead. But I think it's important to recognize that a company like Eureka Forbes that has seen not much change in the past. It takes time to have some of these changes land and to have some of these changes show and deliver impact. There is one element of that.

Equally, I think the point that you made, that there is a fairly challenged macro environment that we are operating in. And therefore, that also depressing sentiment, depressing consumer spend. However, I want to be clear about one thing that we cannot as a leadership team talk about only the external environment and ascribe results to that. We have to take charge, we have to take control, and that's exactly what we intend to do. So, yes, there is a challenging macro environment.

But we've got the investments and initiatives in play that will help us drive growth in the periods ahead. How soon and how quickly? I think I can't tell now, but we are not depending to your question on the environment to turn to deliver growth. Our investments are fundamental and structural in nature and speak to either the opportunities that face us or the bottlenecks that impinge and crimp us. We are looking at both areas of work.

**Jay Doshi:** Thank you so much, Wish you the very best Pratik..

**Pratik Pota:** Thank you, Jay.

**Analyst:** And just one request, if you could have some more disclosures in the presentation in future as the business evolves.

**Pratik Pota:** No, thank you, Jay, and thank you for that feedback. And as you can imagine, we have been, as we made the presentations, we have a balancing act to do. We want to make sure that we give enough information to all of you so you get an informed view of the business, of the performance, what's working, what's not working. At the same time, we also want to be careful not to put so much out there that it compromises our competitive advantage. So, it's a balancing act. Notwithstanding that, I hear your feedback and we hear your feedback, and we'll search it back and see what we can do. Thank you.

**Moderator:** Thank you. The next question is from the line of Amber Singhania from Nippon Mutual Fund. Please go ahead.

**Amber Singhania:** Hi, sir. Thank you. Yes, so just a couple of questions from my side. One, if you can give some color about the current market share we have in the major three categories, which is water purifier, air purifier, and vacuum cleaner. And if you can share any targets, maybe three to five-year horizon on that side. Second thing is that you also mentioned about entering into the new categories. If you can give some color which kind of categories you guys are planning to enter, and will it go simultaneously along with the current strategic initiatives within the current categories, or you will first stabilize the current business and then enter into these new categories?

**Pratik Pota:** Got it. Thank you, Amber. Thank you for the questions. On your market share question, we have strong omnichannel play. We have a strong play and presence in retail, both in general trade and in modern trade. We have a strong presence and indeed a growing presence in e-commerce. We also, of course, have a foundational strength coming from a direct sales network. But as you can imagine, obviously we have 100% market share. So, our market share that we enjoy is a combination of multiple, all these channels put together and the fact, the function of how fast we go in each of these channels.

If I had to double click further on market share, before I do that, I think the fact is that we are market leaders in water very easily. We are dominant market leaders in vacuum cleaners. And as I mentioned earlier, it is our intention to grow market share even as we drive the overall market size and market growth and penetration. We have a strong presence in all channels and leadership in all of these channels. So, that's the point about market share. The only channel where market share gets measured, as you know, is in retail, where there is a panel measurement that comes. But we know from the other sources as well that our market share across all channels gives us leadership.

On your second question about categories, let me clarify. Between water, cleaning and air, we believe we have for the moment the right portfolio to build a business in. Water we have a dual task of growing penetration and driving premiumization and therefore increasing share. In vacuum cleaners, even as we grow the category, we have to build a stronger portfolio in the premium segments of convenient cleaning. In air, the task is much more of a category creation one and task is much more of consumer education. So, we will have a stronger portfolio and a stronger work plan in air in that doing that category creation work.

Between these three categories, we believe we have the right portfolio to deliver sustained and profitable growth. We of course will remain in the future, not right away, but in the future we will remain open to looking at other categories to drive growth. But for the moment, we have the right portfolio to grow.

**Amber Singhania:** Got it, sir. And just one more related question on the more on the financial side. If you can just give some color about what is our total A&P spend and how are you seeing that going ahead? Is it sufficient to take care of our growth strategy? Because one side we are aiming towards cutting cost and improving efficiency and at the same time, market share gain will also require increasing ad spend. So, how are you looking that as any ballpark number in terms of target and how do you plan to balance that?

**Pratik Pota:** No, so Amber on the advertising and promotion spend, I think I would like to make two or three points. The first one is that we will invest in growing the category. We will invest in communicating our premium propositions. We will invest behind water, behind cleaning and some basic work around air but much more so around the water and cleaning. We will also invest in growing, like I said, customer awareness and consumer awareness about service and the genuine Eureka Forbes service. We have a very strong brand in Aquaguard which enjoys tremendous trust, tremendous equity.

We have towering top of mind awareness. We have towering first preference scores but it is a leadership that we do not intend to take for granted and we will invest in refreshing the brand, making it contemporary, making it relevant for the younger consumer of today. Most of the young people today have grown up having Aquaguard in their homes but we intend to make sure that we reinvent the brand to be relevant to these consumers as well. Even as we do that, we will make sure that we extract efficiencies across the entire spread line, especially in promotions.

As we digitize, as we get more tracking and more visibility, we believe we will be able to extract some inefficiencies so that we can invest back in driving advertising and driving ATL communication. Just as an aside to that, in our journey to being a D2C business, we will have to and we will invest more in digital marketing, both performance marketing to drive app downloads and app installs and also to drive social and influencer marketing. So, when exactly the number will end up, I don't know. That will be phased out progressively over the quarters to come. But it will be an area for us to invest. Gaurav, do you want to add to that?

**Gaurav:** No, absolutely. I think, you know, from our perspective, the principle would be that we would continue to invest in growth and we believe that there are opportunities that are available across the P&L line to plan for it. So, that's the overarching principle that we would be following.

**Amber Singhania:** Got it. Fine, sir. That's all from my side. Thank you very much.

**Pratik Pota:** Thank you.

**Moderator:** Thank you. The next question is from the line of Saurabh from Multi Act. Please go ahead.

**Rohan:** Yes, thanks for the opportunity. This is Rohan. Sir, if you could give some color on channel-wise profitability, like which amongst retail, direct e-commerce in terms of profitability would be higher, lower than company average. What I really want to understand is that if our revenue contribution from direct sales would be significantly higher relative to, our proximate peer, and if margins on direct are lower, does that hinder us from reaching much higher industry-leading margins? Thank you.

**Gaurav Khandelwal:** Yes. So, I think just a couple of points. One is around the fact that we have a, we have a omnichannel presence which spans, GT, MT, direct, e-commerce. So, it is a fairly spread-out channel presence that we have. It becomes a bit of a constraint to get into individual profitability also for the reason that there are a fair amount of costs which are common. So, for example, advertisement and sales promotion is a cost which, which becomes a common cost. Similarly, there are certain corporate costs, and hence it becomes a constraint to kind of pinpoint the individual channel level profitability.

From our perspective, one of the advantages that we have is a wide spectrum of portfolio, both on the product side and also the channel side. And we believe that it is that portfolio play at an aggregate Eureka Forbes level, which gives us the flexibility to manage our financials.

**Rohan:** But our focus that has been there on direct sales, that would continue and its salience would come down or you would be comfortable with it going up as well.

**Gaurav Khandelwal:** Our agenda would be to grow all channels. Of course, with the digitization coming in, it will come in a new form, a new avatar. So, one of the examples that we spoke about earlier on the direct channel was, passing of digital leads. So, it is a direct channel, but it starts operating in a very, very different manner. But our agenda is to grow across all channels.

**Rohan:** Okay, thank you and all the best.

**Gaurav Khandelwal:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Pratik for closing comments.

**Pratik Pota:** Thank you everyone for joining the call today. I hope that we were able to address the questions that you asked and to your satisfaction. In case any queries remain unanswered, please reach out to us and we will be glad to respond. Thank you and have a good day ahead.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Eureka Forbes, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Note:

1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.