

February 11, 2026

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Scrip Code: 543482 Scrip ID: EUREKAFORB Ref.: EFL/BSE/2025-26/68	National Stock Exchange of India Limited Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Symbol: EUREKAFORB Ref.: EFL/NSE/2025-26/68
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Subject : Intimation of Transcript of Earnings Conference Call held on Thursday, February 05, 2026

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 Thursday, February 05, 2026. The transcript of the aforesaid Earnings Call is also available on the website of the Company at www.eurekaforbes.com.

Request you to kindly take the above information on record.

Thanking you,

For Eureka Forbes Limited

Shilpa Jain
Company Secretary & Compliance Officer

Encl: As above



“Eureka Forbes Limited
Q3 FY26 Earnings Conference Call”
February 05, 2026

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

Moderator: Ladies and gentlemen, good day, and welcome to Eureka Forbes Limited Q3 FY26 Earnings Conference Call. We have Mr. Pratik Pota, Managing Director and CEO; and Mr. Gaurav Khandelwal, CFO, Eureka Forbes, with us. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Pratik Pota: Thank you. Good afternoon everyone, and I welcome you all to the Q3 FY26 earnings call of Eureka Forbes Limited. We witnessed a resilient performance in Q3 in a challenging macro environment. Revenue grew 8% year-on-year and adjusted EBITDA margin expanded by 57 basis points year-on-year to reach 11.3%.

This quarter witnessed macro challenges on the consumer demand front. A slowdown post the festive period led to elevated trade inventories, which weighed on growth. This impact was the most pronounced in the e-commerce channel and on the Water Purifier category. Our Water Purifiers performed ahead of the category, leading to market share gain both sequentially and year-on-year.

Our emerging categories did well in the quarter and sustained or accelerated their momentum. Robotics continued its strong trajectory and delivered very strong growth during the quarter. Our full range portfolio, comprehensive playbook and good execution enabled an all-round growth across all channels. The air purifiers portfolio did very well and delivered a breakout performance in Q3. We built a stronger product range this year and rolled out strong awareness and point-of-sale activation programs, which helped the business grow 3x, albeit on a low base, and we were out of stock during the end of quarter.

Going ahead, given the worsening air quality across the country and in most metros, we see this demand staying strong and becoming more geographically broad-based beyond the North markets. In addition, the Water Softeners category continued to perform well and delivered healthy growth in the quarter. As the quarter's results show, we have clearly transitioned from being a single category product business to a business which now has multiple and meaningful levers of growth.

Coming to service, our AMC bookings growth trajectory continued strongly, making Q3 as a third consecutive quarter of double-digit growth. We rolled out a new program aimed at appropriating a larger share of the filter's aftermarket, which included launch of a new simplified assortment of filters, attractive pricing and an engagement program for market service technicians and for the distributors.

On customer experience, I'm pleased to share that our service KPIs have witnessed a sharp improvement during the quarter, and we are now at a new all-time high. On profitability, we delivered a 57 basis points margin expansion despite increasing our A&SP spends by 23% year-on-year.

Stepping back, let me reframe our Q3 performance in a broader context. Coming as it did after 8 quarters of double-digit growth, it is our firm conviction that the growth slowdown in the quarter was a one-off aberration, which came on account of very temporary channel-specific issues. With the benefit of hindsight, it is now clear that the Q3 sell-out growth was not in line with our earlier projections and the post-festive slowdown was not anticipated. A more accurate view of our performance, therefore, might be to look at Q2 and Q3 together.

As we stand today, our inventory levels have begun improving, and we expect the growth trajectory to normalize from this quarter onwards and increasingly and progressively position us on course to achieve the longer-term ambition that we have set for ourselves. It is important to recognize that the relevance of our categories and the need for our categories has never been felt more, or been more salient, be it water purifiers or air purifiers or convenient cleaning.

Recent news headlines highlighted the criticality of point-of-use water purification given the poor quality of groundwater in the country and the risk of water contamination in transit. We believe that the EWP category will see sustained tailwinds as consumer awareness grows about the hazards of drinking untreated and impure water.

Similarly, the challenge of poor air quality is now actually visible and experienced directly by people living in most metros and large towns. We have seen growing incidence of respiratory and health issues, and this, in turn, is leading to greater category awareness and demand. We expect this to continue and indeed only increase in the foreseeable future.

Not only are the categories more relevant, but we also believe and have no doubt that we have the right strategy and the right playbook to drive profitable growth in our business. Number one, we will continue to grow the water category, driving both penetration and premiumization. Towards this, our economy portfolio did well last quarter, and we also launched a new premium product, the Aquaguard Arctic Blaze, at a price point of INR 79,999, the highest in the category.

Our newer categories of convenient cleaning, softeners and air purifiers drove growth for us last quarter. We have built a comprehensive strategy and playbook for each of these categories and we will continue to invest in creating consumer awareness, driving differentiated innovations and bringing alive a visible and compelling point-of-sale experience.

Number three, in Service, we will make customer experience a source of competitive advantage for us. We will grow revenues by increasingly participating in the aftermarket filters business. Towards this, we have launched the assortment of filters and spares. We are investing in customer education, building a dedicated go-to-market and forging relationships with a larger group of market technicians.

Number four, our installed base of long-standing and loyal customers provides us a very valuable market for both upgradation and cross-selling, and we will mount online to offline D2C programs aimed at this base.

Finally, we will remain focused on driving profitability even as we continue to invest in driving growth. In summary, our overall business remains on a firm footing. The breadth of our performance across categories, along with the year-on-year margin expansion gives us the confidence to achieve and to aim for a longer-term ambition of achieving 2x revenue and 3x EBITDA by FY30.

Thank you. And now I hand you over to Gaurav to give some more flavor on our Q3 performance. Gaurav?

Gaurav Khandelwal:

Thank you Pratik, and good afternoon, everyone. Starting off with the Q3 headline numbers. Our revenues at INR 645.4 crores grew 8% year-on-year. Adjusted EBITDA margins expanded by 57 basis points to 11.3% in Q3. Adjusted PBT grew by 11.3% year-on-year and pre-exceptional PAT at INR 39 crores grew by 11.9% year-on-year.

The adjustment referred to above here relates to a one-time pre-tax charge of INR 40.4 crores arising from the new labor codes. The company has done an assessment and will continue to monitor developments as we go ahead. We do not expect this to be a significant recurring impact. This one-time impact has been reported as an exceptional expense in our financial statements.

On the revenue side, our emerging categories delivered a solid performance during the quarter. These categories comprising Robotics, Softeners and Air, continue to report strong growth. The Electric Water Purifier segment experienced a softer quarter. The post-festive demand was lower than our expectations, thereby leading to elevated trade inventory levels. This was most pronounced in the e-com channel. We see this to be a temporary phase as underlying growth fundamentals remain intact.

If you see Q2 and Q3 combined, we delivered a robust double-digit revenue growth of 11.7%. We see inventory levels normalizing in the offline channel already and expect that to happen in the e-com channel within this quarter.

Gross margins expanded 331 basis points year-on-year to be at 60.8% during Q3. This improvement was primarily driven by our COGS program and quarter-specific issues like channel mix and lower discounts. Our COGS program is now well institutionalized and is helping create the headroom for growth investments.

In line with our strategy, we continue to increase our A&SP spends to increase category awareness. Our A&SP spends grew by 23.3% year-on-year in Q3, and the focus will remain on investing for category expansion.

I would now like to draw attention to our YTD FY26 performance. On a YTD basis, the business remains on a healthy double-digit growth trajectory and our structural levers remain intact. Our YTD FY26 revenue stood at INR 2,026.6 crores, registering a growth of 11.1% year-on-year and adjusted EBITDA margin stood at 11.9%, up 67 basis points year-on-year.

Adjusted PBT grew by 22% year-on-year to INR 204.8 crores. 9M PAT (pre labor code impact) stood at INR 139.1 crores, up nearly 24% year-on-year. Gross margins have expanded by 90 basis points to be at 58.8% for the 9M period.

I would like to highlight here that the gross margins have remained resilient. And as reference, they were at 59.4% in FY23. In effect, our gross margins have remained range bound at these levels, and we expect that to continue. Our operating discipline, our guardrails around gross margins, supported by portfolio breadth across price points and the ongoing cost focus, continue to give us multiple levers.

Given the headroom provided by gross margin improvement, we have made conscious investment decisions, mostly in the areas of A&SP and service charges. While the total expenses have grown by 11.7%, this is primarily due to a 14.5% increase in service charge and a 16.4% increase in A&SP spends.

In summary, our YTD performance remained strong with healthy double-digit revenue growth and margin expansion supported by gross margin expansion as a result of our COGS program. We remain focused on driving growth and margin expansion on a full year basis in FY26. The business continues to benefit from strong fundamentals, low category penetration and even more favorable category tailwinds going ahead.

Thank you. I now hand it over back to the moderator for the Q&A.

Moderator: Thank you very much. Our first question comes from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: So firstly, I want to understand, as Q3 is a one-off, so it's a fair assessment, Q4 will be back to a normal double-digit growth? And secondly, now you're giving a 5-year road map of growth and margin. Possibly, can you give some color on what sort of growth you're looking in FY26 and FY27 and what sort of EBITDA margin?

Pratik Pota: Keshav, like I said in my opening remarks and as you just remarked, Q3 was clearly a one-time aberration on account of very temporary channel-specific issues leading from the unexpected, unanticipated post-festive slowdown. This impact was mostly, and the most pronounced actually in the e-commerce channel. I think that is, by and large, behind us in the offline channels and would get behind us in e-commerce by the end of this quarter.

This quarter, therefore, will be much more in keeping with the longer-term trajectory of our business that we have shown so far. We believe that with all the plans that we've got in motion, our Q4 growth will be ahead of the YTD FY26 growth that we've delivered, which is of 11.1%.

And we believe that going forward, we will move progressively on the glide path towards our objective that we outlined, which is of 2x revenue and 3x EBITDA. That will be a very graded, very progressive calibration of our journey, but we will move systematically towards that journey and that destination.

Keshav Lahoti: Got it. That is helpful. Last question from my side. On service, you have announced quite a lot of new initiatives on Investor Day. Can you elaborate more how are the progress happening on that side? And when we will possibly see some color on the revenue because of this initiative?

Pratik Pota: Yes, Keshav. Actually, as you mentioned, both at the Investor Day and even just now on the call, we've talked about many initiatives that we rolled out in the service network. Let me start with the first one, which is a very focused effort aimed at improving customer experience. We've rolled out a set of programs and initiatives comprising both digital interventions and inputs, training interventions, availability improvement for spares and also a revised incentive program, all of which has helped drive our KPIs significantly higher.

We have now the highest ever 24-hour complaints TAT resolution. We also have a very high level of complaints met within 1-hour of the complaints being booked or the time being booked. And that, of course, is leading very clearly to higher NPS. So, a bunch of programs that we've done, which have aimed at improving customer experience and that's playing out and giving us results.

Number two, as we had talked about in the Investor Day, we have rolled out a comprehensive program to address the non-AMC service opportunity. As you're aware, our business model for the longest time has been AMC centric, and we were foregoing and not tapping into the large market for filters. We've begun sort of making, we've made a foothold in that segment by launching a completely new assortment for this filter ecosystem. We put together a new go-to-market system. We've rolled out a market ST engagement program and we're also investing in customer education, highlighting the importance of genuine filters. You may have seen some of our advertising campaigns in the print and the digital media. As you can imagine that this behavior change will take time. This is a very large market, a well-entrenched behaviour and therefore, we expect this to start having some impact from Q2 of next year onwards.

The AMC booking growth, that we've always worked on. That attempt, that journey continues. We are driving both a greater share of the multiyear AMC mix, which allows our customers to have longevity on our network and, of course, increases, therefore, lifetime value. We're also investing in driving AMC count. Those results you've seen already in Q3 and in Q2, and that will sustain in Q4 as well.

Moderator: Our next question is from the line of Siddhartha Bera from Nomura.

Siddhartha Bera: Sir, first question is on the gross margins. So, you have mentioned in Water Purifiers, economy segment has grown quite well in the quarter. So, given the strong improvement in gross margins, have we seen some drag from the affordable segment share going up in the portfolio?

And also, on the other expenses side, we have seen a strong 20% increase. You mentioned that the ad increase has been around 23% and ad is about half of the other expense. So, does that mean that in some of the other elements here also we have seen a strong increase in the current quarter?

Gaurav Khandelwal: Hi Siddhartha, this is Gaurav. So let me start off with the gross margin question. I think the big impact that has played out on gross margin is the COGS program. The effect of that is definitely

there in the economy segment as well. As you can imagine, any cost optimization program would actually be looking at the parts of the portfolio, which make a lower gross margin, e.g. economy segment and hence, our efforts were directed more towards it. So, that is something where the impact has played out in the economy segment as well.

But having said that, our COGS program is all encompassing, looks at all cost of goods sold lines and not limited to any particular line. I think the reason why you start seeing an impact more pronounced now is that as the year progresses, the number of projects that start getting commissioned will increase. What you would have in Q1 versus Q3, there will be a difference. So that is one impact which plays out.

The second, which is more specific to this particular quarter is that in this quarter, given that the growth in the e-com channel was on the lower side, there is a mix impact which also played out. So, these are the 2 main reasons which are there.

On the question of other expenses, yes, even the lines other than the A&SP line, they have shown an increase, and that is largely driven by the fact that we have, given the headroom that we saw, which was coming because of gross margins, there were certain capability projects that we've done specifically in the areas of supply chain and IT, and that is a cost that has been incurred as far as other expenses is concerned. But just to reiterate, it's not that these are structural costs that are getting added. These are capability building costs with a finite time horizon.

Moderator: Our next question comes from the line of Renu Baid from IIFL Capital.

Renu Baid: Firstly, can you help us understand, while you did mention the channel inventory is coming off and getting normalized. Just for understanding, how elevated was the channel inventory at the end of December quarter, if you can quantify versus normalized inventory? And do you think this will have a meaningful impact on your Q4 offtake?

Pratik Pota: Hi Renu, thank you for the questions. As I mentioned in my earlier remarks and in the opening comments, we had built up a certain inventory at the end of Q2 in anticipation of a certain momentum and offtake in Q3, certain sell-out growth in Q3. That did not transpire. And hence, we were carrying excess inventory through the quarter, which we are now unwinding. I think by the end of this quarter, we would have normalized inventory across all channels. Already in offline channels, it is under control and evident from the fact that the quarter has begun well. So, I think that's on the inventory part.

On your question about Q4, as I said earlier, Q3 clearly is a one-off, and we expect Q4 to return to a trajectory of double-digit growth. Indeed, we expect Q4 growth to be ahead of our YTD FY26 growth number.

Renu Baid: Sure. But any quantifiable numbers on how elevated the channel inventory was versus normalized trend, in terms of...

Pratik Pota: It would be hard to quantify given the fact that our stocks are defined by the expected secondary/tertiary. It would be misleading given the fact that it was festive in Q2, part of Q3 and no festive going forward. But our inventory levels have corrected compared to both Q2 and Q3.

Renu Baid: Got it. And just a bookkeeping for Gaurav. Can you share with us what has been the YTD FY26 growth in our key segments of Air Purifiers, Water Purifiers, Services? And also at the YTD FY26 level, what is advertisement and sales promotion as a percentage of revenue?

Gaurav Khandelwal: So, Renu, we give out the segmental growth number only once a year. So that is when post the Q4 results is when we will be sharing it. But if I were to give some color on some of the key categories, Service, you've heard us speak of having grown in bookings all through the year in mid to high teens. So that is the number that you can keep in mind.

As far as Robotic is concerned, that has continued to be in a very strong growth trajectory. It is now already nearly 2/3 of our Vacuum Cleaner portfolio. So that is something which continues. And I think Air is one category, which I think Q3, in particular, was very good where it grew 3x, albeit on a lower base. So big picture is, Renu, that we've very clearly transitioned away from being a business which was dependent just on Service and Water Purifier to having far many more growth levers. But we would be sharing these numbers as part of the annual numbers.

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

Umang Mehta: Pratik, we've historically maintained that water purifiers because of low penetration has generally been in a way not impacted by the consumption slowdown. Is there any assessment as to what happened exactly on the e-commerce channel this quarter? And just a question linked to it was, have we seen any impact from the 2 new players which are kind of showing aggression in this category?

Pratik Pota: Umang, let me answer your second question first. I think, like I said in my opening remarks, we have gained market share in the Water Purifier segment, both sequentially and year-on-year. This market share gain has come across channels, online and offline. So, as the strongest brand in this category, the impact of the new brands that have launched over the last 12-18 months hasn't been felt by us as much as it has been felt by the smaller brands. So, the answer to the question is no, I think our share continues to be strong. Indeed, we gained share.

On the first part of the, on your first question, actually, let me just reframe the discussion on water a little bit. I think the first point is the Water Purifiers segment grew double-digits in the first half of the year. In the Q3 that we just talked about and that's just gone by, if I take out e-commerce, outside of e-commerce, the Water Purifier segment had a strong sell-out growth in double-digits.

In e-commerce, we had a challenge stemming from what I said earlier, which is that there was a clear slowdown in offtakes post-festive and a very clear slowdown in traffic on a particular platform. So, while, of the 2 big platforms, one did well for us, including in water, the other platform saw a very clear slowdown in traffic and which reflected in the largest category that we have, which is the water purifiers.

That said, again, zooming out a little bit, the reality is that the relevance of this category has never been more acute and more strongly felt. And we believe that with growing awareness and growing realization about the need for this category, this category will see sustained tailwinds and it will keep growing in the future.

Umang Mehta:

Got it. The second question was for Gaurav. Gaurav, you mentioned that the gross margin expansion had 2 elements to it. One was the e-com mix going down and the other one was your internal initiatives. So, for the next 3 quarters till these actions anniversaries, how much tailwind should we expect, in terms of year-on-year gross margin expansion?

Gaurav Khandelwal:

I think there are 2 parts to this, Umang. I think first, what our gross margins tell us is that contrary to what has often been asked that if we expand into, if we drive penetration as a strategy, if we grow categories beyond water purifier, if the Product business is growing faster than Service, does it mean that gross margins will decline? I think stepping back and taking a 4-year view is telling us that, that is not going to be the case. So, I think that's principle number 1. And given the capabilities we've built, we are confident of keeping our gross margins within a particular band.

Now coming to what do we expect going ahead? See, from our perspective, we will keep pushing the envelope as far as COGS is concerned. And from there, now whether we choose to deploy it for a growth investment, whether we choose to deploy it for any pricing action, which itself would impact gross margin, or whether we choose to let it flow into EBITDA as we've done in this quarter, that's going to be a tactical choice.

Our guiding principle in this transformation has been very consistent that we will be optimizing at an EBITDA margin level. I think in this particular quarter, we saw the window where we felt our gross margins were going to be good. And hence, we stepped-up investments wherever we felt it was required.

But stepping back, I think what can be assumed is that we will keep our gross margins at a range-bound level. We do not expect to keep our gross margins at a level of 61% that you would have seen in this quarter. But you've seen our trajectory over the last 4 years, and we intend to keep it range bound at those levels through multiple levers and keep aiming for an EBITDA margin improvement.

Moderator:

Our next question is from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi:

Sir, we have seen various instances like indoor water contamination, or North India very heavy air pollution, even in cities like Mumbai, Pune. So, there is a sharp increase in the TAM. And generally, a natural increase in TAM also attracts a lot of competitive activity also. So, do you see a market leader like Eureka should focus very aggressively on driving growth because there is a natural growth available right now in the market?

So, what will be our strategy considering the conditions are extremely favorable for growing most of the categories? That is question number one. And question number two is, with almost 23% increase in ad spend, is Eureka having the highest share of voice among all the peers in almost most of the products?

Pratik Pota:

Thank you, Aniruddha. I think like a lot of people across the country, as Indian citizens, we are also heartbroken, and we were concerned to see the news coming out of Indore and the other cities. I think the problem of impure water is one which can be solved only by using point-of-use water purification systems.

And as awareness of that grows, like you rightly said, this category will grow in penetration across town classes, not just in the large towns. That may indeed in turn attract more competition. But as India's largest and strongest brand and the brand with the largest service network, with a proven track record of delivering innovations, with a very, very comprehensive and omnichannel go-to-market, we have the strongest right-to-win in this segment.

You can be sure that we will remain focused on driving 2 things. First of all, a maniacal focus on growing the category by addressing all the barriers that hold back category penetration. A case in point being our advertising campaign that we've done over the last couple of years with our economy segment and more recently, with our Nanopore filter campaign to address the category barriers and to create the need. So that's number one.

Number two, we will invest in driving differentiated innovations across price points. Given the low penetration levels of the category, category entrants come in at all price points, not just the economy level. So, it's important for us to keep innovating and attracting customers across the price ladder. Again, an example being our Blaze Insta Hot product, which got almost 70% new customers into the SKU. That's number two.

Number three, we will invest in creating awareness, as you've seen us do, and that's your second question as well, in creating awareness, both in terms of using advertising and also point-of-sale visibility. I think the one thing is absolutely clear that even as we grow this category, we will defend our market share. Indeed, we will grow our market share with absolute aggression. We will not let our guard down. We will not give any quarter.

The category growth, and the category will grow, has to accrue to us more rightfully given our sheer brand strength. So that's number one. Going back to your second question of ad spends. Our increase in advertising has been across all categories. I spoke about our investments in growing awareness on the back of the filter campaign. We also invested behind Robotics and growing the category.

You've seen a Shraddha Kapoor campaign over the year. More recently, in the last quarter, we've also invested in creating awareness about Air Purifiers. And truth be told, this was the first time in the last 3-4 years that we've actually meaningfully scaled up and participated in the Air Purifier portfolio. So, with all of these investments, we have seen our A&SP spends grow by 23%.

To your question, yes, we had the highest share of voice in Water Purifiers. We also had the higher share of voice, as you can imagine, in Cleaning, given the lack of spend by the other players, as also in Air Purifiers, albeit in a very small category and a category with low media spends.

Finally, I want to conclude by saying that as the category grows, as we start seeing tailwinds, as more competition comes in, it's actually very, very good for the category. More competition will create more awareness and will drive category growth further. And like I said earlier, as the strongest brand, we have the most right-to-win and to appropriate a larger share of this growing market.

Aniruddha Joshi:

This is very helpful. Just last question. We have also seen a trend that there is a RO filter being installed at the housing society level itself. So, a lot of consumers may not go for buying a separate water purifier in their homes. But at the same time, it creates an opportunity for a bulk water purifier kind of a market, like the way there is a room air conditioner versus a large project air conditioner HVAC kind of a market also. So, will that be an opportunity for Eureka? It will not be a consumer product as such, but like largely a consumer-centric product as such. So, will Eureka also look at that segment as it becomes more popular? Yes, that's it from my side.

Pratik Pota:

So just to your question, I think we, as Eureka Forbes, as an Aquaguard for our brand, we are in the business of ensuring that our consumers and our customers get pure drinking water and safe drinking water and which keeps them healthy, keeps them safe. Anyway customers want that pure water, we'll be there to participate in that opportunity.

Even as we speak, we have a part of our business which addresses the B2B Water Purifier segment, and that can be easily repurposed to address opportunities of the kind that you mentioned. We are in the business of pure water, and we will provide the pure water and save water to customers, whichever form and shape they choose to have it.

Moderator:

Our next question is from the line of Priyansh Gopawat from Hornbill Capital.

Priyansh Gopawat:

Just one question from my side. So, could you just throw some light on how we should look at connecting service charges or looking at it as a leading indicator for service bookings growth? Because for the last quarters what we have seen is the service charges have grown double-digits. And this is what the commentary has also been on the service bookings growth. But this quarter, the service charges growth is around 9%, whereas you had mentioned that the service bookings had grown by double-digits. So, could you please throw some light on that?

Gaurav Khandelwal:

So, I think there are 2 lead indicators that one can look at. And both of them, I must call out would not be the perfect lead indicator. So, one surrogate is service charge, as you mentioned, it has grown roughly 9%. Service charge has 2 components. There is one part which is linked to revenue because there is, basis the revenue that is generated, there is a certain percentage that is paid out.

Equally, there is a part which is not linked to revenue. So, for whatever installations are being done, whatever visits are being done, whatever mandatory visits are being done, those are independent of revenue. And hence, it is that part which causes a bit of a disconnect and a perfect correlation with revenue.

Equally, from our perspective, one very important work stream that we continuously work on is trying to address leakages that may come up because as you can imagine, there could always be opportunities for a technician to kind of do some kind of leakage, et cetera. So, that's one part of which is service charge, which you can draw a bit of correlation, but not a perfect correlation.

The other number to look at is the deferred income liability which comes on the balance sheet. That is something which also gives an indication of the service business growth, and that will again help you.

Having said that, given that we are equally looking at tapping the filter sale opportunity, what it will also mean is that there will be a cohort of customers who may actually opt for a filter and that is something which will be like a normal product sale. So, that is something which will not even reflect on the balance sheet as well. That would be a normal product sale-based accounting that would happen.

So, it's going to be a blend of these 3 things. But unfortunately, it's a line where a perfect correlation may not be possible. But I think importantly, from our perspective, the trajectory that we've seen in our business, that is something which has sustained. And the line of sight that we have is that we expect this momentum to continue. And with now the entire filter portfolio coming across, that provides a strong foundation for this business to grow.

Priyansh Gopawat: Perfect. Understood. Just one more question. Sir, could you also just brief me as to how you account for cost for this particular line of business and how the revenue is recognized?

Gaurav Khandelwal: Sure. And I'll explain this by an example so that it's more relatable. So, let's assume for a moment that the price of an AMC is, let's say, INR 1,200 and it is a 1-year AMC. And let's say the cost for that is X for acquiring that AMC. The entire cost gets recorded as a service charge at the time of sale. So, in a quarter, you will see the entire cost getting recorded upfront.

However, since the AMC is for a 12-month period, the revenue recognition that happens is 1/12 every month. So, in a quarter, there will be INR 300 recorded as revenue. There will be INR 900 which will be recorded as a deferred liability on the balance sheet. But the entire cost related to getting a INR 1,200 AMC is sitting within that quarter.

Priyansh Gopawat: Understood. And by the entire cost, do you also include the cost that you would be paying out your technicians?

Gaurav Khandelwal: Yes, it does. The entire cost of acquisition of getting an AMC customer is sitting there.

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

Parikshit Kabra: I just wanted to try and triangulate the growth numbers that we are talking about, right? So, Pratik has said earlier in the call that in Q4, our growth numbers should definitely be higher than what the YTD FY26 numbers were. So, even if I pull a ballpark number of 12%-13% on that, just for the sake of calculation and compute, my annual revenue for this year will be around INR 2,700-odd crores, which is overall from last year giving a growth of about 12%?

And let's take 13% also. FY25, your growth was about 11.5%. And at that time, you were not doing as much ad spend and also you had services that was holding you back. Now services also, it's not fully come in double-digit, but at least we'll be getting mid-single-digit growth at least. So, all in all, wouldn't this imply that our product sales and particularly our water purifier product sales, growth rate has decreased in FY26 compared to FY25?

Pratik Pota: So Parikshit, thank you so much for the question and for doing the math. I think, like I said earlier, Q3 was an aberration, was a one-off, and we expect Q4 growth to be ahead of the YTD FY26 growth and like you also underlined. Within that, the product growth will also obviously

be ahead and will grow double-digits. Your specific question on how our growths have trended since the last year.

I think, let me zoom out and talk about it in 2 different parts. The growth that we have in our emerging category, whether it's Robotics or Softener or indeed now Air Purifiers, that growth has either remained at the same level or, in fact, actually gone up. We see those green shoots playing out next year as well and the momentum sustained. And in the Investor Day, if you recall, we had talked about Robotics being INR 1,000 crores category by FY30. That momentum continues.

Coming to Water Purifiers, as I said in response to an earlier question, our growth in Water Purifiers in the first half was double-digits. Our growth in Q3, if I take out the impact of e-commerce, our sell-out growth in Water Purifiers in Q3 was again double-digits. We expect that to sort of sustain going forward in Q4 as well. So, that's the picture on Water Purifiers for this year.

That said, compared to last year, directionally, the momentum of the category has indeed slowed down a little bit, but remained at the double-digit level. Going forward, for reasons that we discussed earlier on the call, the very clear heightened sense of need, felt need, the growing instances of water contamination, the poor quality of groundwater in India and indeed the contamination in transit, we believe that this category will see sustained tailwinds and penetration growth for the next many, many years.

Parikshit Kabra:

So correct, Pratik, just a follow-up on that. I appreciate the overall long-term story about Water Purifier category. I think that makes sense. But what would you attribute the lack, the slowdown in the growth momentum for such an underpenetrated category, right? Because, yes, there is a one-off quarter, but I don't want to focus on it because, honestly, it's a one-off quarter and it's one channel. In fact, it's one platform. If, I'm just trying to understand how can the overall directionally the momentum come down when we are making as much investment as we are at an overall year level?

Pratik Pota:

That's a good question and a fair observation. And you're right, absolutely. We should not concatenate the longer-term potential of this category with performance of, in one platform in one quarter, and that is exactly the attempt. I think the reality also equally, however, is that the performance that we deliver has to be seen in the context of the broader macroenvironment and the consumer sentiment. And as the largest legacy category that we have, this category is also subject to the same variables as any other large category.

The emerging categories, because they are small, because they are nascent, because they have a very, very long runway to grow, they see less of those drags and those headwinds. But as a category that was ongoing, a very large category. The water category did see some headwinds on account of consumer sentiment. As that drag goes away and as, like I said, the salience of the need grows and awareness grows, this category will return to strong momentum that it had last year.

Parikshit Kabra: Got it. All right. And just one last question is on the e-commerce model that you have with this particular platform, is it that you guys are selling over the inventory to them and then they sell it further? Is it not that your, it's not a drop shipment model?

Gaurav Khandelwal: So, it is a model where we sell the inventory to them, and we partner with them on the sell-out plan. So typically, the way it works and that works with most of the large chains is that there are joint business plans that are made. They have an assessment of what they are seeing of the market. We have an assessment of what interventions we are planning. So, this is basis that assessment that joint plans are made out and that's how it's done.

So, it is a sale from us to them, which is there. And obviously, then there are linked plans from sell-out, et cetera. And I think that's the part that we mentioned earlier in our comments that there was a certain expectation and a plan on both sides that we would achieve a particular sell-out growth. And that did not pan out as per expectation, and that is the overhang that came across.

Moderator: The next question is from the line of Mr. Achal Lohade from Nuvama Institutional Equities.

Achal Lohade: Sorry, I'm hopping on the same line of questioning. I'm just curious to know, in Q2, we had a fair amount of growth, and we did highlight that the e-com had done very well. So, is it fair to combine Q2 and Q3 and look at the growth? Is that a fair way of looking at growth for the e-com business? And B, specifically, you called out that it's probably a problem with one particular platform. Is there, what is the challenge? Is that the challenge in terms of execution, challenge in terms of any differences of opinion on how to grow this together? If you could clarify a little bit on the same?

Pratik Pota: Yes, Achal. Thank you so much for that question. On your first question, absolutely, our plans in e-commerce across both Q2 and Q3 were built on the assumption of a certain level of tertiary sell-out and certain category growth. While that played up to script, played on script up to Q2, post-festive in Q3, especially, we saw a deceleration.

And that led to, therefore, pressure on stocks and in turn pressure on our sell-ins with the platform. So therefore, if you were to look at a more accurate depiction of our performance in the last 6 months, combining Q2 and Q3, I think, would give you a far more accurate picture. So, I will agree with you on that.

On your question about the issue with the platform and was there a difference? No, no, absolutely not. There is, both the platform teams and our teams are completely aligned on the need to grow the category, the need to grow the business, the need for us to grow share from our point of view. However, what the platform saw was a deceleration in traffic. And that in turn reflected directly on lower tertiaries and lower sell-out. It was more of a platform issue than an issue between us and the platform.

Achal Lohade: And did you see a shade of that even on the other platform and other e-com sections or not really, it was just one particular platform?

Pratik Pota: On the contrary, Achal, the other platform in e-commerce did exceedingly well for us, delivering strong growth across all categories, including in Water. So, the problem was confined, therefore, to just that one platform.

Achal Lohade: And has that problem been identified and course corrected? Are you seeing that revival in Q4 or there is another way of managing cost at the company level for us?

Pratik Pota: I think the problem has certainly been identified. It's been discussed with the platform and the partner. They are also aware of the issue. We are working with them jointly in driving up tertiary sales and ensuring that we have stronger sell-outs in the quarter. And that impact will start being felt progressively through the quarter. As we said earlier, Achal, by the end of this quarter, we expect even the e-commerce inventory levels to normalize.

Achal Lohade: Right. Just last question, if I may. Probably I missed out in the beginning. In terms of the guidance, the medium and long-term guidance, what you had called out, that stays as is? Or is there any change to that?

Pratik Pota: Achal, that longer term guidance stays absolutely unchanged. We have, notwithstanding the quarter that's just gone by, we have complete conviction. And we believe that we are well on track to deliver to the ambition that we've outlined, which is of 2x the Revenue and 3x of the EBITDA. Our categories have never been more salient. The read has never been felt more acutely. And keeping aside Q3 as a one-off aberration, we believe that we are well on track to realize that ambition.

Moderator: Our next question is from the line of Ritesh from Lucky Investments.

Ritesh: My questions are answered.

Moderator: Our next question comes from the line of Deepak Kumar from Kalyani Family Office.

Deepak Kumar: So, I just wanted to know, on growth momentum, the management gave what's the problem and what they are working on. I just wanted to know more about – as our business grows, the cash balance is also growing in our books. So, do we plan to look for any inorganic growth opportunities? Or how do we plan to deploy that, use that excess cash balance which we are building on our books?

Gaurav Khandelwal: So, I think there are multiple areas in which the cash can be deployed. So, one is looking at growth opportunities that would be a strong preference where we keep investing the cash for. Now that could be in the form of organic growth investments or inorganic. So just to give a sense, our YTD FY26 capex this year is running close to INR 60 crores. And we've given out a guidance that we intend to keep our capex in the range of INR 60 crores to INR 70 crores. So, I think that's one area where the cash deployment is happening and will happen.

Inorganic is an ongoing process, as you can imagine. We keep looking at opportunities that may be there. Having said that, the important guardrail is to make sure that whatever we look at has to make business sense. There have to be synergies, there have to be complementarities. It has to be accretive, value creating, et cetera. So, those guardrails are there in place to make sure that

we come to the right decision. But at a big picture, our first preference will always be to use that cash for growth.

Having said that, equally, with the cash balance, we are also looking at areas, and that will all be subject to Board approval, whether there is some way to reward the shareholders. So, all those options are ongoing items of discussion. But our strong and disproportionate focus and bias would be towards investing the cash for growth.

Pratik Pota: And if I can just add to that, Deepak, I absolutely agree with what Gaurav just said. With an increasing cash balance, we are very open to looking at any inorganic growth opportunities that might come our way. As you can imagine, they are hard to come by and not easy. But our intent is to use this growing cash that we have to invest in growing the business and specifically through inorganic, if possible.

Moderator: Our next question comes from the line of Mayur Parkeria from Wealth Managers India Private Limited.

Mayur Parkeria: I just wanted to understand one thing. In the past, this is slightly qualitative...

Moderator: Sorry to interrupt Mayur, but your line is not very clear. May I request you to please ask your question again? Your line is not very clear.

Mayur Parkeria: Yes. So in the past, we have alluded to some of the initiatives we have taken to bring down the effective cost of ownership over the lifecycle for the Water Purifier segment from a customer standpoint, whether it is with respect to 2-year filters, whether it is the AMC cost, the effectiveness and some of the other initiatives?

What I wanted to understand is, will it be possible for you to give us an understanding on the, if you index the effective cost of ownership, let's say, what was it 4 years back? And has it come down from, let's say, 100 to 80, 70, 90, something like that, just to understand the impact of all the initiatives which we have taken from a customer standpoint, that is just on the past, what initiatives?

And similar question from the future perspective, do you believe that in your growth strategy going forward to FY30 and the aggressive market share retention as well as the growth outlook and the under penetration of that, how much of it is continuously built on the fact that we will have to continuously reduce the effective cost of ownership going ahead? And by what percentage do we target that, if at all? Is the question very complicated? Or am I not clear? Just trying to...

Pratik Pota: No, no, Mayur, you are very clear. It's a very good question and thank you for asking it. You're absolutely right. Reducing the cost of ownership has been a very clear strategic area of focus for us. Our category has very low penetration, as you're aware. And one of the barriers that people voiced was the high cost of both entry and the cost of sustenance and the cost of ownership.

So, we've taken over the last 3 years multiple measures to reduce and bring down the barriers and lower the cost of entry and the cost of ownership, starting with the launch of economy product Aquaguard Sure and then followed by the launch of a lower-priced AMC.

And more recently, last year, the launch of a 2 years filter water purifier, and that range now goes across price points. With all of these initiatives, the cost of staying in the category, the cost of ownership over a 5-year period has dropped between 40% to 50% for customers. So, it is a meaningful drop. And we believe that this, in turn, as awareness of this grows, it will help drive adoption and category penetration.

Your second question about our FY30 ambition, and will that mean that we keep dropping the cost of ownership? Let me separate the 2. I mean, our ambition of growing the Water Purifier business remains very important and one of the top priorities for us. That growth will come on account of 2 things; driving penetration and driving premiumization.

Penetration increase will happen both by reducing the cost of ownership, but also even more importantly, by creating an awareness about the dangers and the hazards of drinking untreated impure water, by driving relevant innovations, by driving distribution and access and of course, driving our service network higher. So, all of these together will help us drive growth and drive profitable growth and bring us closer to our ambition of FY30.

Mayur Parkeria:

So, sir, you are not, again, because 40%-50% in the past has been a meaningful drop. Will it be fair to say that from an overall perspective, we have come to the maturity of effective cost of ownership or there is scope to reduce this meaningfully further in order to improve the, one is the macro trend, we understand the penetration, the lower quality of water and everything else. But what is internal to us is our strategy to bring down the effective, and it may be a little bit market-driven. But do you believe that if you have to still index from today, it can, it has a scope to meaningfully come down further?

Pratik Pota:

Yes, so Mayur, we have multiple levers open to us to drive category growth and to drive water purifier growth. Driving affordability is one of them. Driving awareness is the other, driving innovations is the other. As you can imagine, there are multiple consumer segments, and one size will never fit all. So, we have multiple levers available to us to grow the water purifier category, both by driving new category adoption, but also equally by driving faster replacement and faster upgradation.

Moderator:

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

Pratik Pota:

Thank you. Thank you, everyone, for your time today and for joining the call. We hope we were able to address your questions adequately. Please do reach out to us and our Investor Relations team in case you have any follow-up questions. Thank you and have a good day.

Moderator:

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

Note: This document has been edited to improve readability

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