Eureka Forbes Limited
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EUREKA FORBES
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May 22, 2025

BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers,	Exchange Plaza, C-1, Block - G,
Dalal Street,	Bandra Kurla Complex,
Mumbai - 400 001	Bandra (East), Mumbai - 400 051
Scrip Code: 543482	
Scrip ID: EUREKAFORB	Symbol: EUREKAFORB
Ref.: EFL/BSE/2025-26/11	Ref.: EFL/NSE/2025-26/11

Subject: Intimation of Transcript of Earnings Conference Call held on Friday, May 16, 2025

Dear Sir/Madam,

Pursuant to Regulation 30(6) read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Call held with Analysts/Investors on Friday, May 16, 2025. The transcript of the aforesaid Earnings Call is also available on the website of the Company at www.eurekaforbes.com.

Request you to kindly take the above information on record.

Thanking you,

For Eureka Forbes Limited

Pragya Kaul

Digitally signed by Pragya Kaul
Date: 2025.05.22 19:24:43 +05'30'

Pragya Kaul
Company Secretary & Compliance Officer

Encl: As above

“Eureka Forbes Limited

Q4 & FY25 Earnings Conference Call”

May 16, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to Eureka Forbes Limited Q4 FY25 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 call is being recorded.

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

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

Pratik Pota: Good afternoon, and I welcome you all to the Q4 FY25 earnings call of Eureka Forbes Limited. We are conscious that some of you may not have had a chance to look at our results, given the rather short time gap between the results and the earnings call. We will, therefore, be a little bit more detailed in the call today, and of course, our teams will be available to clarify if there are any follow-up questions.

The end of a financial year is a good time to step back and to look at the big picture. And hence, I will start off by sharing my thoughts on the year gone by and where we stand at the end of the second full year of our transformation journey. If FY24 was about changing the long-term trajectory of the business, FY25 has been all about step up, a step jump in all performance parameters.

Full year growth for our continuing business has moved from 7.9% to 12% with six successive quarters of double-digit growth. Underpinning this, has been our product portfolio, which has grown in high-teens. Not only has this growth sustained, but it has been broad-based as well. Several factors have contributed to this. The first has been innovations.

During the year, we've had several innovative product launches in water, cleaning and air. We launched more than 30 new products, which helped us in serving the needs of different consumer segments and is strengthening our overall portfolio. It also included the launch of several industry-first products. Secondly, our growth investments have grown by 25% YoY. This is a 121 basis point increase YoY.

On a related note, I'm happy to share that we have signed up Shraddha Kapoor as a brand ambassador for our vacuum cleaner portfolio. We believe that our partnership will provide greater visibility and salience and help us in growing our cleaning portfolio, especially robotics. Thirdly, an additional and important factor enabling our growth, has been the step up in the overall category growth which is now in mid to high-teens.

The categories in which we operate, water, cleaning, etcetera, all have decisively inflected in the trajectory enabled by our own innovation and interventions, increased category visibility and activity and greater recognition by consumers on the importance of health and hygiene.

Moving to the margin front, cost management and operating leverage have been the key enablers in driving margin improvement. Margins grew YoY in every single quarter, and we ended the year with 11.7% margin, an expansion of 136 basis points over FY24. It may be noted that this expansion is after 121 basis points increase in advertising and promotion expenses. Our cost program has become institutionalized and is providing us a headroom for growth investments and margin expansion.

We continue to strengthen our balance sheet and ended the year with a net surplus of Rs. 284 crores. Lastly, I want to speak about the service side of our business. Our investments in capability and significant front-end digitization have led to lifetime high service quality metrics. We've also made many interventions to drive service revenue which have led to a growth in AMC unit sales last year.

I'm pleased to share that we are now seeing green shoots in terms of service revenue. We believe that our interventions in driving filter innovations, building a filter go-to-market, co-opting and partnering our offline network of technicians and business partners, strengthening our D2C intervention, will augment this growth, and supported by consumer awareness campaigns, we believe, will lead to a further increase in the service revenue growth.

To summarize, as I look back on the second full year of transformation, I see us as a business displaying a clear step up in performance and with strong foundational capabilities in place. Our teams at EFL and our partners have led the step up. I'm confident that with the disciplined execution of our strategic agenda, FY26 will see a further improvement and step up in our performance.

Let me now switch gears and talk about the Q4 performance. During the quarter, we reported a revenue growth of 10.8% over last year. Excluding the impact of discontinued operations, our Q4 revenue grew marginally higher, at 10.9%. In relatively challenging market conditions, our product business grew in high-teens. Our innovations in water and robotics sustained their performance trajectory and were the key drivers of growth.

As I mentioned earlier, an important call out is the fact that we are seeing green shoots in our service revenue as well. Similar to what we saw in our product business in FY24, where volume growth was followed by value growth, we are seeing a similar pattern play out in service as well. On the profitability side, adjusted EBITDA margins continue to expand YoY and reached 13%, the highest ever and up 183 basis points over last year. This improvement was due to both operating leverage and also a structured cost optimization program.

In conclusion, Q4 was in many ways the perfect end to the full year, where we had another quarter of double-digit growth, accompanied by YoY margin improvement. The progress we've achieved in the 2 years of our transformation and with the momentum of 6 consecutive quarters of double-digit growth, and lifetime high margins in Q4, gives us the conviction, the confidence and the energy to drive sustained profitable growth in the year ahead. With that, I would like to hand over to Gaurav.

Gaurav Khandelwal: Thank you, Pratik. Good afternoon, everyone, and thank you for joining us. I will first comment on the full year performance. FY25 has been a year where the key theme has been one, of sustained performance leading to a clear step up versus FY24. Revenue for the year ended at Rs. 2,436.1 crores with a growth of 12% for continuing businesses. As reference, we grew 7.9% in FY24. Underlying the full year growth numbers has been strong teens product growth in each of the quarters. A key contribution to this growth has been the impact of the premium portfolio on the ASPs.

Gross margins have been range bound and for the year, were at 58.3% versus 58.8% in FY24. On the cost side, operating expenses as a percentage to revenue were down 187 basis points, reflecting a very clear operating leverage. This reduction, I must call out, is after the conscious 121 basis points higher investment in A&SP spends, which in absolute terms grew 25% YoY. Full year ESOP charges were down 35.9% and cash generation led to a 42.1% reduction in finance costs.

The impact of all the above led to an adjusted EBITDA expansion of 136 basis points to 11.7% and a YoY increase of 25.9% for the year, to end at Rs. 285 crores. Margins grew YoY in every single quarter. This enhanced margin profile gives us the headroom to step up our growth investments as we go ahead.

Adjusted PBT for the year at Rs. 235.9 crores grew by 37.1% YoY. PAT grew 78.4% for the year. Adjusted for exceptional items in both FY24 and FY25, PAT grew 48.3%. Our net surplus at year-end, excluding lease liability, was Rs. 284 crores. In summary, it has been a year where we have stepped up our performance and delivered sustained improvements in both, top line and bottom-line parameters.

Moving on now to the Q4 performance. Q4 revenues ended at Rs. 612.5 crores with reported revenue growth of 10.8% and 10.9% for continuing businesses. Going ahead, there will be no divergence between reported and continuing business growth. Growth was enabled by the dual levers of both volume and mix-led pricing. Adjusted EBITDA margins expanded 183 basis points YoY, and we ended the year with a 13% margin in Q4.

Adjusted PBT grew 39.9% and PAT at Rs. 50.8 crores, grew 137.5% on YoY basis. Q4 of both FY24 and FY25 have one-off exceptional items and adjusted for those PAT grew 33.3%. Both, gross margins and operating expenses remain range bound. Our Q4 gross margins at 59.5% were largely in line with last year margins of 59%.

Gross margins were higher by 202 basis points on a sequential basis due to a combination of factors; cost efficiencies, better product mix and lower buyback and other consumer spends, which we have done in Q3 post the festive season and the impact of that was felt in our gross margins. Driven by operating leverage, our expenses, excluding ESOP as percentage of revenue was lower by 127 basis points versus previous year. Our focus on cost program will continue to drive further efficiencies.

Absolute spends grew by 7.8% YoY led by higher A&SP spends of 28%. Non-cash ESOP charges at Rs. 2 crores were lower versus previous quarters due to annual valuation true-up. On a steady state basis, this charge will be in the range of Rs. 5 crores to Rs. 5.5 crores every quarter. Other lines below EBITDA remained largely stable. Depreciation for the quarter stood at Rs. 8.2 crores, in line with Q3. This quarter had an exceptional net income of Rs. 2.1 crores.

This has two parts. One part relates to the receipt of full and final insurance claim settlement for the fire at our Delhi warehouse last year. This amount is Rs. 10 crores. There were non-cash charges of Rs. 7.9 crores which were incurred related to inventory write-off. We are now 2 years into the transformation and had several initiatives in our product portfolio, supply chain model, etcetera. We have done an assessment of the initiatives done so far and also factored in our future product plans and basis that, this write off has been done.

To conclude, we would stay focused on our ambition of driving full year growth and full year margin expansion. This continues to be a business with strong fundamentals, low category penetration, category tailwinds, high gross margins, scope to drive operating leverage and high ROCE and cash flows.

As we step into the third year of the transformation, we will stay focused on driving improvements in the above areas with specific initiatives. As mentioned at the beginning, we are conscious of the short time gap between the results declaration and this earnings call and will be available for addressing any further queries post this call. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: Thanks for the opportunity. In terms of what we see in the PPT also, you have given the strong long-term growth potential, we continue to see the growth rates remaining in very low double digits, like 10%, 11%. So, when do we see that inflection point in the industry as well as Eureka when we see the growth rate acceleration to mid or high-teens? That is question number one.

Second point is we have also seen the margin has gone up now compared to the revenue growth while revenue growth has also seen strong recovery, but the margin recovery has been more faster. So, is the company focusing a bit more on the margins and the market shares and revenues? That is question number two.

And lastly, in terms of the products portfolio has reported high-teens growth. So, is it fair to assume that services would have declined in a way mid to high-teens? Will that be a fair assumption? And also, is the decline in service revenues attributable to the changes in plans? Or is it any other particular reason? And also, how is the performance of the new plans? So, post that, what has been the customer activations? How have we seen the superior growth in the servicing part of the business?

Pratik Pota: Thank you, Aniruddha. Let me start with your first question. You've talked about the fact that while there is strong potential, our growth is in low double digits. Let me go back to what I said in my opening remarks that in this quarter, we delivered a low double-digit growth but for the sixth consecutive quarter, we delivered that. We've now had six consecutive quarters also of mid to high-teens product growth. So, product growth story has sustained and sustained at a robust level for the last six quarters.

Both earlier, in the preceding periods, and in Q4, this growth was led by both, volume growth and also the impact of premiumization. The growth was also broad-based across categories. It was visible and strong in water, in cleaning and all other categories. Very encouragingly, the growth was robust across our channels as well, both online and offline.

So, if I pull back and look at the product performance, as you mentioned as well, we see robustness, we see sustained growth, and we see broad-based growth. Our service business has trailed the product business. It did not decline last quarter, but it has trailed. And to go back to what we have said in the earlier calls and what we spoke about in our opening remarks as well, our objective in service was to address the issue of the cost of ownership and to get volume growth, similar to what you'd imagine our trajectory was in product.

The good news Aniruddha is that last year, we saw volumes expand on unit AMC sales. And that was very, very encouraging to see the service business respond to our interventions. Over the last 12 to 18 months, we've had a number of interventions going in. We had launched the tiered AMC, we have put in a number of D2C investments. In digitalization, there was a step up. You're aware that we launched the authentication of filters campaign. And of course, it was accompanied by a significant improvement in customer experience.

So, all of these enablers are now leading to green shoots visible also in service revenue. So, product business has had strong and sustained growth. Service business, we are now seeing a clear green shoot and clear evidence of revenue growth coming by as well. So, I would say we have turned the corner on service in terms of where we were and where we are going.

Your second question on margins, and the fact that our margins have grown and faster, does that imply in any way a shift in our approach? Far from it Aniruddha. Our approach remains consistent, remains unchanged. We know that we are a growth business, and we will continue to invest in drivers of growth. In the fourth quarter, the margin improvement came despite a 28% YoY increase in A&SP spends. So, we are clear that our larger bias has to be towards growth. We are a business, as you reminded us with great potential, low penetrations across the categories, huge room for premiumization, growing consumer awareness of health and hygiene.

So, we are absolutely obsessed about growth. And towards that, as you have seen products have been very, very strong. So, our margin improvement will come because of 2 reasons. We called that out. One is, of course, a disciplined cost management program, and the second is with our business with a 58% - 59% gross margin, just the sheer impact of operating leverage that comes from growth. So, our bias, just to repeat, will remain towards sustained profitable growth with a bigger bias on growth.

Your third question was about, again, I said similar question about service and products. Our service business did not decline, just to repeat that point. And we are now seeing the impact of our interventions, beginning to bear fruit. And you will see a lot more action happening on service, both on AMC and on filters. And we have a lot of exciting plans lined up.

We are very clear that our approach of driving AMC affordability, AMC segmentation, for different segments, having different AMC offers, driving filter differentiation and filter innovation, strengthening the go-to-market for filters, and of course, ramping up our D2C efforts, along with supporting our offline partners, we believe is the right way to go and will give us results in the future. Gaurav, do you want to add something please?

Gaurav Khandelwal: I'll just add one more thing, I think this margin expansion also kind of signals on the structural business model advantage. When you marry a 58% gross margin with double-digit growth and are able to maintain a reasonably well-disciplined cost profile, in many ways the margin flow-through becomes a consequence. Because I repeat, this margin expansion is after the 28% YoY increase in our A&SP spends.

So, it is not at all by sacrificing any of our growth investments. If at all, we've invested consistently at these high levels all through the year, and the plan is to keep our growth investments high. Because we're very clear that with this gross margin profile, growth will inevitably lead to margin profile and a margin expansion and no better example than the Q4 margins.

Moderator: We'll take the next question from the line of Siddhartha Bera from Nomura.

Siddhartha Bera: Thanks for the opportunity. Sir, first question is again on the product side. We had showcased multiple new products for the last few quarters which clearly seems to have led to strong growth for you. What is the plan for next year? Can you talk a bit about what new areas you are trying to explore and which should sort of sustain or broadly increase your growth momentum in product side? That is one. And second is on the advertisement side.

While we did invest 25% plus on a YoY basis, how do you see in the next few years? Do you think this pace will continue? Or do you think there can be some moderation given that your size and quantum will go up? And if you are looking to drive more service, that may sort of come down? So, some thoughts there, sir?

Pratik Pota: Thank you, Siddharth, for the questions. On your first question about our plans on the product portfolio for the year ahead, without being too specific and without being too elaborate and detailed for obvious reasons, let me call out the few themes that we are working on. The first theme for water remains penetration and remains driving down the total cost of ownership. We know that in our category, not just upfront product cost, but more importantly, the repeat cost, the sustenance cost of service, is what is often the barrier for penetration.

So therefore, one big work stream for us will be to reduce the cost of ownership and to make sure that we grow penetration and grow the market size. Along with that, our focus on premiumization will continue. We've had, as you're aware, good run and good results come by, with our innovation focus on premiumization, and that will continue. You will see in the next 3 to 4 months, more products rolling out.

As you are aware, we rolled out one of our first IoT products last year. You'll see that scale up significantly through this year. So, penetration, in water, followed by premium innovations. The second big vector is going to be on cleaning. As you are aware in cleaning, the segment that's really breaking out and that's driving growth for the overall category is the segment of convenient cleaning. And within that, specifically is robotics.

I think we were one of the first pioneers to see this opportunity, and we invested ahead in building a portfolio and in strengthening our go-to-market for robotics. And despite fierce competition from other global players, we are now the market leaders in robotics. And you will see us build out the portfolio even further, and increase our investments, both on the go-to-market side and on the category creation and awareness creation side.

As I mentioned in my opening remarks earlier, we have signed up Shraddha Kapoor as an ambassador for our cleaning portfolio, and she'll help us grow the category and make it a lot more salient, a lot more relevant for consumers. And other than robotics and cleaning, we also have a portfolio, which includes air purifiers, includes softeners. So, across all parts of our portfolio, we have a strong set of innovation plan lined up and go-to-market ramp-up plans lined up, which we believe will drive growth.

As I mentioned earlier, notwithstanding, I would say, mixed and challenging market conditions, we expect the product growth levels to sustain at mid to high-teens. Your second question, Siddharth, was about A&SP spends and whether they'll remain elevated or do we expect them to moderate. Going back to the question asked earlier on the call, we are a business which has tremendous growth potential and one enabler unlocking the growth is to create greater awareness and to create greater brand pull.

And towards that, our spends and our investments in advertising and promotion, will sustain as we grow our categories and grow our business.

Siddhartha Bera: Last question is, if you can broadly share the service and product revenue mix for the year, it will be very helpful, if possible.

Gaurav Khandelwal: Hi, Siddharth. So, we will plan the breakup as part of our annual report. So, you will see the split come up at that point in time. At this stage, you can imagine for obvious reasons, we are not sharing, but you will definitely see this split in the annual report come up.

Moderator: The next question is from the line of Naushad Chaudhry from Aditya Birla.

Naushad Chaudhary: Thanks for the opportunity. First, a compliment to you and the entire team till ground zero, the kind of effort the team is putting in is visible on the ground from an overall momentum improvement point of view. But I think on the service level dissatisfaction still we have improved from where we had started, but I believe there is still enough scope for improvement on the service side.

As a customer, as a channel, if we collect 1,500 samples as well, I think this is the problem in most domestic brands, but we have relatively improved and there is enough scope for improvement. If you can comment on that, what all steps we will take to make it further better in next financial year?

Pratik Pota: Naushad, thank you so much for your compliments and your kind words. Your question is very relevant and a very important one for us to talk about. For a business like ours, ensuring that our customers are satisfied, that the levels of service we provide them are comparable to any other service brand, I think is probably the number one priority for us.

And towards that, we are really happy to see that our customer satisfaction scores as measured by NPS have improved significantly YoY, including Q4. And our NPS levels now are at lifetime high levels and beyond what we've had ever in the past.

So, that is a good news about service. However, service is a business of eternal vigilance. We have to make sure that every customer moment of truth is handled properly. And hand on heart, we have a lot of ground to cover before we perfect that. So even as we improve the average customer SAT score, we are now pursuing movements of service failure and how do we salvage those moments of failure. So, when a customer is satisfied, there is absolutely no problem. We do a good job of that for the larger part.

But in the edge cases, when there is a service failure, we need to get better at managing those service failure moments. Good service brands, every service brand will have moments of failure, that's the universal truth. But how you manage the moment of failure, how do we resurrect and salvage that customer and win the customer back is the critical differentiating strength for service brands, and that's the area where we are sharpening our experience now. And we'll make sure, and there's a lot of going on, both working with our partners offline, our technicians, our business partners, also putting in place technology enablers.

So, for instance, about 3 months back, we have launched a new technician app, and that's gone live over the last 45 days or so. One element of that just to illustrate and to respond to your question, one feature of that is that if there is a customer pending complaint open, no other call can be attended until that complaint is resolved.

And there's a lock put in, etcetera, etcetera. So, we are using technology enablers along with working with our business partners and providing the right nudges, both in terms of rewards and in terms of penalties, to make sure that we converge all efforts towards improving the customer experience, not just on an average, but also when there is a moment of service failure.

Naushad Chaudhary: Sure, sir. Second, on the vacuum cleaner business side. If you have to visualize this segment from the next 3 to 4 years point of view, what do you think, how big this can be for you? And what are the levers which make you believe that this could be big?

Pratik Pota: Naushad, that's a very, very good question. And this question, if asked maybe a couple of years ago, might have had a very different answer, when we were searching for the role and the relevance of the vacuum cleaner category itself in a market like India, where there is abundant and affordable domestic help available.

I think that has changed in the last 2 years or so. On the back of convenient cleaning, handheld vacuum cleaners, cordless vacuum cleaners, most importantly, robotic vacuum cleaners, we are seeing strong acceptance and increased relevance and adoption of this category across metros, across pop strata of town.

And the way to think about the potential of vacuum cleaners now, is in a way to think about how washing machines as a category grew. 25-30 years back, if you had asked the consumer about washing machines, they would have told you about all the reasons why washing machine would not be relevant, it does not clean tough dirt, it does not clean cuffs and collars, how you need to still take a bar or a tikya and rub the dirty spots on the fabric, etcetera, maids were available abundantly, etcetera, etcetera.

But as the category improved its offering, its functionality, as consumers got used to the idea of having washing machine as there was word of mouth which spread, we have seen the way the category has grown. Vacuum cleaners are analogous in nature, they replace and they offer the same service in cleaning that washing machines offer in washing.

And as there is adoption, first by early adopters, followed by word of mouth and then the late adopters, you will see this category grow. This category, both robotics in particular, but VCs in general, has now in the last 1.5 years seen a very, very stepped up growth. And we are very, very confident about the way that category is going to grow.

Within this category, we are market leaders, and we expect to remain strong and dominant market leaders in the years ahead, on the back of both a strong portfolio in conventional cleaning, which is canister based vacuum cleaners, wet and dry vacuum cleaners, as also a stronger portfolio in convenient cleaning, which is the cordless and cord free vacuum cleaners like what we have in the K-Series or indeed our robotic cleaners in the smart cleaning portfolio.

Naushad Chaudhary: Any rough figure or ballpark figure you want to extrapolate how sizeable this business can be for you if this all goes well?

Pratik Pota: So Naushad, it would be difficult to share specific numbers but let me give you an indicator of sub-segment within vacuum cleaners, which is robotics and how fast that is growing to give you illustration of the opportunity and the potential size. Robotics as a segment has been growing by 100% YoY for the last 3 years or more and we expect that rate to be in the same ballpark of between 75%, 80% to 100%, 110% in the next few years as well. What's also happening, again just to bring out the point about potential, this category was centered around e-commerce and online.

And as you can imagine, early adopters of most categories gravitate towards e-commerce and online platforms. That was a source of the early growth. Increasingly, we are seeing the adoption of robotics as a category in offline channels, both in modern trade and in traditional trade. And in our context, also in the direct sales channel. So as robotics becomes larger and spreads to the offline channels, it plays to our strength, because the international and the global brands don't have that offline presence while we do.

So, this category will grow and spread from online to offline, allowing us to increase our share and increase our strength as the category grows.

Moderator: The next question is from the line of Anupam Goswami from SUD Life.

Anupam Goswami: Sir, my first question is on the advertisement spend that you are doing. So how do we look at from here onwards now that we have brought in new brand ambassador? Will that increase as a percentage of sales from here onwards? That is my first question, sir.

Pratik Pota: Anupam, thank you for that question. As I mentioned earlier, we clearly see ourselves as a business that will drive sustained and profitable growth with a very clear bias towards growth, given the nature of our categories and the life stage in which they are in. So, we have as you mentioned, stepped up our advertising spend last year. And we see that continuing to step up in the future.

However, even as we do that, we have the right cost programs in place to take out costs from elsewhere so that we are able to create bandwidth for these growth investments. So even as we grow advertising spends, even as we invest in driving growth, we will continue to deliver a YoY margin expansion.

Anupam Goswami: Okay, sir. Sir, next question, how competitive are we and what kind of competition pressure are we getting from the peers? There has been some new brands in the same category in the same products. And how comfortable are we in the premiumization that we are seeing? And what percentage as such, have we grown in our premium products?

Pratik Pota: Anupam, you make a great point that all our categories, especially water, have seen heightened competitive activity, greater visibility, more innovation by different players, including some new brands. We believe that this is very, very good for driving overall category visibility, overall category awareness, overall category growth.

As the strongest brand in this category and as the market leader, the unequivocal, unambiguous, unquestioned market leader, as the category grows, we stand to gain a larger share of that growth. Aquaguard, both as a brand and through the products and innovations that we've delivered, clearly has an edge over the others. Back to your second part of the question, our premium innovations have delivered much higher growth than even what we had estimated.

And we now have best-in-class products across the entire suite of the portfolio. If you look at the water purifiers, best portfolio and the different segments, Aquaguard is the only brand that straddles each and every segment, from economy to mid-price to premium across price points across propositions and platforms, whether it's stainless steel or IoT as a premium end or hot and ambient, or the economy and through our Aquaguard Sure, every single segment, price wise and proposition wise is very participated.

So, we believe that we have probably today the most competitive portfolio, and while we welcome competition because like I said, it helps category growth, we are not worried about competitive threats. We believe that it will allow us to grow and to grow the category overall. Our premium portfolio grew faster overall versus our average growth last year. We talked about our high-teens growth overall and within that, premium grew faster and allowed us to clearly balance our portfolio.

So with the premium segment growing faster, it gives us the elbowroom to invest back in having more economy products, which help in driving penetration. So, we feel good about where we are and we welcome competition and we believe that will help us drive category growth.

Anupam Goswami: Okay, sir. Would that be above 20%, 30%, of our whole product, premium brands?

Gaurav Khandelwal: Anupam, we don't give out the split. But suffice it to say that we have a very well-balanced portfolio across price point. And I think if you look at the peer universe, I think we would be the ones who would have perhaps the most balanced portfolio across economy, mid and premium.

Moderator: We'll take the next question from the line of Shrinarayan Mishra from Baroda BNP Paribas.

Shrinarayan Mishra: Thank you for the opportunity. Sir, my first question was on the service side. I mean we have done a good part to democratize the AMCs by making relevant interventions, but the good part of service business will still revolve around the cost of replacement filters. So, are we doing some interventions there maybe in terms of pricing or in terms of longevity of the filters, which makes it affordable for the customer's ultimate cost of ownership of the water purifiers.

Pratik Pota: Thank you, Shrinarayan. And I think your question is spot on. As I mentioned earlier, one of the category barriers itself is the perceived high cost of ownership. And the cost of having filter replacements every year or the cost of AMC every year. As part of our effort to grow penetration and to grow the category size, it is absolutely in our work stream to drive affordability and to make the category grow.

You're aware that we've launched a product first online and that has now gone offline as well. The product that was launched online last year was called Aura 2x and what has been rolled out in modern trade and retail is a product called Aquaguard Enhance NXT, both of them have a 2-year filter life, in other words, filters need to be changed only after 2 years.

That as you can imagine reduces the cost of ownership and makes the category much more attractive for non-users. As we work more towards improving affordability and driving down the total cost of ownership, you'll see us doing many, many more interventions, both on the product side and on the after-market side. So that's one part. The second part is exactly to make sure that we cater to different consumer segments, different consumer's inclination to spend on service, we had launched tiered AMCs 2 years ago.

And as I mentioned earlier, that has led to an encouraging unit volume growth in AMCs last year. And we are now hoping to follow that up with growth in revenue as well. But the horizontal work stream of improving and reducing the cost of ownership, improving and therefore driving penetration up, is a very important work stream that we continue to work on.

Shrinarayan Mishra: And the second question was on the cost structure side. We understand that there are some legacy costs, which we are trying to beat out gradually, so if you can you highlight where we are in terms of that journey and how much more margin improvement we can expect?

Gaurav Khandelwal: Yes, Anupam, I think I'll give you a couple of examples where the legacy costs are being addressed, we've spoken about them in the past as well. So one, for example, is IT cost. Our IT costs when we benchmark with other companies is relatively on the higher side. We've done several interventions in terms of technology, in terms of contract changes, in terms of renegotiations, etcetera.

And I'm pleased to share that we've seen those effects come out, and when you see the numbers that will come up in the annual report, you will see the impact of that play out, not just in percentage revenue terms, but even in absolute terms, so that's one area. Another area that we've been working on for a while, and I think the impact of that is beginning to become more pronounced is on COGS. So, for a very long period of time as an organization, we did not have volume growth and that kind of constrained our ability to go back to vendors and renegotiate prices.

We've now had volume growth for a while now. And now when we are going back to our vendors and discussing prices and sharing our plans for the coming year, the reaction and the support and the partnership that we are getting from them is giving us very clear price advantages. Just another example, the third piece that I would again call out is again in the area of COGS because that for us is a big area of cost.

I think we're just going back to the drawing board and kind of questioning, literally every single bomb and saying why does it need to be at a particular level, are there replacements that can be done without impacting product quality or customer experience. So, it's a combination of these things that are there.

But I think underpinning all of this, I would call out is that the growth and more importantly, the sustained growth that we've demonstrated over now the past 1.5 years, also, the confidence of that has got manifested with the partners as well, and now the conversations on cost opportunities is, I think, bearing fruit because they also then see a line of sight to this becoming a larger business.

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

Parikshit Kabra: Congratulations on a great set of numbers. Coming back to the services itself, I just wanted to ask, I know there's not much you guys are going to be sharing, but is there a sense of when, at which stage is your ambition that the services segment will stop putting a drag on the growth of the overall company?

Gaurav Khandelwal: Hi Parikshit, I think I'll again share the journey that Pratik spoke about earlier. The first phase of that journey was to restart the volume engine. That is something which we've seen, and we have had volume growth in FY25. We're beginning to see green shoots in value growth as well. And given the plans that we have, I think we are confident that value growth will accelerate from where we stand right now.

So that is something that we are fairly clear on and have very clear set of plans around that. Obviously, as you can imagine, this is something which gets amortized, so hence the impact of that would come 3 or 4 quarters down the line. But I think importantly, from our perspective, AMC booking is the lead indicator of future revenue. And I think there, we are seeing value growth beginning to come through.

Parikshit Kabra: Understood. Great. And the only other thing I want to ask was that is with the price cuts in your services, will the gross margins of your services business remain higher than your product business? Or now would they be about the same with the price cuts?

Gaurav Khandelwal: No, the service business will always have a gross margin profile, which is much higher than the product business. So that is something which will continue. I think product business will see a gross margin expansion because of the series of cost initiatives that are happening. But fundamentally, at a structural level, service business, as I would imagine, for any industry, would be of a higher margin profile compared to product business.

Moderator: The next question is from the line of Nandita from Marcellus Investment Managers.

Nandita: Thank you for the opportunity. Congratulations on an excellent set of numbers. So, I had a couple of questions. The first one being, I wanted to understand how the salience of your product versus service business has been in terms of your revenue over the last 1 year? Has the salience of product business increased? And in case it has, can you give us a rough indication of what percentage of revenues does products and services account for? Just a rough indication is also fine.

And secondly, my question is about your services business specifically. We see a lot of third-party service providers coming into the market and providing services specifically in water purifier segment and generally also for other services related to consumer durables businesses in the country. What is your game plan? And how do you plan to combat this surge of third-party service providers in the market?

Pratik Pota: On the first question, yes, the salience of the product business vis-a-vis service has gone up because product business has been growing in the high-teens while service has lacked. So yes, the salience of product business has gone up. Having said that, service is still a substantial part of our business. As I've mentioned earlier, we'll be constrained in sharing the split at this point in time, but we will definitely share the split in the annual report for FY25.

To your second question on a lot of third-party suppliers, I think that is something that's an issue which plays in the wider durable industry, and I think more so in our case. So, there are a series of interventions that have happened, and I'll kind of play back, the kind of inputs that have happened over the last 1, 1.5 years.

First, I would say, at a very basic level, the first port of call was to make sure that the customer data does not go to these particular players. And hence, we had put in call masking, 1.5 years back. So today for example, a customer would not know a technician's number or vice versa, so that's one example that is there. And we've now got fairly restrictive access mechanisms vis-a-vis our partners as well for accessing data.

The second part, which is there to also ensure that we give consumers lesser and lesser reasons to go to these players. So, one part of that was to make so that we make affordable and tiered AMC offerings available to them. So, AMC starting from as low as Rs. 599 were brought in. Similarly, how do we kind of empower and enable the customer to identify that something is fake, so we had launched QR code-enabled filters, so that is something which has gone into the market 1 year back which essentially allows the consumer to check if it's genuine or not.

Other vector of addressing this problem has been to drive a consumer communication. In this year, for the first time ever, we had done a service campaign which was focused on drawing attention to going to genuine players. So that's the second part as far as the consumer is concerned. The third leg is in terms of co-opting our partner network and our technician network and making sure that they are sensitized to this.

I'm pleased to share that all the thousands of technicians who work on the ground, they are all digitally enabled on our platform. Their incentives, while they remain on third-party payrolls, their incentives are paid by us, their ability to drive their behaviour is significantly higher and we are working in partnership with them and our business partners. Having said that, I think if I were to step back, this has been an established behaviour and practice for a few decades, so it takes time to change.

Equally, we are very cognizant and sensitive to the reality that we have to take our partners along with us. We don't want to do anything which kind of precipitates any matters, because there is also a service experience for the customer to be concerned. But I think the important part is that it's been a lot of interventions across the spectrum.

But from our perspective, the key takeaway is, one, our customer experience metrics are at a lifetime high, and number two, the trajectory that we have noted in our product business where we first got volume growth, then we saw value growth and then an acceleration, I think we are at a situation where we are beginning to see value growth come on the back of volume growth, and we have a line of sight to this value growth accelerating going ahead. So apologies, it's a long answer to a relatively short question, but this is a subject which has got many dimensions and no straight answer per se.

Moderator: We'll take the last question for today, which is from the line of Amruta Deherkar from Wealth Managers.

Amruta Deherkar: Thank you for the opportunity and congratulations on the really good numbers. Sir, in the presentation, you've mentioned the different growth rates for the industry, whereas the air purifier is growing at 18%, which is on a lower base, and the vacuum cleaner is growing at around 17% and water purifier is growing at 13%. So, at the company level, do these product categories also have a similar pattern for the company in the growth rate?

Pratik Pota: Thank you so much for your compliments. The growth numbers you are talking about which are in our investor presentation are from a study done by independent third-party agency, Technopak. While in some cases, those good numbers are consistent, we have seen actually an acceleration of the category growth compared to what Technopak had forecasted.

Whether it's in water purifiers or in air purifiers or indeed in vacuum cleaners, the growth numbers have over the last 1.5 years, 2 years have been significantly faster and higher than what the study forecasted. To give an illustration, in vacuum cleaner, what the study forecast as a market size for 2028 will now be happening in FY26. So, we are almost 2 to 3 years ahead in terms of the category growth compared to the initial estimate and the prognosis.

To your question about how our growth profile compares versus the industry growth profile, I'll do an illustration. Air purifiers for instance, albeit of a small base, we grew significantly faster, more than 3x to 4x faster as compared to the industry growth rate estimated by the independent study. Therefore, two themes, one is that categories are growing faster than what was originally estimated, number one. Number two, our own growth as Eureka Forbes in some of these categories is higher than what the study has had forecasted.

Moderator: Ladies and gentlemen, we will now conclude the question-and-answer session. I would now like to turn hand the conference over to Mr. Pratik Pota for closing comments. Thank you, and over to you, sir.

Pratik Pota: Thank you, everyone, for your questions. And once again, I want to repeat what we said in the beginning that given the short time between the results and the call, if there are any clarifications or follow-up questions, we'd be happy to respond to them. But in the meantime, thank you once again, and have a good day.

Moderator: Thank you, members of the management. On behalf of Eureka Forbes, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: This document has been edited to improve readability

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