"Brainbees Solutions Limited

(FirstCry) - Earnings Call

Q1 and FY27 Results"

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Management:

Mr. Supam Maheshwari
Managing Director & CEO

Mr. Gautam Sharma
Group Chief Financial Officer

Mr. Vivek Goel
Chief Business Officer

Mr. Abhinav Sharma
Country Head, Middle East Business

Mr. Anuj Jain
CEO, Globalbees

Mr. Harsh Kabra
Investor Relations

Mr. Harsh Kabra Good evening, everyone.

Welcome to Brainbees Solutions Limited Q1 of the financial year 2027 earnings call. This is Harsh.

Mr. Supam Maheshwari You're not audible

Mr. Harsh Kabra Hello

Mr. Supam Maheshwari Yeah, please

Mr. Harsh Kabra So good evening everyone.

Welcome to Brainbees Solutions Limited Q1 of FY2027 earnings call. This is Harsh Kabra, and I have with me, Mr. Supam Maheshwari - Managing Director and CEO of the Company, Mr. Gautam Sharma - Group Chief Financial Officer, Mr. Vivek Goel - Chief Business Officer of the Company, and Mr. Abhinav Sharma - Country Head of Middle East Business Operation. We also have Mr. Anuj Jain - the Chief Executive Officer of GlobalBees.

Kindly note that this call is meant for analysts and investors of the company. We wish to highlight that the call is being recorded, and by participating in this event, you consent to such recording, distribution, and publication. All participants have been muted as per the default mode, and participants will be unmuted once we open the Q&A forum for the members to ask questions, and after the presentation from the management concludes.

We will be covering the presentation in the beginning of the call, and we will thereafter open for the Q&A forum. We would like to point out that some of the statement made in today's call may be forward-looking in nature, and the disclaimer to this effect has been included in the presentation shared with you.

With this, I request Mr. Supam Maheshwari to take it over.

Mr. Supam Maheshwari Good evening, everyone.
Welcome once again to our first quarter of FY27 performance. Thank you for joining this call. I request if you can put up the presentation, Harsh. At least we can't see it.

Mr. Harsh Kabra Yes, sir. I'm presenting it. Sir, let me know once it is visible.

Mr. Supam Maheshwari Yes, okay.

Mr. Gautam Sharma Go to the first slide.

Mr. Harsh Kabra Yes.

Mr. Supam Maheshwari Perfect, Thank you.

Mr. Supam Maheshwari Welcome once again.

I think We'll begin with our vision and mission, as you are all very familiar with that. So, I won't repeat it, but Baby's FirstCry is a special moment for parents. And at FirstCry, we continue to work towards an aim to make this very moment as well as all such moments of parenting journey filled with joy and happiness for all young parents. So that's our mission so far, and we continue to drive that going forward as well.

We'll be covering today some of these points, and we'll begin with the first overall performance. Key highlights for the Quarter 1 FY27 performance from a consolidated business perspective, which is consolidating our India multi-channel our international business, GlobalBees, and other segments, which is primarily our pre-school business.

Overall business has grown 13% year on year. This is the strongest revenue growth in the last five years, that we have demonstrated on a consolidated basis and we have also demonstrated 34% improvement year on year basis on a consolidated basis on loss reduction after tax. Now we'll go into the segmental updates.

On India multi-channel, which is our core business segment reflecting the highest ever, you know the highest growth rates that we have been focusing on. So, you can see on the right-hand side the quarterly, year-on-year sequential growth and now in this quarter, we have demonstrated around 17.7% revenue growth rate, the strongest again in last seven quarters. And these are all some of our initiatives that have been at play in FY26 and even in FY27 that we have been sharing with you, for last many quarters.

With some of our initiatives in the offline channel as well, the GMV of offline continues to, again, grow in the mid-teens in Q1 of FY27 and with all our current initiatives, which we'll speak in subsequent slide as well, both in online and offline business, we believe that the structural growth rate will remain elevated in the subsequent quarters as well. It's not just a one-off phenomenon is what we believe very strongly, given what all we have done as a homework, as an input, to our business structurally, both from an online and offline business perspective. Overall, India multi-channel business continues to be PAT positive for Q1 FY27.

Now moving to international business, the revenue of international business grew by 12% year-on-year for Q1. And as we have mentioned earlier, we continue to focus on a sustainable growth while reducing our adjusted EBITDA, adjusted EBITDA for ESOP Cost has reduced by 22.3% year-on-year basis in Q1 over Q1 - last year.

With respect to GlobalBees, we have delivered a flat-ish growth. However, we have demonstrated a very significant improvement in growth of adjusted EBITDA by a factor of 308% from Q1 year-on-year basis. So overall, a very strong performance from a India multi-channel view, and a strong growth rate, powered by both online-offline structural improvement through our initiatives that we have undertaken.

International business continue to demonstrate, a sustainable growth and very laser sharp focus on improvement of adjusted EBITDA from a losses perspective. Objective is to solve for becoming an EBITDA neutral business as soon as possible and then GlobalBees continue to demonstrate a improvement in adjusted EBITDA. We'll go into a little more detail as we go forward.

Overall snapshot, in terms of some more numerical data points, overall consolidated business AUTC grew by 10% to 11.8 million. And the GMV grew by 12% to 2,807 crores. Overall revenue from operations grew by 13% to 2,106 crores. And consolidated EBITDA-adjusted EBITDA grew to 4.24% versus 4.98%. At 289.3 crores, consolidated gross margin likewise to 36.5 from 38.5. And cash after profit to 2.4% to 50.8 crores at a consolidated level for Q1 for the business.

Moving further, we'll first focus on India Multi-Channel on the key initiatives that we have been sharing with you for the last few quarters. The three initiatives have really scaled very nicely. Very happy to share updates on all of these three. RocketBees, which is our internal faster delivery framework that we had started roughly around the start, calendar year start of the last year. And we have been updating on every quarter as it expanded. When we spoke last time in May for the March quarter, we have since expanded from 62 to 72 cities. And the overall volume that we are covering today at the end of June quarter, as we had promised, we had targeted to take a cover around 50% of our total online shipment under RocketBees umbrella. Happy to share that we have been able to successfully deliver that milestone. And we continue to grow the network and also witnessing approx. 20% improvement in turnaround time from delivery perspective and growing better growth as well as our customer experience in a very tight sort of a, I would say, industry where customer experience matters the most. So, this overall delivery initiative of RocketBees been very successful. And we will continue to grow and work harder towards growing more area under the curve.

Now, on the FC Qwik, while two quarters back, we had just started as an experiment last quarter in March ending in May when we shared this update with you, we were in five cities and around close to 60,000 shipments in March. We have now expanded our Qwik from a, pilot to a solidifying sort of a growth strategy. And now we have taken in a full-fledged strategy to now 12 cities and delivered 1,25,000 shipments, almost a growth of 100% - more than 100% from March to June, just in three months alone. So we continue to see great customer satisfaction, and we will continue to grow with our framework of COCO stores, our infra of dark stores that we have built out, especially in some cities and some pincodes and our warehouses. All of that collective framework has helped us to grow the Qwik - FC Qwik and on a RocketBees sort of platform. And we will, as I said, we will continue to grow. We had an overall ambition of growing to 10% of our overall shipment onto the FC Qwik platform. So we are - and in any specific sort of pin-code that we all will operate, we will aim to grow to 20% of our volumes. So we'll continue our journey in that direction and has really worked out very well. We have well-oiled our engine, and we'll continue to improve our assortments, continue to improve our overall TAT from three hours to many cities and many pin-codes, we have reduced it to two hours. And we will continue to work towards it, further reducing it. Yes, of course, not 10 minutes and 15 minutes, because we are dealing with a far larger kind of an assortment with fashion and overall non-fashion. The breadth of our universe in terms of our FC Qwik is far larger and far superior, and serves every bit of a requirement that a young mother and a young father would look for. So it really is solving the pain from a, new generation or the new customer expectations that we are able to fulfill for Gen Z parents and millennial parents.

Third initiative that we have been speaking about, it's in full flow now. We had talked about that we will realign our product portfolio from a width to a depth strategy has really fully scaled out. The impact of this was visible, even in last quarter, and it continues in this quarter. It has held us to drive footfalls, conversions, both of them, and we continue to deliver 15% GMV growth for our offline business in Q1 FY27.

So we have extremely positive/bullish on all the three initiatives. We'll continue to scale the first and the second and continue with the refinement of the third initiative which is offline to continue to drive a new store growth expansion as well in the subsequent quarters because we had paused it a little bit to make sure that we align our product portfolio, we bring back capital efficiency and then grow from there onwards. We have seen that now for two quarters and now we'll be expanding as you will see in our subsequent quarters to come,the growth rate should remain elevated. So with that, I think I've explained all the three initiatives in a as much detail. Of course, any more questions will take it at the end.

Moving further, I will ask Vivek to take over the further updates on the India multi-channel.

Mr. Vivek Goel Thank you, Supam.

So, some of the key updates on India multi-channel business. We have continued sequential improvement on year-on-year growth in revenue with the strongest growth that we have demonstrated in India multi-channel business in last seven quarters.

Our diapering category continues to witness heightened competitive intensity during the quarter. However, the same has started to soften a bit in the current ongoing quarter. Our non-diapering portfolio contributing to 85% of our GMV remains robust and continues to perform really well for us. As so our AUTC growth has been at 10%, orders growth is much healthier at 12% and the GMV growth is at 12% as well.

We'll move to the next slide.

So, we have delivered a strong revenue growth of 18% year-on-year in Q1. This growth was accompanied by some moderation in gross margins on the year-on-year basis, which resulted in EBITDA margin being lower on year-on-year basis.

In order to explain the moderation of the gross margin, we will take a step back. And I'll take you to Q4, where the gross margin moderated by 280 bps, largely because of two reasons. One, competitive intensity in diapering category, which constitutes about 15% of our business, putting pressure on our margins. Secondly, the impact on gross margins in our manufacturing business because of rupee depreciation and increase in crude linked raw material prices.

While we recovered 20 basis points of this lost-gross margin in Q1, we believe the margin recovery in subsequent quarters will be much faster due to the following reasons. One, again, margin moderation, which was largely because of competitive intensity in diapering category, has started bouncing back. Since we are seeing the reduction in competitive intensity in market signals in the ongoing quarter. On the loss of margins in manufacturing business, we have started passing the increase in crude linked raw material prices in manufacturing business to our customers and expect to fully recover it by the end of this quarter.

I think we can move to the next slide.

I'll hand over to Abhinav for the international business updates.

Mr. Abhinav Sharma Hi. Good evening everyone.

For the international business in this quarter - Q1 of FY27 we continued our focus on a sustainable growth as we've mentioned in the previous quarters as well. So, Q1 FY 27 revenue growth was 12% year-on-year with more importantly adjusted EBITDA losses reducing by 22% in the comparative quarter. As we all know, there are some geopolitical disruptions ongoing in the Middle East. However, in our Middle East business both the market sustained a healthy growth and has a higher potential. More importantly, it reflects on the higher potential when their environment is largely stabilized hopefully in the near term. So, our AUTC grew by 7%, GMV grew by 9% in comparative quarters, FY27 versus FY26.

Next slide, Harsh.

We talk about sustainable growth on the back of expanding margins and reducing EBITDA losses. As you can see, we grew 12%, which came with also a gross margin expansion in the comparative quarters by about 280 bps, which then resulted also in the adjusted EBITDA losses by 22% in absolute terms. And in loss terms, as compared to revenue, we had an improvement by 320 bps from 10% to 7%.

Harsh, next slide.

As you can see, we've mentioned in, over the last four or five quarter calls that we will be continuing to reduce our losses as we move forward and sustainably grow the business in the Middle East. FY23 in comparison, if you compare FY26 versus FY23 full year, there has been a reduction of 1500 bps in our losses. And if you compare the quarterly loss, comparative quarters, FY27 versus FY26 Q1, we have a 320 bps reduction in losses. Our focus has been on reducing these losses and our path to profitability while we grow the top lines sustainably.

Anuj, over to you.

Mr. Anuj Jain Thanks Abhinav.

Good evening everyone.

The update on GlobalBees. So, revenue has been almost flattish for the quarter. This is a temporary state and not a long term structural change in the business and I'll explain later, why. Core categories of GlobalBees have grown by 2%. The margin profile for core brands continued to be strong and we posted a 4.3% adjusted EBITDA margin post-corporate expenses.

So, a key factor that affected the growth was a planned transition in one of our core brands. It is related to longer term normalization of business operations and involved the shifting of the business warehouse and inventory. This is a temporary and planned transition that should be complete in Q2 and therefore we expect the growth to bounce back starting Q3. If I assume that we had done the same business for this brand as Q1 of FY25 and take a very nominal growth and on top of that add the impact of Flipkart settlement which is about 2%, the year-on-year growth for this quarter would have been in the high teens and that's why I was saying that this is not a structural change in the GlobalBees business. We will very much be back on track by Q3. This growth is entirely organic as our last acquisition was in September 2022.

Mr. Gautam Sharma Harsh, next slide.

Mr. Anuj Jain Okay, so, what we've been doing is also focusing on expanding margins. So if you see that while there's been a slight drop in our gross margins, overall adjusted EBITDA has grown from 1% to 3.9%. And this continues to be a strong focus for us as we move forward. The overall momentum on the adjusted EBITDA continues year-on-year. We've been demonstrating a strong improvement in margin profile and the same thing is visible in the quarter to quarter, year-on-year change of 290 bps. Like I said, we will continue to focus on improving our profitability as we go forward.

Mr. Gautam Sharma So, this is our fourth business segment, which is the pre-school business, both revenue and the EBITDA growth was very strong in Q1, a 47% growth in the net revenue from 13 crore rupees to 19 crores and a 65% jump in our adjusted EBITDA from 3 crore rupees to 5 crore rupees in Q1 FY27.

Next slide.

Before I talk about the consolidated numbers, a quick recap on various business segment numbers. While there's an impact on the adjusted EBITDA margin, which we talked about,and explained in detail why the margin has hit and going forward, the recovery of margin should be much faster.

Happy to mention that we have delivered a very good growth in the India multi-channel business. It's best in last seven quarters.

International business, despite of the geopolitical tensions in Middle East, we have delivered a 12% growth and a very healthy reduction in our EBITDA from 10% to 7%.

GlobalBees, while the revenue growth aaflattish growth in GlobalBees businesses is temporary,We have focused on improvement of EBITDA margins, which has improved from 1% to 3.9% in Q1, FY27.

And the school segment continues to do very well, a 47% jump in the revenue and 26% EBITDA compared to 23% in Q1, FY26.

So, combining these four segments, next slide Harsh, we get these consolidated numbers, a 13% growth in revenue, best in last five quarters, and a consolidated adjusted EBITDA on a absolute value more or less remain same largely because of some impact on EBITDA in India multi-channel business. However, we will continue to improve this in subsequent quarters. One important thing I would like to mention is that while this is the adjusted EBITDA, 4.24% on the net revenue, we have increased our EBITDA by almost 80% on a year-on-year basis in Q1 FY27 compared to Q1 FY26.

Mr. Supam Maheshwari If you adjust for the ESOP Cost

Mr. Gautam Sharma Yeah, this is after the adjustment of ESOP Cost

Mr. Gautam Sharma That's it

Mr. Harsh Kabra Okay, thank you team.

We can wait for a minute for the queue to be formed and then we can start with the Q&A. I request participants to raise their hands for asking questions. We will unmute you one by one and you will have the access to the mic. Please introduce yourself and the name of the organization you represent. The participants are also requested to limit their questions to a maximum two. For any follow-up questions, you may join the queue again.

Mr. Harsh Kabra Okay. So, the first question is from Jay Laddha. Jay please unmute yourself.

Mr. Jay Laddha Yeah. Hello. Good evening, sir.

Mr. Supam Maheshwari Good Evening, Jay

Mr. Gautam Sharma Hi Jay. Good Evening

Mr. Jay Laddha Yeah, So the numbers are very much good. And all means like the whole business is totally recovered from the few means the past losses.

Now, my question is related to the gross margin and manufacturing losses. So, basically, you guided that in Q2 FY 27, we will get fully normal. But, so, means you haven't mentioned that number anywhere. So, means my curiosity is to know that in Q1 how much that has been recovered.

Mr. Gautam Sharma So, is your question linked to the India Multi-Channel Business Gross-margin? Jay.

Mr. Jai Laddha Yeah, consolidated related, Overall.

Mr. Gautam Sharma So, see, if you see the Middle East business, the Gross-margin, in all the fronts except the India Multi-Channel Business has improved. Gross-margin for the international business is continuously improving. GlobalBees, if we exclude the impact of, the change in the revenue recognition done by Flipkart, I think we are more or less, you know, similar in terms of gross-margin compared to Q1 FY 26. Gross-margin for the school business is also continuously improving. That is evident from the improvement in EBITDA.

So, now, what remains is the Gross-margin of the India Multi-Channel Business, which Vivek talked about that we have recovered around 20 bps. So, what he has done is - he has taken you to Q4, back to Q4, wherein we have lost around 280 bps of gross-margin, out of which 20 bps of the gross-margin is recovered. The two reasons which contributed to this loss of gross-margin was heightened competitive intensity in the diapering category, which has started easing out. It is clearly visible and we should see the impact on the Gross-margin in Q2. The second reason was the rupee depreciation and the increase in the crude linked raw material prices, which we said that, you know, we have started passing on those price increase to our customers and by end of Q2, I think we should be able to pass on the entire increase to the customers.

Mr. Jay Laddha Okay

Mr. Gautam Sharma So, on both the fronts, you will see the gross-margin continuously increasing or improving.

Mr. Jay Laddha Okay

Mr. Gautam Sharma While other factors will continue to help us expand the gross-margin, which includes continuous increase in the home brand mix, fashion mix, negotiation of marginal third party brands.

Mr. Jay Laddha Yeah, and another question is that international segment means break even means like what period should be there and FY27, full year guidance means like any updates related on that.

Mr. Abhinav Sharma So, Gautam you want me to take this?

Mr. Gautam Sharma Yeah, please.

Mr. Abhinav Sharma So, Jay, on the breakeven point, as far as time lines, we know we would not want to avoid a specific quarter that we want to give out. However, what I can tell you about, the trajectory. So, if you look at the last quarter presentation, there was one of the slides that showed you the gross-margin sort of a trend in comparison to India at the same similar age of the business. So, we're very much there. Secondly, as you can see, our input. So, these numbers, EBITDA and the growth and the gross-margin expansion are all output numbers.But if you, how do they, how do we arrive at that - input is where we need to be more. So, the comfort level should be coming from the inputs out of the business. And I can say that from an input side of the business, we continuously, focus on without deviation on reducing our burn and growing the top line.

How do we do this?

One fundamental thing is improving our home brand mix in the top line. Second is also curating the brands that are high-gross margin brands. Third is acquiring extremely high quality customers at this stage in the business who have a lifetime value of our liking. When you do these three things and obviously service levels, we continuously improve and work upon our service levels in the Middle East as well. So, once you do these things, the comfort comes from, you see the numbers, EBITDA losses reducing, you see gross margin expansion, you see a sort of a early teens to mid-teens sort of a growth every quarter where you compare.

So, once we achieve, once we are at a stage where we believe our unit economics and our gross margin sort of stack up to allow us to be more aggressive and double down on our growth trajectory, which then obviously will give us the leverage, for the bottom line, I think that is where I wanted to explain how we are approaching the business in the Middle East.

Now having said all of this, we all know what's going on. We all know, the situation is not ideal, so we speak. But, we have taken as a business, we have taken this as an opportunity rather than a challenge, a ecosystem challenge. We've taken it as an opportunity where we've seen our home brand continuously performing, continuous expansion in gross margins and continuous sort of top line growth. So, from a comfort standpoint, there are many variables, many numbers that should give you a comforting sort of a feel and this is for everybody on the call. Comforting feel to where the business is heading, putting a timeline, is probably, I would say, very tricky at this point in time, but sooner than you think. Let’s go with that.

Mr. Gautam Sharma	I think the great testimony is basically, March 25 number was minus 16%, which has come down to minus 7% in Q1 FY27. So in a span of 15 months, the losses has reduced by 9%.
Mr. Supam Maheshwari	And it will continue to go down as we go along subsequent quarters as well.
Mr. Jay Laddha	Yeah, I understand all the things basically the business is totally recovering from the past losses and it's good to see that. Thank you.
Mr. Gautam Sharma	Thanks Jay.
Mr. Harsh Kabra	Thanks Jay. So, next question is from Aditya Kumar. Aditya if you can just unmute youself.
Mr. Aditya Kumar	Thank you, Good evening everyone. So, I have two follow-up questions,one on the growth and second in the margin. I will take first on the growth. So, I think it's good to see exceptional growth in the multi-channel business in the current quarter, but would we be able to see similar type of growth in the upcoming quarter. This is my question on the growth and on the margins, when will we be able to see and the management believe how we will be able to recover the margin which is we lost in the multi-channel business. So, this is two questions from my side.
Mr. Supam Maheshwari	Sure, So, I think on the India multi-channel, your question was about India multi-channel, right?
Mr. Aditya Kumar	Yeah
Mr. Supam Maheshwari	So, India multi-channel, I think we demonstrated almost 18% growth, the highest in last seven quarters as we mentioned. We believe that for the next few quarters, it will remain elevated as well because of

the input that we have been sharing with you that key initiatives, all of them are focused towards our online and offline business.

RocketBees has helped us to improve customer experience, improved 20% of the delivery TAT and now as we have just mentioned that it has gone to more than 50% of our total online volumes as a delivery framework. And we have also started reverse as well. So, I think with all of that customer experience is bound to improve and thereby that is what we had visualized a few quarters back. That is what the business was suffering from. We have fixed it. We will continue to even improve further. So the growth will remain elevated on that front.

Second on the FC Qwik, we have seen the numbers, we just shared from 60,000 in March, in 5 cities, now in 12 cities, 125,000 numbers in June almost doubling up. And this is and also reducing our time line from three hours to a few pin codes and few cities to two hours. And our ambition is to even go lower. So with that, the customer experience is further improving.

And obviously on the offline side as well, we have demonstrated 15% GMV growth of simply because of our assortment - product assortment that we talked about from a width to a depth strategy to be able to offer products to some lower price point as well without really having a material impact on the gross margin, which is what we have demonstrated. We have tasted success from we had planned it from an FY26. And we saw the impact of this in Q4 last year, and we continue to see the impact in Q1.

With this, now we will double down on opening more stores as well, which will further accelerate growth. With all of this and the improvement in the product availability itself is something that we have worked very hard, which we had also struggled a little bit in between because of a lot of geopolitical situations into some of the brands and in our footwear category. Some of those also have been fixed with all of these improvements, we continue to strongly believe that our growth rate will remain elevated in the multi-channel for the subsequent quarters for FY27.

Mr. Gautam Sharma And that is evident from, if you see the sequential growth of the revenue in the India multi-channel business every quarter from 7.5% in Q1 FY 26, we have sequentially improved the growth from 7.5 to 7.9, 8.9, 11.4 and now almost 18% .

Mr. Supam Maheshwari And on the margin front, I think the explanation is very simply given by both Vivek as well as Gautam, I think our 280 bps loss or a drop in Q4, we believe we will be recovering it, although there is a recovery of 20 bps only in Q1, we believe we will have a much faster recovery. We are already seeing a little less competitive intensity than what we had seen for the previous two quarters and the lesser competitive intensity and this is all happening because of the market dynamics and everybody is trying to focus more on the gross margin and bottom line.

With that, I think this exactly phenomena happened in 2015-2016 as well and the same is happening again. We had mentioned in our last quarter as well that it will take four to six quarters to fully sort of normalize so we believe that, and which is which we have have just started to see in Q2 as we speak in this quarter in both July as well as in August, we are seeing a better benign state in terms of competitive intensity lesser than what we had experienced in the past, which will have an impact, positive impact on the retention of gross margin, twingeing back from that 280 Bps or 260 Bps recovery period.

And second on the crude linked as well as the raw material price or the rupee depreciation, I think by end of this quarter we will be pretty much recovered from that as we pass on to the customer. So, you will see the impact positive in Q2, Q3 onwards you will see a full, most likely full recovery. So, I think with that the margins will also come back, growth will remain elevated. So, we believe we are back to be happy in a state where we wanted to be, obviously we will continue to strive even superior, even better outcome than what we just talked about.

But, I hope that answers.

Mr . Vivek Goel And just to add on the margin front, actually the remaining 85% of our business which is non-diapering will also continue to accrue higher margins with the levers of increasing fashion contribution and home brand contributions.

So, yeah.

Mr. Harsh Kabra Okay, thank you Aditya.

Next question is from Ranodeep Sen. Ranodeep, please unmute yourself.

Mr. Ranodeep Sen Sure, thank you.

Just inquisitive, what is our right to win in the diapering space? Given we've been seeing aggressive competition and if we see the overall ecosystem, someone walks into an Apollo pharmacy, now Apollo essentials have launched their diapers or there are med pluses in societies which are of 2000 plus apartments, med plus has launched their own diapers. Now, are we in a market which is intensive competition which we've been seeing for the last couple of quarters? Now, what is the school of thought at the management level to really crack this space?

Thank you, that's my first question

Mr. Supam Maheshwari Sure. Vivek, you want to go on, should I take that?

Mr. Vivek Goel So, Supam, I'll go ahead and then you can carry forward from there.

So, see, diapering is a complex category and the consumer retention on the product is very critical and that is where it is not easy for any brand like Apollo pharmacies or any other private label product to be able to have high retention rate because essentially it is being used on a baby. So, from that window, the real, I would say, disproportionate pricing kind of a strategy happens on the established brands where other e-commerce players or quick commerce players try to attract consumers with very very aggressive pricing in for limited period of time.

That's what we have seen as Supam was mentioning, it had happened during 15-16 period. That's been happening with the aggressive expansion of quick commerce over the last two-three quarters. We have already started seeing a bit of improvement in this quarter on the branded side of the diapering category and essentially everything else follows that. So, fairly confident that the category itself will optimize over the next couple of quarters.

Supam, you want to add on anything on this?

Mr. Supam Maheshwari No, I think and, we are also adding our FC Qwik. If you think of it, customers who are very loyal or who would want to, remain in our platform because we offer the full destination for babies and kids. So, young mothers and young fathers who are not solving for like a 10 minute or like, Apollo pharmacy or any other, particular brand, most of it is available with us. Now we are also solving in two hours and three hours through our FC Qwik in 12 cities and we'll continue to expand there.

And with that framework, we should be able to, retain those customers and get a larger benefit. So, we remain very confident on that. When a couple of quarters, this is same playbook that has happened in, as I said, 2015-2016. So, it's just going to be coming back in a different form because we had to do FC Qwik. At that time, FC Qwik did not exist or that customer expectation did not exist. But, now we are doing it with the revised or with the new sort of customer expectation. And obviously, we have done fairly well in terms of, I just talked about how much we have done in FC Qwik.

With that, we believe that a new on boarding of customers happens largely with us because of the FirstCry as a brand, as a ecosystem, as a destination, which all young parents or young mothers while they're pregnant, they all know about it. So we are their favorite. I mean, that sense, sort of destination led, I think we have to deliver that service to continue to retain, which we are on that path. We only digress from a margin loss perspective from Q3 onwards, but we are starting to see some recovery and hopefully we'll see a much faster recovery going forward as well.

Mr. Ranodeep Sen Sure. Noted.

My second question was with respect to our fourth business vertical, while which is very small and I understand the base effect and hence we are seeing aggressive growth. Just wanted to understand what is management thinking in terms of making their vertical and is there a hope and opportunity of a merger and acquisition that we are exploring.

I mean in case in point being the number one player which is Kidzee where the group is in Shambles so it's a great opportunity. So are we thinking through of building with a model which is like growing at 100% per year or have we planned acquisition to make this a larger vertical?

Mr. Supam Maheshwari So look, I think we will continue to grow.

Currently, we have almost 500 plus pre-schools under our umbrella, as FirstCry Intellitots and so we will continue to grow for sure rapidly. I think the salience is in the framework, in our curriculum framework that we have built in the discipline framework of what we have built as technological framework, as well as curriculum framework, and execution framework. So, while these three frameworks are already in place, we understand the franchisee operations that we have run even in our offline business for our stores.

So, we are able to, with our FirstCry brand, which is the largest destination for mothers, baby and kids, we understand, we already know the kids and the babies and kids for our pre-school business in every catchment in the country, pretty much. So, for our natural ability to be able to partner with far more number of franchisees and business partners in the preschool to continue to grow expansion in new and new cities, and within the cities, same cities, in more dense areas, that we will continue.

I won't be able to comment on the M&A, it's too early. I don't think we are looking at it yet. But, we have a very solid organic growth path forward. And we believe over a period of time, we should not be looking for less than 1,000 preschools over the next couple of years.

Mr. Gautam Sharma And Ranodeep, on your point of a lower base. See, structurally, the business will always have a lower revenue. It will never contribute a significant amount to the overall revenue, because it's a royalty-based model right. So if you convert this revenue to the revenue accrued at the franchisee, you can multiply by multiple times to get the actual revenue being made by franchisees.

Mr. Supam Maheshwari So, we remain quite bullish on that, is all I would say. And we'll continue to grow organically on that business. I think we have still a few years before we'll become a very big force on a pre-school side of the business. And this strategically fits very well as well, because some of the - most of our kids and the parents that are associated and part of our preschool sort of framework are power users for FirstCry as well from a retail perspective.

Mr. Harsh Kabra Okay. Thanks, Thanks Ranodeep.

Next question is from Percy Panthaki. Percy if you can just unmute yourself.

Mr. Percy Panthaki Yeah, am I audible?

Mr. Gautam Sharma Yeah, Percy

Mr. Supam Maheshwari Yes

Mr. Percy Panthaki Yeah, So just wanted to understand this margins in Q4 for the India multi-channel business was about 7.3, now it is 5.7. So, this sequential deterioration that we have seen, is it largely because of the crude linked inflation?

Mr. Supam Maheshwari So, Percy we actually spoke about, if you go back to our Q4 presentation, you will see a 280 bps drop from year-on-year basis. And the two factors that we had articulated were continued. Diapering competitive intensity, which started from Q3, which continued in Q4, was there in Q1, and now it started to, sort of get moderated and become better.

So, the 280 bps was a combination of, you know the impact on our margins from a diapering perspective and the crude linked as well as the rupee depreciation part.The first one we talked about, it would take 4 to 6 quarters. We have started to see improvement in from this quarter, Q2 onwards itself, because of slightly better, lesser competitive intensity as we all know what is happening outside the market in terms of the other players and all focusing on the gross margin and bottom line. Because of, most of them are getting into public market or already in public markets.

Having said this, on the second point, which was, the crude linked and the rupee depreciation was largely coming from our manufacturing sort of setup, where it takes time to pass on all the input costs to the customers. And by end of this quarter, we will completely be able to pass on all the increase of these crude linked and rupee depreciation. So, you would still continue to see and from Q3 onwards, obviously, it will get normalized. So you'll see the impact of that in Q2 as well- not I'm saying by end of this quarter, we should be able to do it completely. So, with that, a significant part should be able to claw back may be from Q3. And then, obviously, the first part will take maybe Q4. So, I think that's where we are.

Rest 85% of the business, which is non-diapering, will continue to improve gross margins as well. So, with that, we'll remain what we had originally promised. In between this journey, we came across, but in long life of a journey of company, we all go through some of these surprises. But, I think we are well-focused, well-sharply sort of delivering and focused on improving gross margin back to where it was, and back to the journey that we have to improve it further from there. So we'll recover back this to 280, 20 is recovered to 260 will recover back, and then we'll grow back where we had wanted to reach.

So, I hope I've answered.

Mr. Percy Panthaki Does this mean that second half of the year our year-on-year EBITDA margin should at least be equal to previous year for the India multi-channel business?

Mr. Supam Maheshwari The 280 bps will further dramatically should reduce.This is what we will say. Yes.

Mr. Percy Panthaki Okay

Mr. Gautam Sharma So, Percy, the impact of the margin loss because of the competition in diapering category will take some quarters to get back in the business. While the margin loss because of the rupee depreciation and the crude linked raw material prices will be fully recovered by end of Q2 so that it will be completely different in full Q3.

Mr. Percy Panthaki And sorry this 280 basis points which you are talking about is what - is it Q127 compared to Q126 is that the 280 basis points you are talking about?

Mr. Gautam Sharma No, no. So, this is basically the numbers of Q4 versus Q4. Alright. So that's the year-on-year comparison of Q4 versus Q4 where we have seen gross margins declining by 280 bps.

Mr. Percy Panthaki So, my question was more on the EBITDA and again only for the India multi-channel. So, Q4 is actually 200 bps year-on-year and my question was also that Q1 has further deteriorated also from Q4 level. So, I think I am asking a slightly different question versus what you are addressing.

Mr. Gautam Sharma So Percy, What we are talking about is basically a year-on-year comparison. So if you see the year-on-year, decline in EBITDA Q1 versus Q1- last year it's a 290 bps decline on the YOY basis, right.

Mr . Percy Panthaki Yeah, correct.

Mr. Gautam Sharma Now the bridge of this 290 is, 260 coming from the gross margin reduction which we have started seeing from Q4 onwards.

Mr. Percy Panthaki Okay

Mr. Gautam Sharma So Q4 we have lost a gross margin of 280 bps which came down to 260 bps in Q1 on a year-on-year comparison, right. The remaining 30 bps is basically a factor of, it's a combination of the increase in the logistic cost because of our logistic initiatives in RocketBees and FirstCry Qwik and a positive recovery of the margins because of the operating leverage which we have got in the marketing spend and the fixed cost.

Mr. Percy Panthaki Understood

Mr. Gautam Sharma So, that's 290 bps

Mr. Percy Panthaki Understood.

Mr. Percy Panthaki Secondly, I just wanted to just some accounting hygiene. Your India revenue growth is 18% but the GMV growth is 12%. So, what explains that?

Mr. Supam Maheshwari So, as an India multi-channel, it's a combination of our online, offline, and other manufacturing.

Mr. Gautam Sharma See, percy, so this is a combination of these three things and plus if you see the GMV, it represents the MRP of the product, right. There was a GST 2.0 which got implemented in Q2, right. So, some minor impact is because of that also, which led to a reduction in the MRP. And that's the reason, you see some difference between the GMV growth and the net revenue growth.

Mr. Percy Panthaki Understood. Yeah, that's all from me. Thanks and all the best.

Mr. Supam Maheshwari Thank you percy

Mr. Gautam Sharma Thanks Percy

Mr. Harsh Kabra Thanks Percy.

So, in the interest of time we'll take the last question. So, the next question is from Harsh Gokal Gandhi. Harsh if you can just unmute yourself.

Mr. Harsh Gokal Gandhi Yeah, I hope I'm audible.

Mr. Gautam Sharma Yeah

Mr. Harsh Gokal Gandhi Yeah. Just two questions from my end. Firstly, on the India multi-channel business, just wanted to understand what's the delta of profitability for a diaper business versus a non diaper? Because, given that, it's just 15% of our business and yet, impacting gross margin significantly. That's my first question.

And secondly, just wanted to understand, what's our share in this whole diaper category in terms of versus competitors? So yeah, those were those were the two questions I had.

Mr. Supam Maheshwari So, Harsh, having been in this business for almost now 15 years, plus, diapering is a one of the important categories while solving for what we have set out as a mission from a mother's perspective, and young parents - father's perspective. So, we took multiple steps in our journey earlier to ensure that we will be able to build a profitable trade while doing a diapering sort of a business.

In the early years of our business formation, we did have- we had to bleed. But, those were very, very early years of our formation or of our journey. But, over a period of time, not only we partnered with our other partners, other partner brands, we also built our home brand, which helped us to retain more customers as well as improve our margin profile.

And, we settled that trade, when, some of our horizontals in 2015 2016 came, that trade was settled after the increased intensity of competition and during 15 to 17 period, everyone was happy with their share of, diapering as a category, their growth rates, their margin that they would want to make. And, so we were. And with that, we continued our journey from 2017 to 2024. Absolutely smoothly while improving our gross margin, while improving our EBITDA margin as a total overall business, because the customer who buys just diapers also buys some other products, so we can't lose their customer. And it builds a sort of a cohort as well. And as I said, it's an intrinsic part of the need of the young parent when the child is from a newborn to especially up to two and a half to three years.

Having said this, this is a very recent phenomenon with which more players entered into with more capital entered into the fray and led to, a more competitive intensity. This we talked about in last two quarters, this is transitional, this is absolutely unsustainable. And, as we speak this quarter onwards, because of certain things that are playing out in the market, I don't have to say it, we all have observed it. Some the IPOs getting postponed and some of those events happening has helped to get more sanity into the market. And I'm pretty sure that we, over a period of next few quarters that this will be completely normalized.

With our FC Qwik, we will, give back some service that our customers looking for with our home brands will continue to retain those customers with a superior product. And, with all of that combination, with our basket size and all of that, I think we will be back in shape as what we, how we managed during 15-17 period, we'll manage this during this period as well. So, I think this is more of a transitory period, nothing structural. And hopefully in next two quarters, you will have far more visibility on that, which we'll demonstrate.

Mr. Harsh Gokal Gandhi Fair enough sir, and just on my first question on the delta of profitability for a diaper segment versus the non diaper, you can just help me understand that.

Mr. Supam Maheshwari All I can say is look, as we speak, obviously the delta has increased between diapering and non-diapering and, this is not a - it's a very common sensical sort of a point, since you're talking about the reduction due to diapering. So obviously, the rest of the business is delivering healthy sort of margin in fashion. We deliver more than 50% of our GMV in fashion. And more than 50% of our business is also in home brands. Both of that leads to a fairly healthy margins, delta obviously is quite meaningful.

Mr. Gautam Sharma But, we don't make losses in diapering business.

Mr. Supam Maheshwari Yeah.

Mr. Supam Maheshwari Yeah, Because yeah, we don't, I mean, that is not what we do as a business. But we believe that the Delta will shrink over the next few quarters when the diapering margins also come back from positive levels to far more positive levels that we used to have, in early part of FY26.

Mr. Harsh Gokal Gandhi Understood, Fair enough. Thanks a lot Supam

Mr. Supam Maheshwari Thank you Harsh

Mr. Harsh Kabra Thanks Harsh, So we have some more time. We can take up one last question.

So, the last question is from Archana Menon. Archana, if you can just unmute yourself.

Ms. Archana Menon Thank you so much for the opportunity.

Supam, my first question was in the India multi-channel business on the offline side. We have seen the growth improve, but could you help us understand a little better as to you know what are the kind of changes that have been made and beyond the revenue growth number, what are the other KPIs which have been improving that you are tracking?

Mr. Supam Maheshwari Sure Archana. So look, I think fundamentally when we had visualized we were in Q2 of last year, we had talked about very clearly that we were witnessing challenges on customer experiences due to poor delivery on the back of third party framework, which was also struggling in our own ways and I won't go in that direction of why was that happening, but we struggled as a company because our goods were from 10 grams to a 30 kilogram toy car. So we are like a mini horizontal in that sense and it's very difficult for, to manage and be able to deliver the customer experience as what we had expected.

So, given that we took those steps, first step was introduction of our own framework, which is RocketBees, which we started somewhere in January-March, a period of 26 and then full year - quarter on quarter, day on day, literally day on day, we built that framework from zero cities to now 72 cities, from zero percent volume of our third party or 100 % third party to now RocketBees delivering more than 50 % of our volumes already. We promised a two quarters back that we will deliver 50 % plus by June end. This is what we have delivered. So, this is the one KPI that we are able to check on a day on day basis that delivery TAT of our customers under the RocketBees framework is 20% superior and with lesser RTOs and so on so forth. There are many benefits of this.

I can't tell you how a young mother and a young father will be elated to see their you know goods arrive and the whole family is very happy and it has an impact on repeat, it has an impact on further cohort of those customers, which will reflect over a period of time because many customers have experienced this, many customers have yet to experience and FC Qwik is a layer on top which we started again December last year as a pilot and today as I mentioned we have doubled our volumes from March from five cities from 60,000 to 125,000 in June in 12 cities.

We have seen again very happy faces, great customer experiences, I mean and this is what we had experienced in the early part of our journey when we had no such challenges on delivery sites. So, these are two input areas that we continue to dial down, double down on this and then third was offline which we had said middle of last year that we will change their product assortment a bit from width to depth ensuring we can have some lower price points as well, improve our conversions and footfalls which is exactly what happened, very strong volume growth that we are able to deliver in our offline channel and leading to a 15% GMV sort of a growth both in Q4 as well as in Q1.

We believe now our expansion of our new stores will really take off which we had kind of more or less paused in, we were conservative from a capital efficiency perspective and now we will we have already paddled down on that path. So, you will see some of those new store growth coming up as well, and so with all of this I think we feel that our growth will continue to remain elevated for India multi-channel with all the inputs and the KPI that we are tracking is as I just speak about the pain points that we were trying to solve and there are many more KPI's that we track but I mean I'm just trying to tell you the pain points KPI that we are very happy to report literally every day in the morning is that KPI flashes on our screen which is which gives us a smile,which gives us a challenge to even solve further.

So, we will continue to drive all the two initiatives more and more aggressively. We have still a lot of headroom to grow on the first two initiatives, third one is fully sort of delivered but now we will do a more store expansion and there are more optimization on product assortment even in the offline but not from a perspective of width through depth but there are more opportunities there as well which will solve in the subsequent sort of a quarters. So, we believe very strongly about the growth you know because of the input variables that we have put in.

Ms. Archana Menon Thanks for that Supam.

Just two more questions from me. Firstly, if you could share your store expansion plans for the coming years.

And secondly, what would be your salience of non-diapering consumables? So, personal care or any other consumables and how are you looking at competition on that side from QC.

Mr. Supam Maheshwari So largely, so the second one, I think we will add close to around

Mr. Gautam Sharma 90 to 100

Mr. Supam Maheshwari Around 100 stores

Mr. Gautam Sharma On a net basis this is net of attritions, if any.

Mr. Supam Maheshwari So we'll be able to add that for this fiscal year. And so, that's the answer to the store expansion question.

Obviously, FY28 will be even better because we were waiting for this transition to happen that we just spoke about. So we will all do, all of this expansion in the remainder of the quarters. But for the full year FY28, obviously, it should be even better because we would have had no loss of a quarter or a preparation of a quarter.

Mr. Vivek Goel On the non-diapering consumables, we continue to grow as per the overall business trajectory. There's no challenge in that as well as the margins remain healthy there.

Ms. Archana Menon But what would be the salience of that part vivek for your India revenues?

Mr. Supam Maheswari It's around close to 15% of GMV is what we had mentioned even in our last quarter and yeah, that's 15%.

Ms. Archana Menon Thank you so much.

Mr. Supam Maheswari	Yeah, all right.
Mr. Gautam Sharma	Thank you.
Mr. Supam Maheshwari	Thank you.
Mr. Vivek Goel	Thank you
Mr. Abhinav Sharma	Thank you very much.
Mr. Anuj Jain	Thank you.
Mr. Harsh Kabra	Thank you everyone.

E&OE - This transcript has been corrected for readability, clarity and accuracy at some instances. In case of discrepancy, the audio video recordings uploaded on the stock exchanges on 13th August 2026 will prevail.