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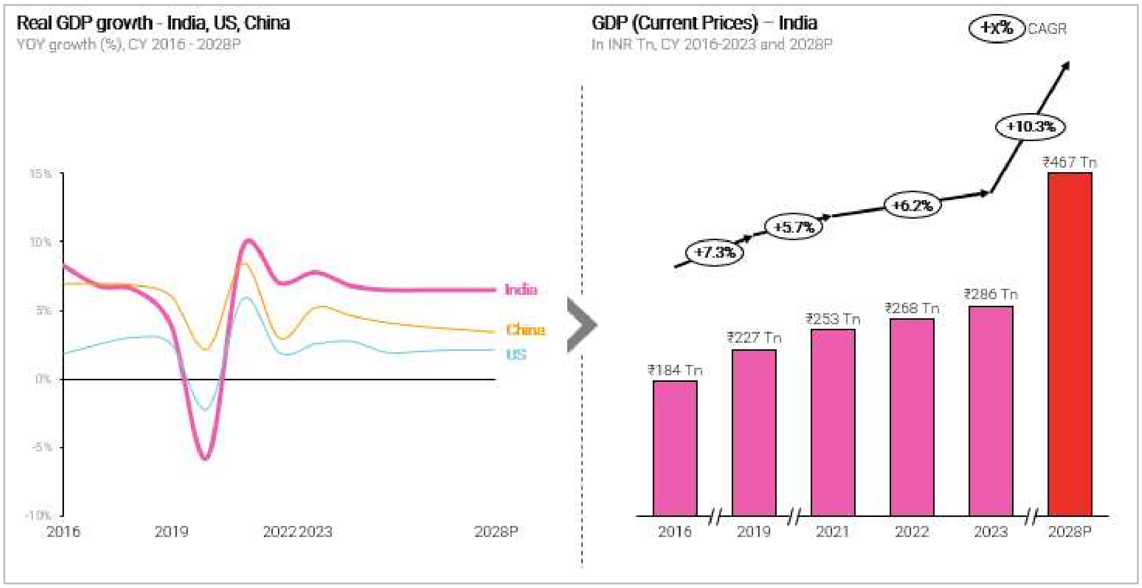
India Macroeconomic Factors



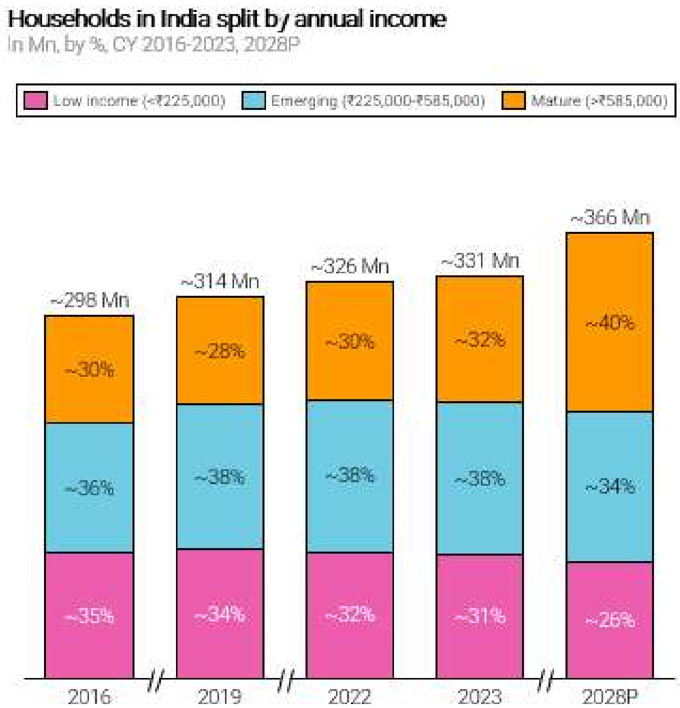
Source(s): IMF (World Economic Outlook April '24)

With a gross domestic product ("GDP") of ₹~286 trillion (approximately US$3.6 trillion) in CY2023, India is the fifth-largest economy according to the World Economic Outlook database. India witnessed an annualized GDP growth of ~7.3% from CY2016 to CY2019 and has consistently been one of the fastest-growing economies. Despite the adversities of Covid, the Indian economy showcased resilience, propelled by a resurgence in the services sector, a full recovery in manufacturing, and sustained growth in the agriculture sector. India's nominal GDP is further projected to grow by ~10% between CY2023-2028 making it a ₹467 trillion (approximately US$5.8 trillion) economy by CY2028, underpinned by an expansion in the manufacturing sector, continued services sector resilience, and global economic integration such as through Free Trade Agreements. As per 'The World Economic Outlook April '24' published by the IMF, India is projected to become the third largest economy in the world by CY2027.

Gross National Income ('GNI') has been consistently growing

GNI per capita of India increased from ₹~117,000 (approximately US$1,464) in CY2016 to ₹~148,500 (approximately US$1,855) by CY2019, growing at a CAGR of ~8%. The fast-growing middle-class population, forming the majority of the population, and shifting of the labor force from the agricultural sector to the services sector are key factors leading to an increase in GNI in India. The COVID-19 pandemic-induced lockdowns resulted in a high unemployment rate and a drop in income levels, leading to a decrease in GNI per capita in 2020. However, GNI per capita witnessed a strong recovery between CY2020 and CY2023, growing at a CAGR of ~13% to reach ₹208,000 (approximately US$2,595) in CY2023.

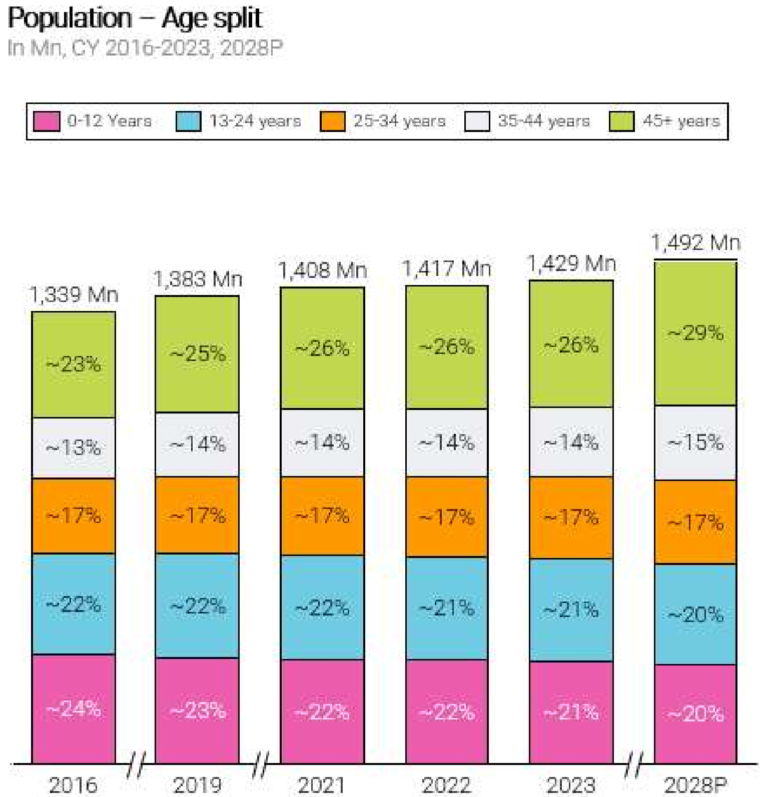
Economic growth in India is further expected to be driven by increasing private final consumption expenditure ("PFCE") in the next three years. As per the World Bank, India's PFCE was estimated to be ₹~166 trillion (approximately US$2.1 trillion) in CY2022, which is projected to become ₹~215 trillion (approximately US$2.7 trillion) by CY2025.



Source(s): Redseer Research
Note: 1. Total might not add to 100% due to rounding

India’s large population (~1.4 billion) with increasing household income is a key driving factor in the growth in PFCE. India had lower consumption expenditure as a percentage of GDP at 61% in CY2022 when compared to developed countries like USA where consumption expenditure is estimated at ~69% of GDP in CY2022, indicating significant headroom for growth in the future. The emerging and mature income households in India accounted for ~69% of households in India in CY2023. This is projected to become ~74% of total households in India by CY2028. These households will drive the consumption in the future.

India is among the youngest nations in the world, with 306 million children between the ages of 0 and 12 as of CY2023



Source(s): Secondary Research (United Nations), World Bank, Redseer Research, Redseer Analysis
Note(s): 1. Reference date- 1st July of respective years; 2. Total might not add to 100% due to rounding

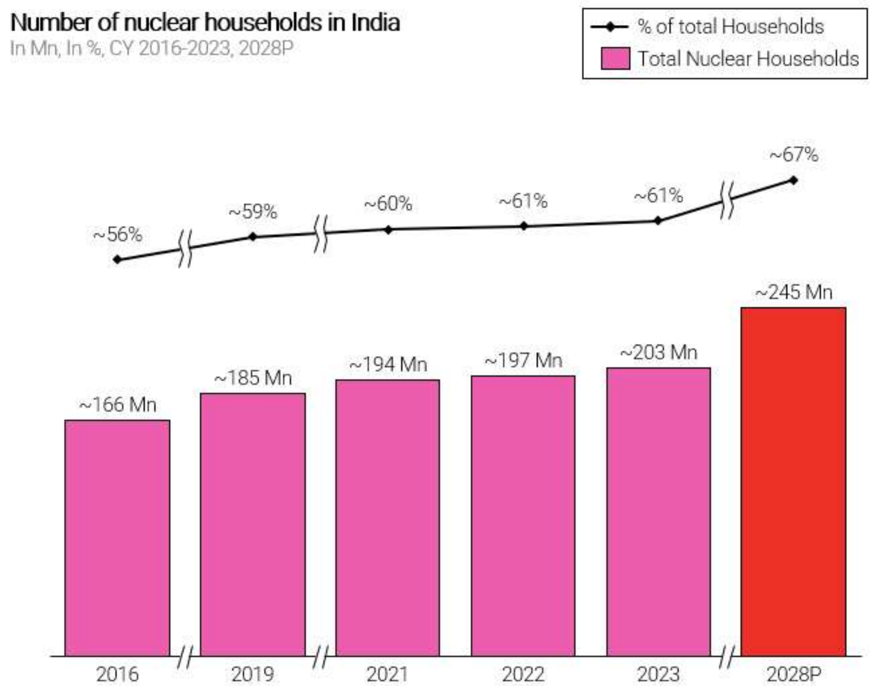
India is among the youngest nations in the world, with a median age of ~28 years, as of CY2023, resulting in a young and tech-savvy population with a higher propensity to adopt new trends. India has the largest population of children globally, with approximately 306 million children under 12 years of age as of July 1, 2023, with a birth rate of 16.4 births per thousand people in CY2021. Population aged 0-12 accounts for ~21% of India's population as of CY2023.

Millennials (population born between 1981 and 1996) and Generation Z (population born between 1997 and 2012) are driving the digital adoption and consumption growth in India.

India has one of the largest urban populations globally, that is growing at a fast pace to meet global benchmarks

With ~520 million people living in urban areas as of CY2023, India has one of the largest urban populations in the world. Urbanization in India is low (36% in CY2023 as against 59-85% across developed and maturing economies) when compared to global peers. Urban population in India is projected to increase from ~36% of the population in CY2023 to ~39% by CY2028 reaching an estimated ~582 million. Urbanization is expected to drive substantial investments in infrastructure development, which, in turn, is expected to lead to job creation, development of modern consumer services, and increased ability to mobilize savings and consumption. Urbanization will also concurrently lead to rising disposable incomes which will lead to higher spend on discretionary items. Urban areas are also a hub of digitally driven consumption since internet connectivity is omnipresent and digital payment systems facilitate online shopping and use of on-demand services.

Families in India are increasingly becoming nuclear, driving change in household spending patterns



Source(s): India Census, United Nations, Redseer Research
Note(s): 1. Nuclear Families include "Couple only" households, "Couple with children" households, and "Single parent with children" households

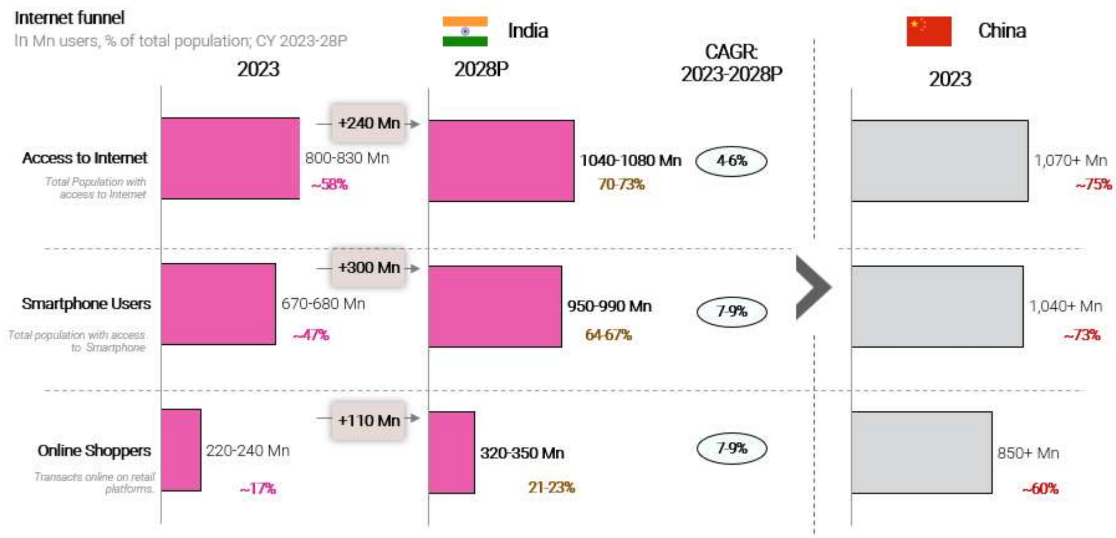
India is witnessing a rise in the number of households as the average household size shrinks. This trend is underpinned by economic factors such as migration to Metro and Tier 1 cities for employment opportunities, making having nuclear families more practical. Additionally, individuals are increasingly seeking independence and autonomy in their lifestyle choices, and societal norms are gradually evolving to accept and even prefer nuclear families. Nuclear households are expected to grow from ~203 million in CY2023 to reach ~245 million by CY2028, accounting for 67% of the total households. An increasing proportion of nuclear families is expected to drive consumption as nuclear families purchase multiple products instead of sharing common household products as joint families do.

Share of working women is fast-growing in India with a large headroom to grow further

India has been adding 15-20 million people to its workforce each year until CY2022, with Tier 2 and Tier 3 cities driving a significant share of this growth. The working population ratio (defined as the percentage of the working population within the working-age population) has been relatively stable in the range of 50-55% in the past 4 years. As per the World Bank's national estimate, the female labour force participation rate increased from ~22% in CY2018 to ~28% in CY2020 and further accelerated to 30% in CY2022. The growth has been due to a reduction in barriers for working women driven by increasing adoption and development of workplace childcare services coupled with a changing work environment caused by the COVID-19 pandemic.

India Digitization Trends

Internet users in India, estimated at 800-830 million in CY2023 are projected to grow to ~1.1 billion by CY2028



Source(s): Redseer Research, Redseer Analysis
Note(s): 1. Users here indicate an estimated number of unique individuals; and estimated based on various public sources and databases; Online Shoppers refers to people who purchase products online

India's internet adoption has more than doubled in the last 5 years from 330-350 million unique internet users in CY2016 to 800-830 million unique users in CY2023, implying an internet penetration of ~58% of the population in comparison to ~75% in China in CY2023. Total Internet users in India are projected to increase to 1040-1080 million by CY2028, implying an internet penetration of 70-73%. In CY2023, there are 670-680 million smartphone users in India, projected to grow at a CAGR of 7-9% to reach 950-990 million by CY2028.

The factors driving India's digital growth story such as the availability of low-cost smartphones from local as well as global brands, and low-cost reliable broadband internet (4G and 5G connections), along with key government initiatives like Jan Dhan, Aadhar, and UPI, among others, are expected to remain robust and will continue to drive the growth in smartphone and internet user base going forward. Additionally, the COVID-19 pandemic-induced wave of digital adoption has further bolstered the growth of online shoppers in India.

Internet users in India are one of the highest consumers of data globally and very active on social media

India has one of highest data consumption rates at 31GB per smartphone per month, 48% higher than the global average of 21GB as of CY2023. This is driven by one of lowest cost of data at ₹~13/GB (approximately US$0.16/GB) in India as compared to global average of ₹~207/GB (approximately US$2.59/GB) as of CY2023. The data consumption saw a growth of ~101% between CY2020 and CY2023 due to changing digital user behaviours during COVID-19 lockdown where they spent more time on their smartphones.

Increasing smartphone usage and data consumption led to rapid growth of social media users in India with an estimated monthly active user base of ~475 million in CY2022 on social media platforms, as against 160-200 million active users in CY2016.

India has an estimated 220-240 million online shoppers in CY2023 which is expected to reach 320-350 million by CY2028

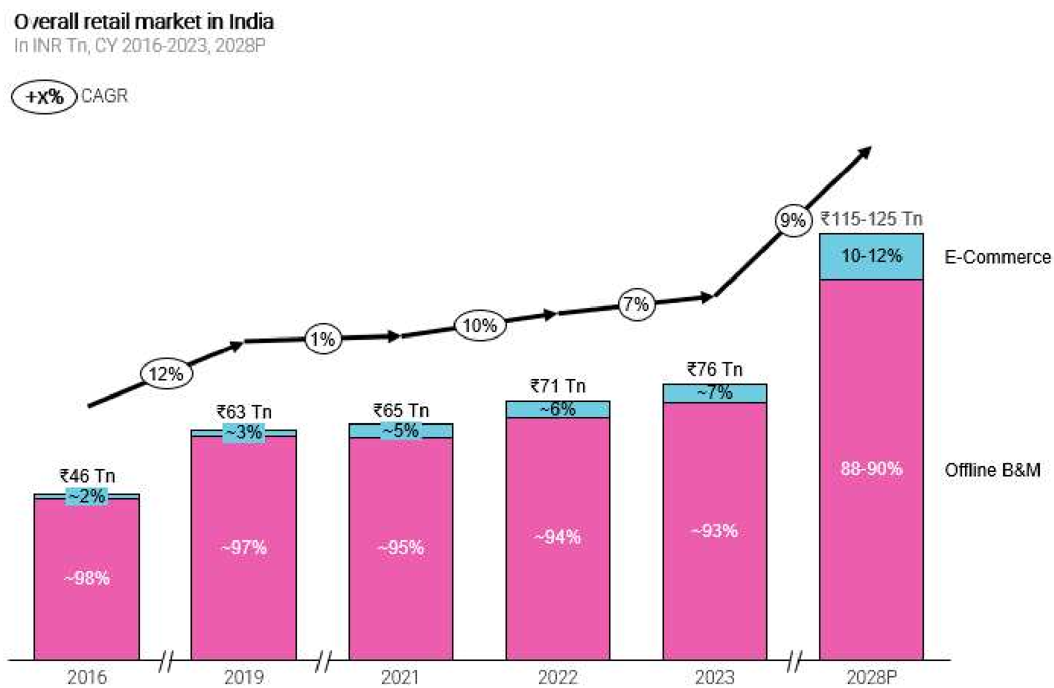
Online shoppers in India, defined as individuals who purchase products online at least once a year, are expected to increase from 220-240 million in CY2023 to 320-350 million by CY2028. This growth represents a CAGR of 7-9%, with a penetration rate of 21-23% of the total population in CY2028. Increasing geographic coverage, COVID-

19 driven adoption of online services across all city tiers, rise in convenience-seeking customers, and development of robust online payments solutions are expected to drive the growth of online shoppers in India.

Tier 2+ cities will be the engine of growth in online shoppers between CY2023 and CY2028. From CY2023 to CY2028, an estimated 80-90 million new online shoppers are projected to come from Tier 2+ cities. This growth is majorly driven by emerging e-commerce models primarily targeting customers in Tier 2+ cities such as Value Commerce. Pan India Coverage by e-commerce Logistics service providers is enabling e-commerce companies to grow and service online shoppers in Tier 2+ cities in CY2023.

India Retail Market and e-Commerce

The Indian retail market has exhibited robust growth and has bounced back post COVID to reach ₹76 trillion (approximately US$950 billion) in CY2023 and is expected to continue this growth trajectory to reach ₹115-125 trillion (approximately US$1.4-1.6 trillion) by CY2028



Source: Redseer Research, Redseer Analysis

Note: 1. CAGR computed on mid-points of ranges; 2. US$1= ₹80

The Indian retail market grew at a CAGR of 12% between CY2016 and CY2019, to reach ₹~63 trillion (approximately US$793 billion) by CY2019. The rise in consumption and income, the growth of Emerging and Mature Income Households, and increasing demand from Tier 2+ cities and towns, supported by robust logistics infrastructure, led to the soaring growth of the retail market in India. However, the market was significantly impacted due to the COVID-19 pandemic in CY2020. While the first wave of the Covid-19 pandemic impacted demand, the impact of second and subsequent waves of Covid-19 have been lesser owing to better preparedness of the administration and due to substantial vaccine coverage among the Indian population. Consequently, the retail market in India rebounded in CY2022, growing by 10%, propelled by resurgent consumer demand, enhanced retail infrastructure, and easing of pandemic-related restrictions. This resilience continued into CY2023, with the market growing by 7%.

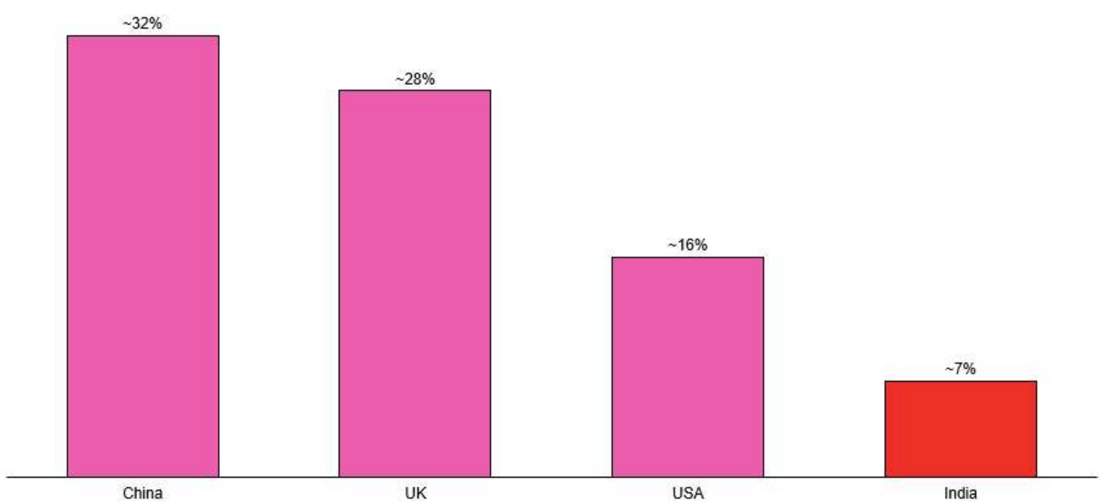
The retail market in India is expected to grow at pace with GDP to reach ₹115-125 trillion (approximately US$1.4-1.6 trillion) by CY2028 growing at a CAGR of ~9%. ~80% of the Indian retail market was unorganized in CY2023. Organized retail segment is growing faster than the unorganized segment due to the increasing footprint of organized brick and mortar retailers, robust growth of e-commerce in India and favourable government policies like GST, among others.

India E-Commerce Market

The emergence of digital channels is disrupting the retail landscape in India with e-commerce channels accounting for ~7% of India's retail market in CY2023

The e-commerce market in India has grown at a CAGR of ~26% between CY2016 and CY2019. As of CY2023, the e-commerce market size in India was ₹~5,000 billion (approximately US$62 billion) and is expected to grow at a CAGR of ~20% to reach ₹~12,530 billion (approximately US$157 billion) by CY2028, with e-commerce penetration at 10-12% in CY2028. Rising internet penetration, higher disposable income, rising urbanization, and higher awareness and online services adoption are enabling the growth of e-commerce. Further, higher expansion in Tier 2+ cities and towns and the emergence of new e-commerce models such as Direct to Consumer ("D2C") and value commerce will also drive the growth of e-commerce in India. E-commerce penetration in India is low at ~7% in CY2023 when compared to China, the UK, and the USA, with e-commerce penetration of ~32%, ~28%, and ~16% respectively. The COVID-19 pandemic led to two key behavioural changes among Indian consumers - more users started adopting e-commerce that led to a spike in new-user growth on e-commerce platforms and rise in order frequency of existing Online Shoppers due to growth in grocery purchase, growth of e-commerce long-tail segments, and increasing customer adoption of online channels across categories such as mobile, fashion, beauty, and home and furnishing.

e-Commerce Penetration in India (as a share of overall retail market) and global benchmarks
% of total, CY2023

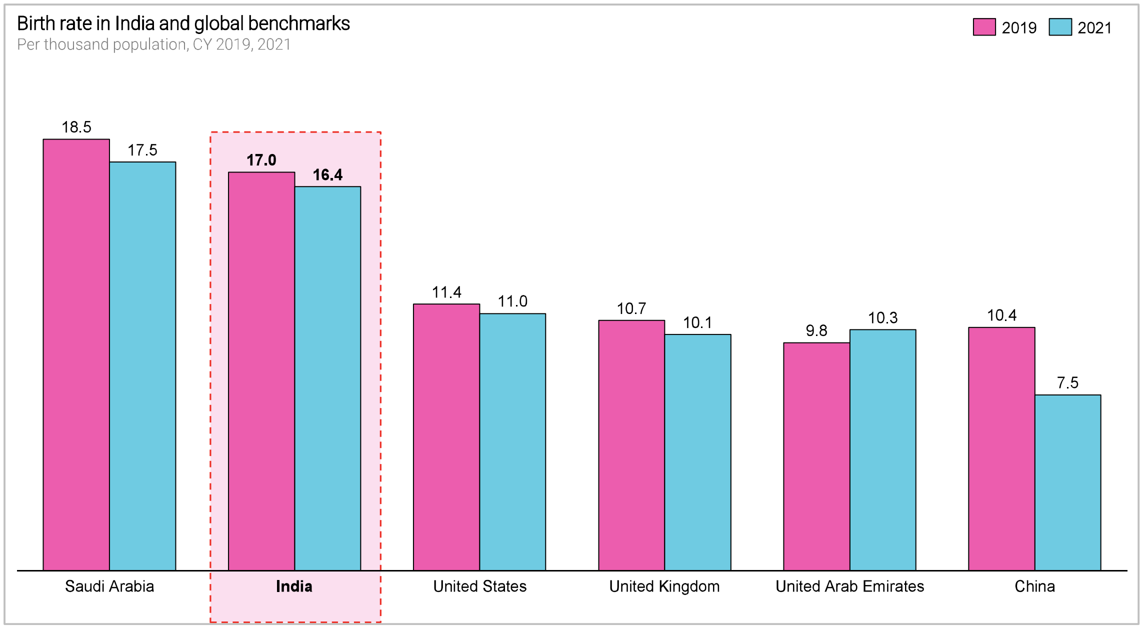


Source: Redseer Research, Redseer Analysis

India Childcare Market

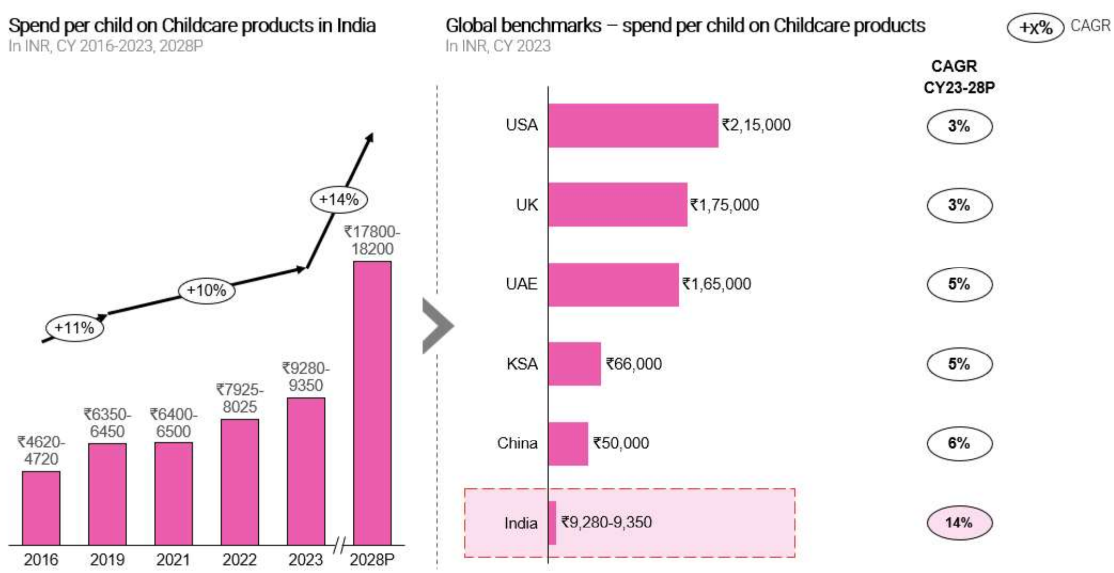
India has one of the highest birth rates globally, with 16 births per thousand people in CY2021. The annual birth rate of India is ~1.5x of developed economies. While India witnessed a small decline in birth rates due to Covid, the decline was smaller than that seen in other countries. The decline in birth rates in India during Covid was primarily attributable to apprehensions about hospital visits, an unpredictable vaccine landscape, and economic uncertainty. However, with high vaccination rates and strong economic resilience witnessed post-

Covid, India's birth rate is expected to rebound strongly in the coming years which is reflected in the record levels of marriages witnessed in the recent past.



Source: World Bank
Note: 1. Population as of July 1; Latest data available is for CY2021 (World Bank)

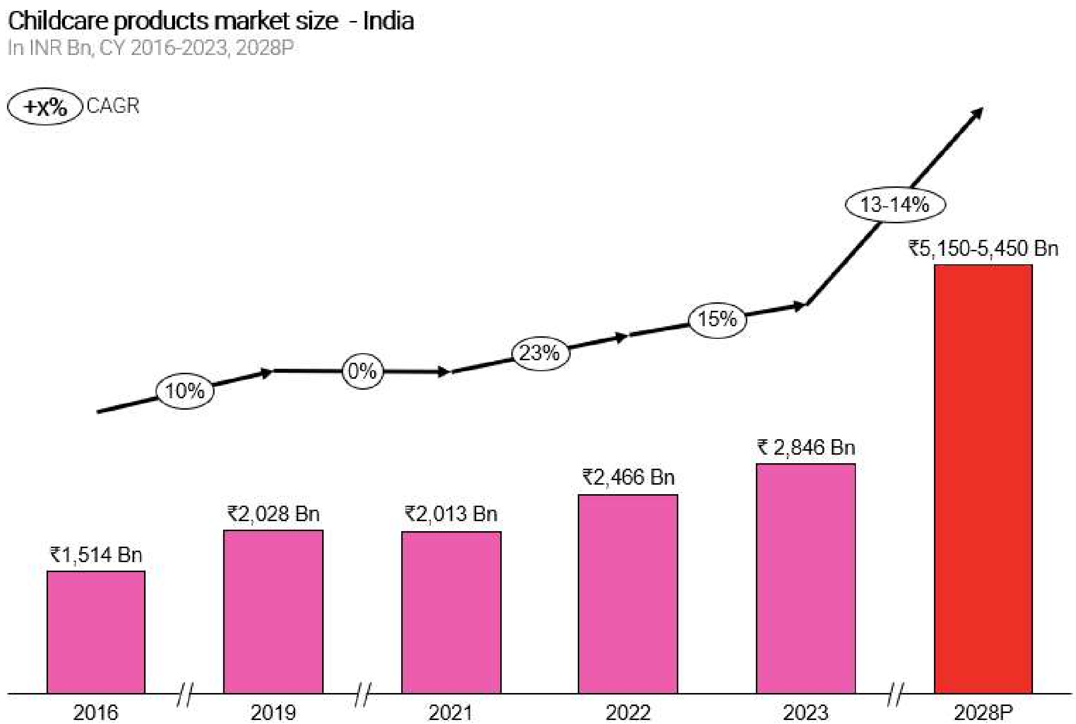
Childcare Products spending in India is currently nascent and is projected to grow faster than key global markets



Source: Redseer Research, Redseer Analysis
Note: 1. Childcare products include apparel (clothing, footwear, and accessories), consumables (diapering, bath & skin care, baby food etc.), toys & games, hard goods (Prams, feeding bottles, nursery & safety gears) and others that are used by children in the age group of 0-12 years; 2. US$1= ₹80

Childcare Products spending per capita in India is currently nascent, at only ₹9,280-9,350 in CY2023. It is projected to grow faster than those in mature markets, at a CAGR of ~14% from CY2023 to CY2028 (compared to 3% for USA and 6% for China). The growth in per capita spending on Childcare Products in India is projected to be among the fastest globally. This is driven by increasing awareness of childcare, child health, and wellness, rising disposable incomes, and shifting customer perceptions that regard spending on Childcare Products as essential. This change is due to the non-discretionary nature of childcare expenses, for which there is a perpetual need.

The Childcare Products Market in India is estimated to grow at a CAGR of 13-14% from ₹2,846 billion (approximately US$36 billion) in CY2023 to reach ₹5150-5450 billion (approximately US$64-68 billion) by CY2028



Source: Redseer Research, Redseer Analysis

The Indian Childcare Products market grew at a CAGR of 10% pre-COVID-19 to reach ₹2,028 billion (approximately US$25 billion) in CY2019. Between CY2020 and CY2023, the market experienced a substantial post-COVID-19 rebound and expanded at a CAGR of ~19% to reach ₹2,846 billion (approximately US$36 billion) in CY2023.

The Childcare Products market in India is projected to grow at a CAGR of 13-14% to reach ₹5,150-5,450 billion (approximately US$64-68 billion) by CY2028 as parents are increasingly shifting their preferences towards branded Childcare Products, especially in categories like apparel and consumables, basis increase in disposable income and rising concern towards health and safety of children.

The market comprises both vertical and horizontal players, vertical players have single childcare product category (e.g. apparel) focused value propositions, whereas horizontals operate across childcare products' categories. With multiple kids-only exclusive brand outlets (EBOs) in the mid-to-premium and premium segment, there is a market opportunity in the value segment for a "kids-only" player. Within the organized offline B&M market for childcare products, customer preference is shifting towards Specialty Mothers, Babies, and Kids Retailers, which offer a one stop solution for all the children needs. Historically, except for health & food in Childcare products, the Childcare market has been low on brand penetration, and within the branded childcare products, there are only a handful number of large multi-category childcare product brands.

The growth in the India Childcare Products Market is driven by the below key factors:

Increase in demand due to rising adoption of Childcare Products and increasing disposable income: Rising awareness among parents about the importance of baby health and hygiene and increasing disposable income have increased adoption and demand of Childcare Products.

Impact of shorter replacement cycles: Fast evolving needs of babies and children in age of 0-12 have resulted in shorter product replacements cycles and higher purchase frequency.

Increase in penetration across Tier 2+ Cities and Towns: A majority of childcare product companies are expanding their presence in Tier 2 and Tier 3 cities because of increasing demand from customers in these regions. This is due to the fact that customers are becoming more aware of childcare products, are increasingly more concerned about their children's safety and well-being, and the number of customers with paying capacity for these products is also seeing a steady increase driven by rising disposable incomes.

Increase in price due to premiumization: Customers are willing to pay a premium due to a shift in preference towards branded products and a rise in the quality of branded products offered in the market.

Key characteristics and trends of the India Childcare Products market:

The India Childcare Products market is witnessing the following characteristics and key trends:

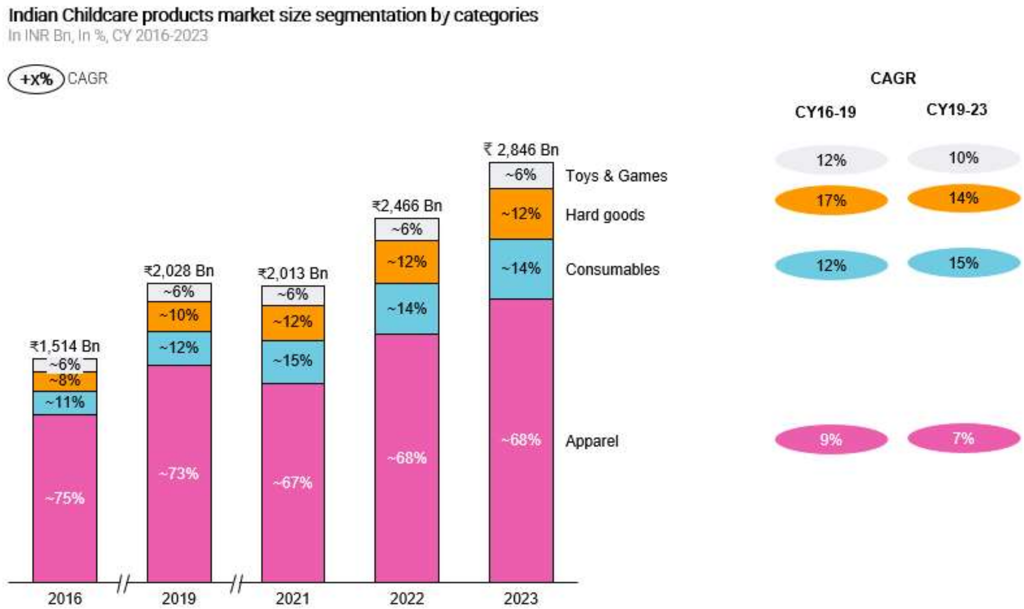
Perpetual market with non-discretionary nature of spends: Childcare is an important and perpetual need. Customers view Childcare Products expenses as essential expenses which they would continue to cater for the child's requirement.

Trust based nature of Childcare Products commerce: Given the sensitivity associated with maternity and Childcare, the market necessitates existence of platforms providing trusted parenting knowledge and access to a trusted community of parents.

Fragmented supply with lack of sizable, specialty brands: Customers of Childcare Products are shifting towards branded products at Specialty Mothers, Babies, and Kids' Retailers offering a one stop solution for all Childcare needs. India's Childcare Products market is currently not well equipped to cater to these emerging customer preferences due to the limited number of Childcare focused brands. The limited number of brands has led to limited Childcare Products assortments, less personalized product offerings, lack of democratized access to Childcare related information and poor product quality.

Increasing share of multi-channel platforms in the supply ecosystem: New multi-channel Specialty Mothers, Babies, and Kids' Retailers are catering to the shifting customer behaviour by providing a wide variety of quality products, that cater to all the requirements of parents, through multiple integrated channels. Customers have a positive outlook to these experiences indicating that the market is well suited for multi-channel platforms.

Apparel is the largest product segment within India's Childcare Products market, accounting for ~68% of the market in India in CY2023

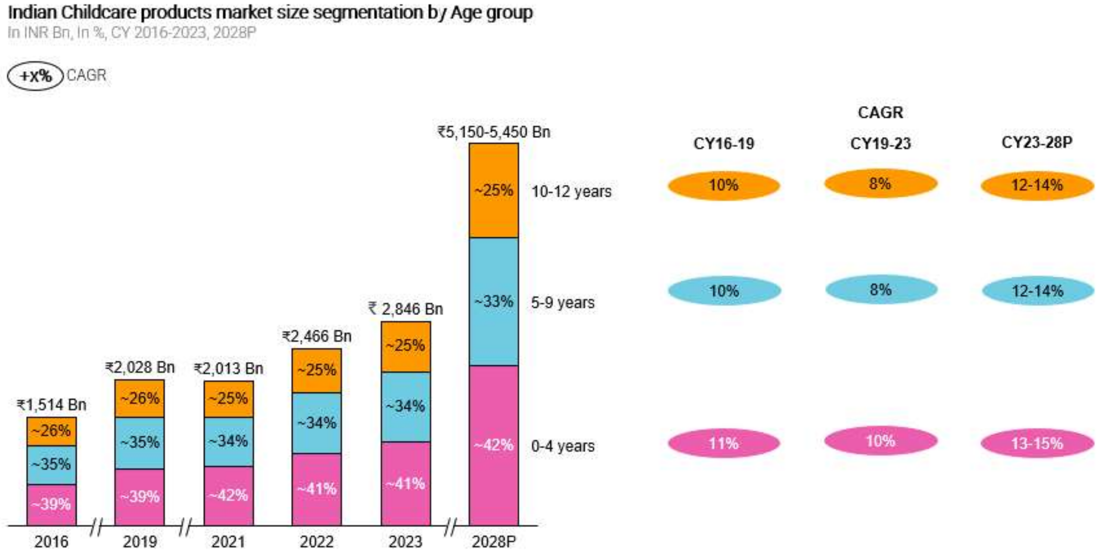


Source: Redseer Research, Redseer Analysis

Apparel, which encompasses clothing, footwear, and accessories, is the largest segment within India's Childcare Products market, as many of the subcategories in apparel are considered essential and non-discretionary goods by Indian parents. On the other hand, non-apparel categories, such as consumables, hard goods, and toys and games, are growing faster than the apparel category due to twin trends of increasing adoption and premiumization, which are leading to their gradual increase in market share within the Indian childcare products market.

Specifically, in the consumables sector, which includes diapering, baby food, and bath and skin products, a healthy mix of FMCG goods is observed, with secular growth fuelled by increased awareness. Within consumables, diapering is the fastest-growing subcategory due to an increasing proportion of working mothers who prefer the designs offered by manufacturers and heightened health and hygiene concerns. Further, the growing number of urban nuclear families with both parents being formally employed is driving the adoption and premiumization of hard goods and toys, supported by growing awareness through social media.

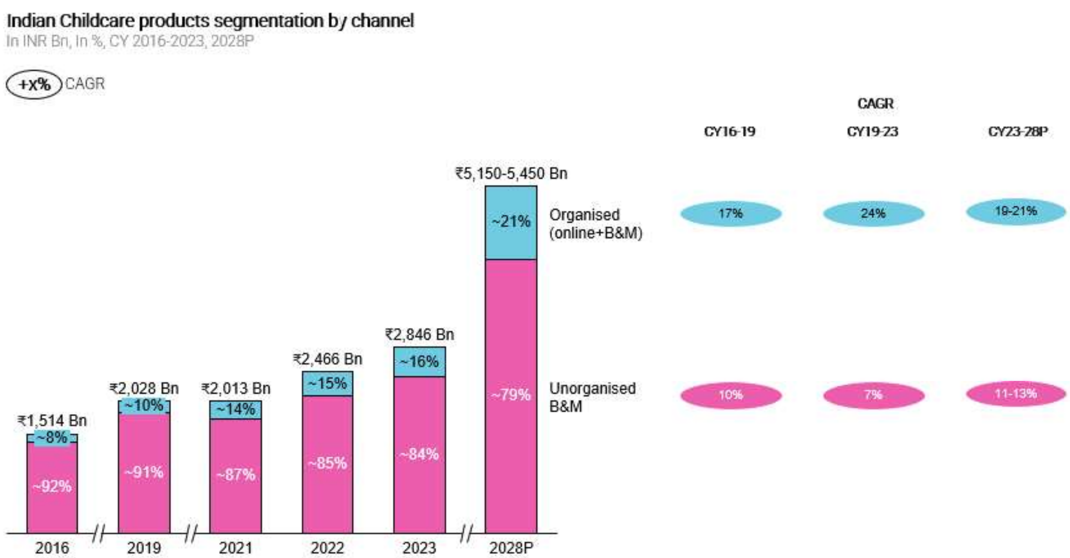
Spending on children aged 4 years and below dominates India's Childcare Products market, accounting for ~41% of the market in CY2023 and is expected to reach ~42% of the market by CY2028



Source: Redseer Research, Redseer Analysis

~41% of India's Childcare Products market spending arises from parents with children in the age range of 0-4 years as of CY2023 which is expected to rise to ~42% by CY2028. During these initial years, children undergo rapid physical, cognitive, and emotional development. Parents often invest in a range of products to support this critical phase of growth, such as specialized nutrition, developmental toys, diapering, health, and safety products, etc.

The vast majority of India's Childcare Products market is unorganized



Source: Redseer Research, Redseer Analysis

Note: 1. Organized segment consists of online and organized brick & mortar players; 2. CAGR computed on mid-points of ranges 3. Total might not add to 100% due to rounding

The Childcare Products in India market has grown at a CAGR of 10% pre-COVID-19 from CY2016 to reach ₹2,028 billion (approximately US$25 billion) in CY2019, with the organized segment growing at 17% compared to 10% growth for the unorganized segment in the same period. The share of unorganized Childcare Products market in India has decreased from ~91% in CY2019 to ~84% in CY2023. The share of the organized market has increased due to the rapid adoption of e-commerce platforms, rise in penetration of organized retailers beyond Tier 2+ cities and towns, and increasing preference of parents towards branded products as they are more aware and hygiene conscious, especially after the COVID-19 pandemic. While the unorganized segment's share has declined, it nonetheless remains a critical channel for strong and established brands to reach customers and improve their access. Organized segment in Childcare Products in India is projected to grow at a CAGR of 19-21% between CY2023 and CY2028, increasing the share of organized market to ~21% by CY2028.

Multi-channel Model in the India Childcare Products Market

Multi-channel retailers play an integral role in the Childcare Products market. Customers are increasingly looking for solutions with better selection, speed of delivery and convenience. Multi-channel retailers are able to provide a seamless purchase experience to their customers. Categories like apparel and hard goods are well suited for a touch and feel experience and offline channels provide higher customer satisfaction whereas high-frequency purchase products such as diapers, bath and skin are standard products are increasingly being offered via online channels. With Multi-channel retailing in Childcare Products, customers get the best of both online and offline value proposition. Offline stores provide branding opportunities and higher brand recall where customers are funnelled from the offline to the online retail channel. Integration of multiple sales channels increases footfalls, web traffic and allows customers to explore products online, and then buy at the offline stores or vice versa, leading to an overall reduction in customer acquisition costs. Using the Multi-channel strategy, retailers have the data for customer purchase behaviour across online and offline and using this data, they provide a differentiated experience to the customer. The Multi-channel model provides a 360-degree customer experience by reaching the customers at multiple, integrated touchpoints that allow the customer to get a smooth, holistic experience. Moreover, there is a lack of trusted parenting knowledge and guidance platforms, trusted online spaces for networking of parents, and a one-stop platform that caters to all parenting queries. Emerging community-driven multi-channel platforms provide engaging online communities that cater to all queries of young parents through trusted experts and enable safe online spaces for the networking of parents.

Competitive Environment in India's Childcare Market and FirstCry's Positioning

FirstCry is India's largest multi-channel retailing platform for Mothers', Babies' and Kids' Products, in terms of GMV, for the year ending December 2023. FirstCry is the pioneer of multi-channel retailing for Mothers', Babies' and Kids' Products in India. With over 1.99 million sq. ft retail space and 1,018 Modern Stores in 508 cities in 28 states and five union territories, FirstCry had the largest retail space and Retail Footprint amongst Specialty Mothers, Babies, and Kids' Retailers in India, as of December 31, 2023.

As a reflection of FirstCry's strong brand recognition and customer trust, BabyHug, one of FirstCry's home brands, is the largest multi-category Mothers', Babies', and Kids' Products brand in India in terms of GMV, for the year ending December 2023. BabyHug is also the largest Mothers', Babies', and Kids' Products brand in the Asia Pacific region (excluding China) in terms of product assortment as of December 31, 2023. CuteWalk is an exclusive babies' and kids' footwear sub-brand under BabyHug and has the largest product assortment of babies', and kids' footwear products in India as of December 31, 2023.

FirstCry competes primarily with organized players in the India Childcare Products market. These include horizontal online platforms such as Amazon, Flipkart, and Meesho, among others, vertical online platforms such as Hopscotch, Myntra, and Ajio, among others, and multi-brand and exclusive retailers such as Reliance Trends, and Gini & Jony, among others. There are no large, organised speciality vertical Multi channel players in India Childcare Products market.

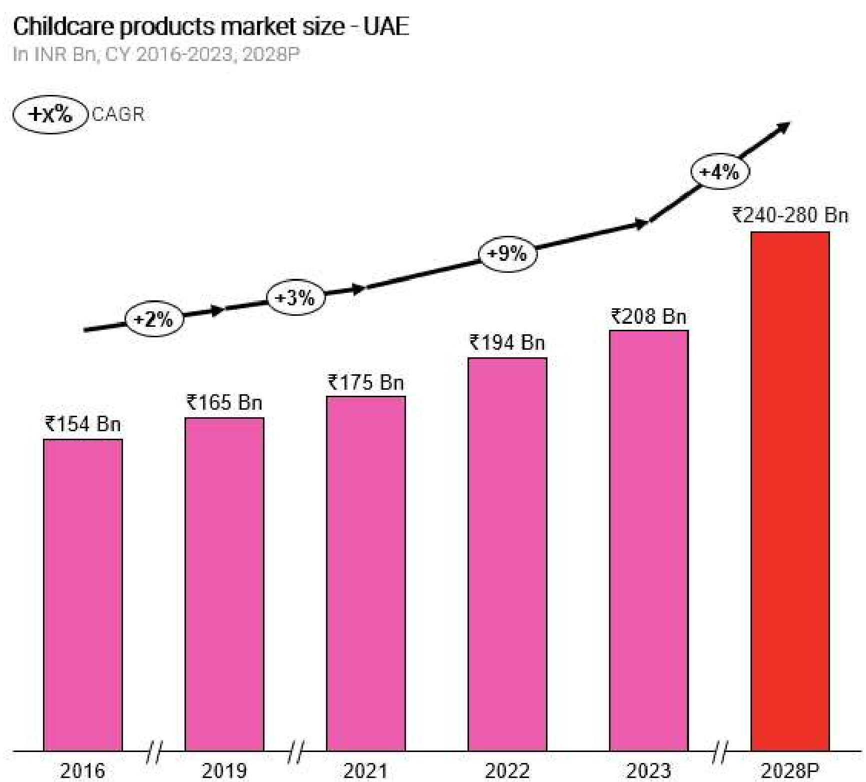
A robust digital media presence is crucial for childcare companies as it enables them to engage with savvy parents who prioritize convenience and informed purchasing. This digital strategy not only enhances visibility across platforms but also facilitates direct communication and feedback loops with customers, which are essential for tailoring products to evolving needs.

As evidenced by FirstCry, which is the most popular Mothers', Babies', and Kids' Products retail distribution brand in India in terms of the number of followers on leading social media platforms as of March 31, 2024. Furthermore, FirstCry Parenting's YouTube channel with over 1.4 million subscribers as of March 31, 2024, had the largest subscriber base among brand parenting channels on YouTube in India. FirstCry's influencer program, which is handled by an in-house team, is also one of the largest influencer collaborations in India in the Mothers', Babies', and Kids' Products sector, as of December 31, 2023.

UAE and KSA Childcare Products Market

UAE Childcare Products Market

The UAE Childcare products market is estimated at ₹208 billion (approximately US$ 2.6 billion) in CY2023 and is projected to grow at a CAGR of ~4% till CY2028 to reach approximately ₹240-280 billion (US$ 3-3.5 billion)



Source: Redseer Research, Redseer Analysis
Note: 1. US$1= ₹80, 1 AED = ₹21.6; 2. UAE Childcare products market include apparel (clothing, footwear, and accessories), consumables (diapering, bath & skin, and baby food, among others), toys & games and excludes hardgoods (prams, feeding bottles, nursery & safety gear) 3. CAGR computed on mid-points of ranges

The UAE retail market was steadily growing at a pre-pandemic CAGR of 2-3% and was sized at ₹5.1 trillion (approximately US$63.8 billion) in CY2019. After experiencing a pandemic-induced contraction, UAE's retail market witnessed a strong recovery growing to ₹6.8 trillion (approximately US$ 85 billion) in CY2023. This growth was anchored by resilient consumer demand, an expanding expatriate population, robust spending by tourists, strong shopping mall culture, and a fast-growing e-commerce market.

Specifically, the e-commerce market was sized at ₹1.1 trillion (approximately US$ 14 billion) in CY2023. UAE's ecommerce market has grown by a CAGR of ~38% between CY2018 and CY2023 driven by near ubiquitous smartphone and internet penetration, strong omnichannel consumer behaviour, and rising disposable incomes. The e-commerce market is projected to grow to ₹2.3 trillion (approximately US$ 28 billion) by CY2028 with a penetration (as a share of the overall retail market) of ~25%, a notable rise from ~16% in CY2023.

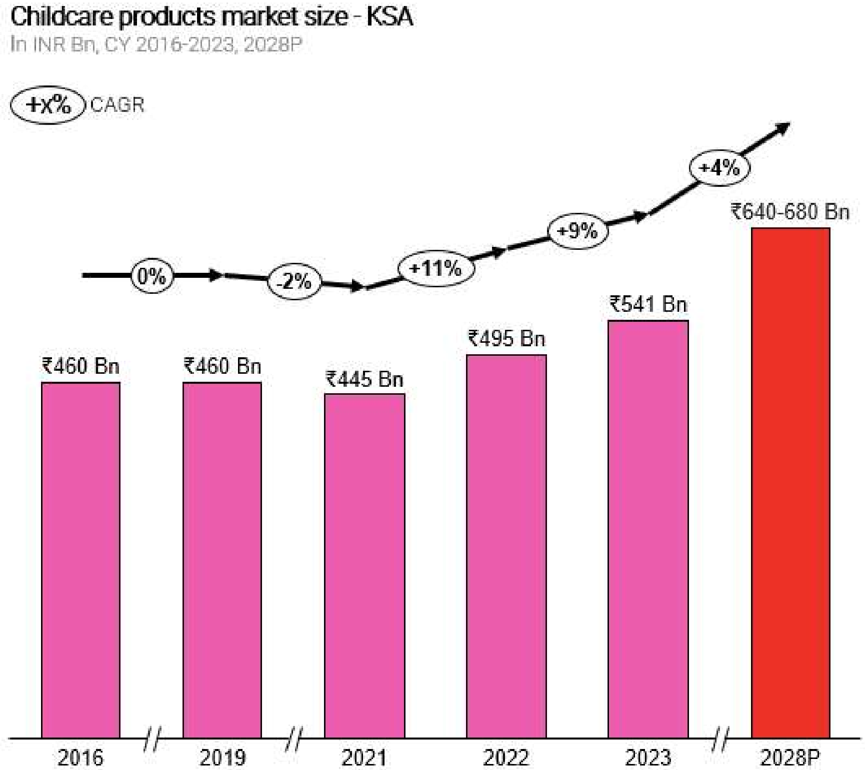
The Childcare products market in the UAE was ₹~208 billion (approximately US$ 2.6 billion) in CY2023 and is projected to grow at a ~4% CAGR to reach ₹240-280 billion (approximately US$ 3-3.5 billion) by CY2028. The growth in the Childcare products market in UAE is driven by the acceleration of digitalization through e-commerce platforms, resumption of schools and regular activities post COVID-19 lockdown, increasing participation of new Childcare-focused, verticalized e-commerce brands and shift of customer preference towards trustworthy and branded products.

Organized players have shown strong resilience during the COVID-19 pandemic leading to the quick recovery of multiple categories such as apparel and consumables in the UAE Childcare products market. In the next five years, digital and technology-based toys and games are expected to witness a significant rise in demand while scientific/educational toys and arts and crafts will drive growth in traditional toys. Ready-to-eat/prepared baby food will also see a significant increase in demand due to the increasing population of working parents.

In the UAE childcare products market, FirstCry competes with organized horizontal online players such as Amazon and Noon and vertical players such as Namshi, and Mumzworld, among others. FirstCry is the largest specialist online Mothers', Babies' and Kids' Product retail platforms in UAE, in terms of GMV, for the year ending December 2023.

KSA Childcare Products Market

KSA, the largest Childcare products market in GCC, is estimated at ₹541 billion (approximately US$ 6.8 billion) in CY2023 and is projected to grow at a CAGR of ~4% till CY2028 to reach ₹640-680 billion (US$ 8–8.5 billion)



Source: Redseer Research, Redseer Analysis
Note(s): 1. US$1= ₹80, 1 SAR = ₹ 21.6; 2. KSA Childcare products market include apparel (clothing, footwear and accessories), consumables (diapering, bath & skin, and baby food, among others), excludes toys & games and hardgoods (prams, feeding bottles, nursery & safety gear 3. CAGR computed on mid-points of ranges

The KSA retail market, which was sized at ₹10.7 trillion (approximately US$ 133 billion) in CY2023, experienced a robust recovery following a COVID-induced contraction. This strong resurgence was fuelled by resilient consumer demand, a rebound in tourism, increased retail spending, particularly in major metropolitan areas, and a fast-growing e-commerce market.

KSA's e-commerce market, sized at ₹1.4 trillion (approximately US$ 17.4 billion) in CY2023, is projected to grow to ₹3.3 trillion (approximately US$ 41 billion) by CY2028. This growth is expected to be driven by near-ubiquitous smartphone and internet penetration, a large young population, and the Vision 2030 plan. The e-commerce market's penetration (as a percentage of overall retail) is expected to increase from ~13% in CY2023 to ~22% by CY2028.

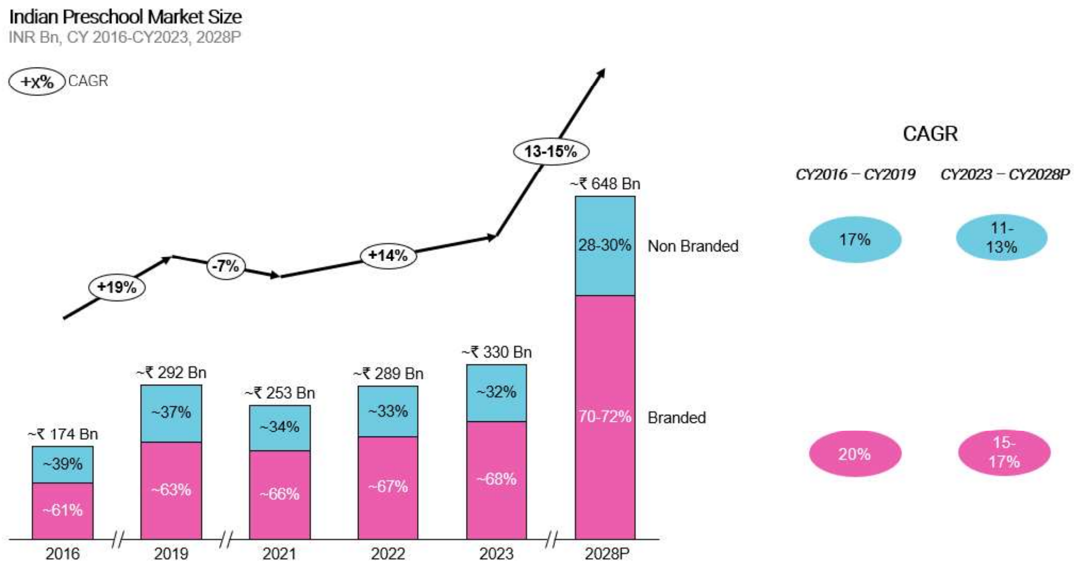
The Childcare products market in KSA exhibited a modest growth between CY2016 and CY2023, growing from ₹460 billion (approximately US$5.8 billion) to ₹541 billion (approximately US$6.8 billion) over this period. However, the market is projected to reach ₹640-680 billion (US$ 8-8.5 billion) by CY2028. The growth in the KSA Childcare products market is driven by an increasing number of international brands, rising penetration of e-commerce, higher employment rates, growing concern of parents towards children’s health and safety and a wide variety of SKUs that have increased shopping convenience on online platforms.

Children’s apparel was the worst affected due to the COVID-19 pandemic. Other categories such as baby food and consumables did not get significantly affected as they primarily cater to babies in the 0-4 years age group, and parents usually consider purchase for babies in this group as essential. Categories such as consumables (excluding diapers) and apparel are expected to grow significantly in the next five years. There is a huge opportunity for Childcare focussed e-commerce entrants in the coming years due to a lack of specialty brands and growing demand for Childcare Products in the country.

In the KSA childcare products market, FirstCry competes with organized online horizontal players such as Amazon and Noon and vertical players such as Mamas and Papas, and Babyshop, among others. In KSA, FirstCry is the largest online-first Mothers', Babies' and Kids' product-focused retail platform.

India Preschool Market

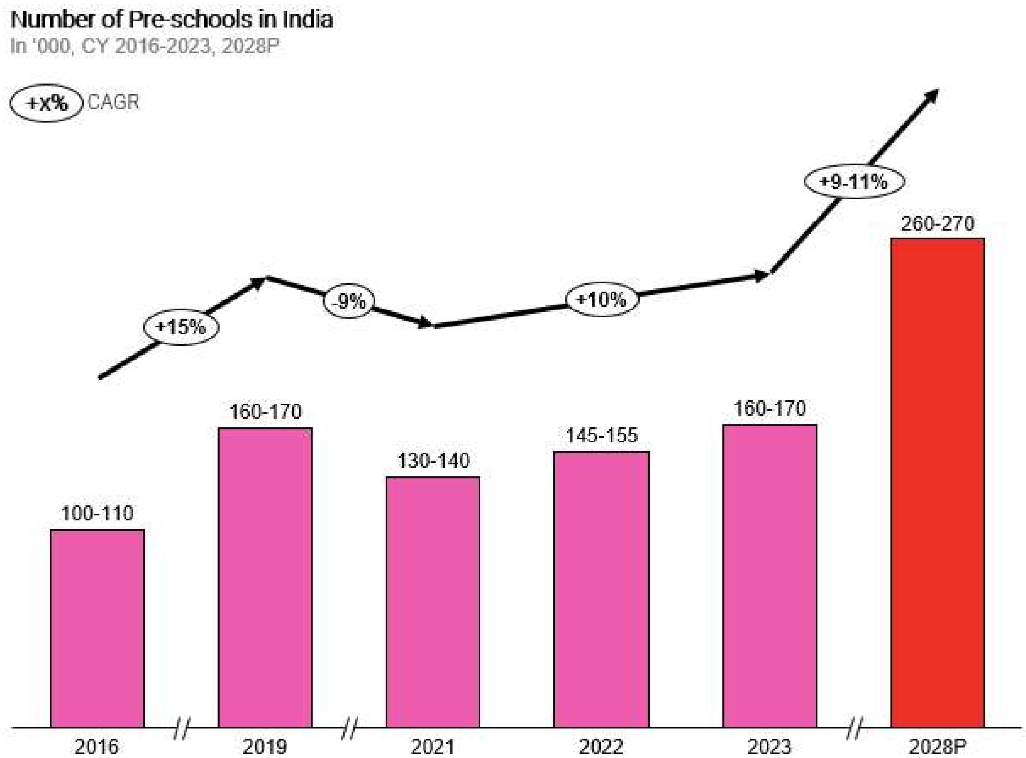
The Preschool market in India is estimated at ₹330 billion (approximately US$ 4.1 billion) in CY2023 and is projected to grow at a CAGR of ~14% till CY2028 to reach ₹648 billion (approximately US$ 8.1 billion)



Source: Redseer Research

The Indian Preschool market, which stood at ₹292 billion (approximately US$ 3.65 billion) in CY2019, underwent a contraction owing to Covid, but demonstrated a resilient rebound, reaching ₹330 billion (approximately US$4.1 billion) in CY2023. The Preschool market is expected to further grow at a CAGR of ~14% to reach ₹~648 billion (approximately US$8.1 billion) by CY2028. The Preschool market is projected to grow at a CAGR of ~14% over the next five years, which is faster than the projected CAGR of 9-11% in the number of preschools. This indicates that the average per-capita spend is likely to increase, due to the premiumization of the market. Given the expansion of the middle-class population, increasing disposable income, and rising awareness among parents about the importance of education, a higher educational expenditure by parents is expected in the upcoming years.

The growth of the Indian Preschool market is also underpinned on the back of an increasing employment rate for women, rising number of Nuclear Households, government policies such as the national Early Childhood Care and Education policy (“ECCE”) promoting pre-schooling in India, expansion of the franchisee model in untapped areas such as Tier 2+ Cities and Towns, and increasing propensity to spend on quality education and rising urbanization.



Source: Redseer Research
Note: 1. CAGR computed on mid-points of ranges

India had a total of 160,000-170,000 Preschools in CY2019, and while the number declined slightly during Covid, it rebounded strongly to reach pre-pandemic levels in CY2023 as preschools started to reopen and return to normalcy. The number of Preschools is projected to grow at a CAGR of ~9-11% to reach 260,000-270,000 by CY2028. This growth is driven by multiple factors such as increasing adoption of franchisee Preschools, low per-capita Preschool spending in India compared to developed geographies, and various government initiatives to develop Preschool and childcare sector in rural India.

The Preschool market is further divided into branded and non-branded Preschools. Branded schools include franchisee Preschools and fully owned Preschools, which are explained below:

Franchisee Preschools: Franchise Preschools typically form a partnership with micro-entrepreneurs and provide their expertise in building, maintaining, and driving growth in a preschool. In CY2023 there were around 26,000-27,000 franchise Preschools in India, with an average annual tuition fee of ₹39,000-43,000 (US$ 490-540).

Fully owned Preschool chains: Fully owned Preschools are owned and run by a central holding company with multiple branches across different cities. In CY2023, there were around 3,100-3,300 fully owned chain schools in India, with an average annual tuition fee of ₹51,000-56,000 (US$ 640-700).

The preschool market in India is largely unorganized in terms of the number of schools in the year ending December 2023 as detailed below:

Non-branded Preschools: Non-branded or standalone Preschools have a limited number of branches and are mostly present in a single town or city. In CY2023, there were around 130,000-138,000 non-branded Preschools in India, with an average annual tuition fee of ₹5,700-6,500 (US$70-80).

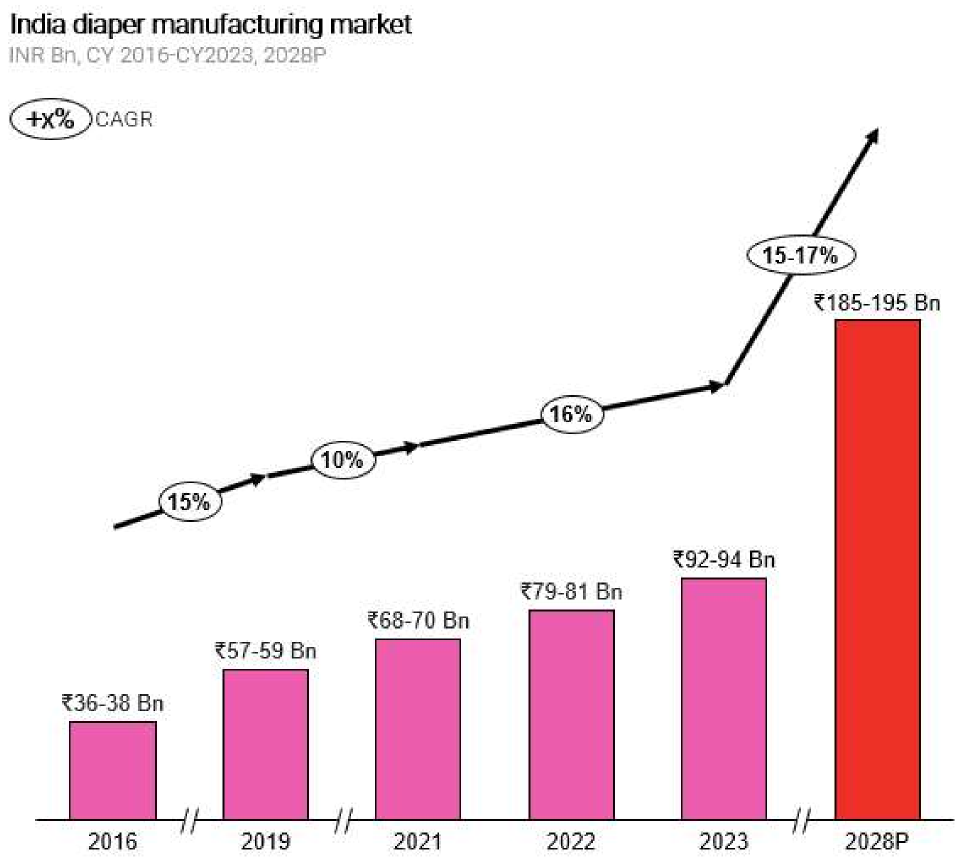
A Multi-channel retailer enjoys several advantages when they create a business model in the Preschool market. Parents build a deeper relationship with the brands, driving value for both the retail and Preschool business. As the retailer serves the broader childcare market, it provides greater customer satisfaction across different channels. Retailers can benefit from selling products through a new retail channel which carries greater customer trust. Retailers can get first-hand insight into product requirements and more granular feedback data with evolving customer needs. Retailers also enjoy higher brand recall due to the increased number of customer touchpoints with parents.

In the Indian Preschool market, FirstCry competes with Euro Kids, and Kidzee, among others.

India Diaper Manufacturing Market

The manufacturing contribution to GDP is expected to increase from 13% in CY2022 to >20% by CY2031. This is on the backdrop of significant government reforms specifically to boost manufacturing in India. The Make in India campaign, increased FDI ceiling, and reduced corporate tax rates are some of the key reforms and policies introduced by Government of India.

Diaper manufacturing market in India is estimated at ₹92-94 billion (approximately US1.2 billion) in CY2023 and is projected to grow at a CAGR of ~16% till CY2028 to ₹ 185-195 billion (US$ 2.3-2.4 billion)



Source: Redseer Research, Redseer Analysis

Note: 1. Manufacturing market denotes total revenue made by all manufacturers after excluding the revenue share provided to distribution partners (distributors/ retailers), 2. CAGR computed on mid-points of ranges

The Indian diaper manufacturing market has been consistently growing at a CAGR of ~14% from CY2016 and was valued at ₹92-94 billion (approximately US$ 1.2 billion) in CY2023. The market is expected to grow further at a

CAGR of ~16% to reach ₹185-195 billion (approximately US$ 2.3-2.4 billion) by CY2028 on the back of increasing penetration in Tier 2+ Cities and Towns.

In CY2023, less than 5% of diapers were imported while the rest were manufactured in India. Domestic manufacturing is highly consolidated with 4 players capturing 80-90% of the market share. Due to the high demand in the India market, domestic manufacturers export only ~1% of the diapers that are manufactured, and the remaining ~99% are sent out to retailers through the domestic distribution network. In CY2023, ~76% of the diapers were sold through offline retail channels, and e-commerce accounted for ~24% of the sales.

The entire value chain except manufacturing is highly fragmented, posing a great opportunity for retailers who can easily integrate the value chain as they enjoy higher ease of backward integration.

A multi-channel retailer can drive margins for the company and value for their customers by vertically integrating their operations. Customers demand high product quality across the categories. As vertically integrated retailers have complete control over the entire operations, they can ensure that products meet the highest quality standards. Vertically integrated retailers can enjoy better margins, which can be utilized to increase brand recognition. They can further benefit from lower turnaround time and thus, can improve revenue cycles. As a vertically integrated retailer has control over the quality of product and the entire supply chain, they can guarantee a better customer experience. Brands and retailers with access to data can benefit from controlling manufacturing operations.

India Direct to Consumer Brands Market

India's branded products retail opportunity across all categories (including but not limited to Grocery, Fashion, Consumer Electronics, Beauty, and Personal Care) is ₹14.4-16 trillion (approximately US$ 180-200 billion) as of CY2023. Within this branded retail opportunity, emerging and independent Direct to Consumer brands with a digital-first approach to retailing had sales of ₹~635 billion (approximately US$ 7.9 billion) in CY2023 which is expected to grow at a CAGR of ~34% to reach ₹~2,743 billion (approximately US$ 34 billion) by CY2028. As of CY2023, only 4-4.4% of the branded e-tailing opportunity has been penetrated by D2C brands, thus presenting a large headroom for growth.

Direct-to-consumer (D2C) are independent brands which are digital-first, have a brand.com and are based out of India. D2C is a model where brands can market, sell, and ship their products directly to the customers without any middlemen involved. Across categories, D2C is one of the fastest-growing channels of purchase as the manufacturer directly reaches the customer and removes the middlemen thereby passing the monetary benefits to the customer. Typically, brands maintain a multi-channel approach to the market, i.e., by maintaining both an online and offline medium to reach the end-user.

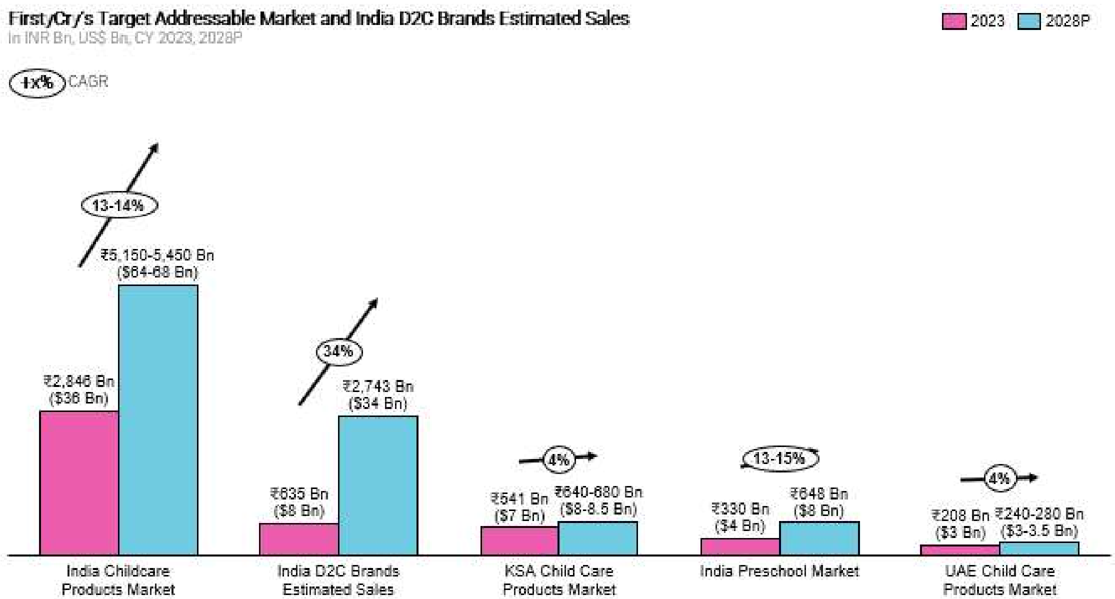
Collectively, D2C Brands have grown faster than the overall online retail market. Their share of the e-commerce market has grown from 6-7% in CY2019 to ~10% in CY2023, led by a sizable market of mature, urban, and high-income users in India, better infrastructural support for e-commerce, the ability for such brands to have wider reach/accessibility, their agility and rapid pace of innovation, niche product offerings, and effective digital marketing strategies. D2C Brands generated an estimated GMV of ₹~635 billion (approximately US$ 7.9 billion) in CY2023 and are projected to continue their growth trajectory and attain ₹~2,743 billion (approximately US$ 34 billion) by CY2028, at a CAGR of ~34%.

FirstCry's Target Addressable Market and D2C Market Growth

FirstyCry's current total addressable market is ₹~3,925 billion (approximately US$ 49 billion) in CY2023 which is expected to grow at CAGR of ~12% to ₹~6,680-7,060 billion (approximately US$ 83-88 billion) by CY2028. FirstCry's total addressable market consists of the India Childcare Products market, India Preschool Market, KSA

Childcare Products Market, and UAE Childcare Products Market. Out of these, the India Childcare Products Market and the Preschool market is expected to grow at the fastest pace.

GlobalBees, a D2C roll up platform, operates in the D2C Brands market in India, whose total addressable market is expected to grow from ₹~635 billion (approximately US$7.9 billion) in CY2023 to reach ₹~2,743 billion (approximately US$ 34 billion) by CY2028 growing at a CAGR of ~34%.



Source: Redseer Research, Redseer Analysis
Note: 1. Mid-point of ranges shown 2. US$1= ₹80

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Glossary:

Term	Description
Childcare Products	Include apparel (clothing, footwear, and accessories), consumables (diapering, bath and skin care, and baby food, among others), toys and games, hard goods (prams, feeding bottles, nursery, and safety gear, among others) and other products used by children in the age group of 0-12 years
D2C Brands	Direct-to-consumer (D2C) are independent brands which are digital-first, have a brand.com and are based out of India
Low Income Households	Households with annual income less than ₹225,000 (US$2,800)
Emerging Income Households	Households with annual income between ₹225,000 to ₹585,000 (US$2,800 to US$7,300)
Mature Income Households	Households with annual income of more than ₹585,000 (US$7,300)
Metro	Bangalore, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai, and Pune
Mothers', Babies', and Kids' Products	Products used by expecting mothers, babies, and kids aged up to 12 years
Nuclear Households	Includes “couple only” households, “couple with children” households, and “single parent with children” households
Online Shoppers	Population buying at least one product online in a year
PFCE	Expenditure incurred by the resident households and non-profit institutions serving households on final consumption of goods and services, whether made within or outside the economic territory
Preschool	Denotes school teaching students in the age group of 1-6 years and focusing on early childhood care and education. A preschool is different from a day care unit where only nutrition and childcare is provided
Retail Footprint	Number of physical stores of retailers (including franchisee stores)
Rural	All population, housing and territories not included within Urban
Smartphone Users	Population with access to smartphone
Specialty Mothers, Babies, and Kids’ Retailers	Retailers with focus on retailing Mothers', Babies', and Kids' Products
Tier 1 Cities	Areas in India with a population of more than 1 million excluding Metro cities
Tier 2+ Cities and Towns	Areas in India with a population of less than 1 million
Urban	Includes urbanized areas of 50,000 or more people and urbanized clusters (at least 2,500 and at most 50,000 people)