

Brainbees Solutions

13 August 2026

Operator: Good evening, everyone. Welcome to Brainbees Solutions Ltd. Q1 FY27 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 Goyal, Chief Business Officer of the company; and Mr. Abhinav Sharma, Country Head of Middle East Business Operation. We also have Mr. Anuj Jain, Chief Business 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 will be unmuted once we open the Q&A forum for members to ask questions, after the management's presentation concludes. We will cover the presentation at the beginning of the call and thereafter open the Q&A forum. We would like to point out that some of the statements 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 over.

Supam Maheshwari – MD & CEO: Good evening, everyone. Welcome once again to our Q1 FY27 performance discussion, and thank you for joining this call. I would request you to put up the presentation, Harsh, as we cannot see it.

Harsh Kabra: Yes, sir. I am presenting it. Let me know once it is visible.

Supam Maheshwari – MD & CEO: Yes, we can see it. Please go to the first slide.

Harsh Kabra: Yes.

Supam Maheshwari – MD & CEO: Perfect, thank you. Welcome once again. I think we will begin with our vision and mission. You are all very familiar with them, so I will not repeat them, but FirstCry is a special moment for parents. At FirstCry, we continue to work towards making this moment, as well as all such moments of the parenting journey, filled with joy and happiness for all young parents. That is our mission so far, and we will continue to drive it going forward as well.

We will cover some of these points today, beginning with the overall performance. The key highlights for the Q1 FY27 performance from a consolidated business perspective include our India multi-channel business, our international business, GlobalBees, and other segments, which primarily comprise our preschool business. The overall business has grown 13% year-on-year. This is the strongest revenue growth in the last 5 years that we have demonstrated on a consolidated basis. We have also demonstrated a 34% year-on-year improvement on a consolidated basis in loss reduction after tax.

Now we will move to the segmental updates. India multi-channel, which is our core business segment, is reflecting the highest-ever growth rates that we have been focusing on. You can see on the right-hand side the quarterly year-on-year sequential growth, and in this quarter we have demonstrated around a 17.07% revenue growth rate, again the strongest in the last 7 quarters. These are some of our initiatives that have been implemented in FY26 and FY27, which we have been sharing with you for the last several quarters.

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With some of our initiatives in the offline channel as well, offline GMV continues to grow in the mid-teens in Q1 FY27. With all our current initiatives, which we will discuss in a subsequent slide, in both the online and offline businesses, we believe that the structural growth rate will remain elevated in the subsequent quarters as well. We strongly believe that this is not just a one-off phenomenon, given all the groundwork and structural inputs we have made to our business from both an online and offline business perspective. Overall, the India multi-channel business continues to be PAT-positive for Q1 FY27.

Moving to the international business, international business revenue grew by 12% year-on-year in Q1. As we have mentioned earlier, we continue to focus on sustainable growth while reducing our adjusted EBITDA losses. Adjusted EBITDA before ESOP costs reduced by 22.3% year-on-year in Q1 compared with Q1 last year.

With respect to GlobalBees, we delivered flattish growth. However, we demonstrated a very significant improvement in adjusted EBITDA, which grew by a factor of 308% year-on-year from Q1. Overall, this was a very strong performance from an India multi-channel perspective, with a strong growth rate powered by structural improvement in both online and offline operations through the initiatives we have undertaken. The international business continued to demonstrate sustainable growth and a laser-sharp focus on improving adjusted EBITDA from a loss perspective. The objective is to become an EBITDA-neutral business as soon as possible. GlobalBees also continued to demonstrate an improvement in adjusted EBITDA. We will go into more detail as we proceed.

The overall consolidated business snapshot in terms of additional numerical data points is as follows. Overall consolidated AUTC grew by 10% to 11.8 million. GMV grew by 12% to 2,807 crores. Overall revenue from operations grew by 13% to 2,106 crores. Consolidated adjusted EBITDA was 4.24% versus 4.98%, amounting to 89.3 crores. Consolidated gross margin was likewise 36.5% versus 38.5%. Cash after profit was 2.4%, or 50.8 crores, at the consolidated level for Q1.

Moving further, we will focus on India multi-channel and the key initiatives that we have been sharing with you for the last few quarters. The three initiatives have scaled very well, and we are happy to share updates on all of them.

RocketBees is our internal faster-delivery framework, which we started around the beginning of last year. As we updated you each quarter, when we spoke last time in May about the March quarter, we had expanded from 62 to 72 cities. At the end of the June quarter, as we had promised, we had targeted covering around 50% of our total online shipments under the RocketBees framework, and I am happy to share that we have successfully achieved that milestone.

We continue to grow the network and are witnessing a 20% improvement in turnaround time from a delivery perspective, along with better growth and customer experience in a very competitive industry where customer experience matters the most. This overall delivery initiative, RocketBees, has been very successful, and we will continue to expand it and work harder towards covering more areas.

Now, regarding FC Quick, 2 quarters ago we had just started it as an experiment. Last quarter, when we shared the update with you in March, we were in 5 cities and had approximately 60,000 shipments. We have now expanded Quick from a pilot into a solid growth strategy and have taken it

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up as a full-fledged strategy in 12 cities, delivering 125,000 shipments. This is a growth of almost 100%, or more than 100%, from March to June in just 3 months.

We continue to see very high customer satisfaction, and we will continue to grow with our framework of COCO stores, our dark-store infrastructure built specifically in certain cities and pin codes, and our warehouses. This collective framework has helped us grow FC Quick.

Shubham: On a RocketBees platform, we will continue to grow. We had an overall ambition of moving 10% of our total shipments onto the FC Quick platform. In any specific pin code where we operate, we will aim to reach 20% of our volumes. We will continue in that direction, and it has worked out very well.

We have well-oiled our engine and will continue to improve our assortment and our overall TAT. From 3 hours, we have reduced the TAT to 2 hours in many cities and pin codes, and we will continue to work towards reducing it further. Of course, this is not 10-minute or 15-minute delivery because we are dealing with a much larger assortment, including fashion and non-fashion. The breadth of our universe in FC Quick is much larger and superior, and it serves every aspect of the requirements of young mothers and young fathers.

It is solving the pain points arising from the expectations of the new generation of customers, which we are able to fulfill for Gen Z and millennial parents.

The third initiative that we have been discussing is now in full flow. We had spoken about realigning our product portfolio from a width strategy to a depth strategy, and this has now fully scaled. The impact was visible in the last quarter and continues in this quarter. It has helped us drive both footfalls and conversions, and we continue to deliver 15% GMV growth in our offline business in Q1 FY27.

We are extremely positive and bullish on all 3 initiatives. We will continue to scale the first and second initiatives and continue refining the third initiative. The third initiative relates to the offline business, and we will continue to drive new-store growth and expansion in the subsequent quarters because we had paused it somewhat to ensure that we aligned our product portfolio, restored capital efficiency, and then grew from there.

We have seen this for 2 quarters, and we will now expand, as you will see in the subsequent quarters. The growth rate should remain elevated. With that, I think I have explained all 3 initiatives in as much detail as possible. We will take any further questions at the end. Moving further, I will ask Vivek to take over for the subsequent updates on the India multi-channel business.

Vivek: Thank you, Shubham. Here are some of the key updates on the India multi-channel business. We have continued to see sequential improvement in year-on-year revenue growth, with the strongest growth that we have demonstrated in the India multi-channel business in the last 7 quarters.

Our diapering category continued to witness heightened competitive intensity during the quarter. However, this has started to soften somewhat in the current ongoing quarter. The non-diapering portfolio, which contributes 85% of our GMV, remains robust and continues to perform very well for

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US.

Our AUTC growth has been 10%, order growth has been healthier at 12%, and GMV growth has also been 12%. We can move to the next slide.

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

To explain the moderation in gross margin, we will take a step back and look at Q4, where gross margin moderated by 280 bps, largely for 2 reasons. First, competitive intensity in the diapering category, which constitutes approximately 15% of our business, put pressure on our margins. Second, there was an impact on gross margins in our manufacturing business because of rupee depreciation and an increase in crude-linked raw material prices.

While we recovered 20 bps of this gross-margin loss in Q1, we believe that margin recovery in subsequent quarters will be much faster for the following reasons. First, the margin moderation, which was largely caused by competitive intensity in the diapering category, has started to reverse, as we are seeing reduced competitive intensity based on market signals in the ongoing quarter.

Regarding the loss of margins in the manufacturing business, we have started passing on the increase in crude-linked raw material prices to our customers and expect to fully recover it by the end of this quarter. We can move to the next slide. I will hand over to Abhinav for the international business update.

Abhinav: Good evening, everyone. Regarding the international business in Q1 FY27, we continued our focus on sustainable growth, as we have mentioned in previous quarters as well. Q1 FY27 revenue growth was 12% year-on-year, and more importantly, adjusted EBITDA losses reduced by 22% in the comparative quarter.

As we all know, there are ongoing geopolitical disruptions in the Middle East. However, both markets in our Middle East business sustained healthy growth and have higher potential. More importantly, this reflects the higher potential when the environment is largely stabilized, hopefully in the near term. Our AUTC grew by 7%, and GMV grew by 9% in the comparative quarters, FY27 versus FY26.

We have discussed sustainable growth on the back of expanding margins and reducing EBITDA losses. We grew by 12%, which was also accompanied by gross-margin expansion of about 280 bps in the comparative quarters. This resulted in a 22% reduction in adjusted EBITDA losses in absolute terms. In terms of losses as a percentage of revenue, we improved by 320 bps, from 10% to 7%.

As we have mentioned in the last 4 or 5 quarterly calls, we will continue to reduce our losses as we move forward and sustainably grow the business in the Middle East. If we compare FY26 with FY23 for the full year, there has been a reduction of 1,500 bps in our losses. If we compare the quarterly losses for Q1 FY27 versus Q1 FY26, we have achieved a 320 bps reduction in losses. Our focus has been on reducing these losses and progressing towards profitability while sustainably growing the top line. Anuj, over to you.

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Anuj: Thank you, Abhinav. Good evening, everyone. Here is the update on GlobalBees. Revenue was almost flattish for the quarter. This is a temporary state and not a long-term structural change in the business, and I will explain why later.

The core categories of GlobalBees grew by 2%. The margin profile for the core brands continues to be strong, and we posted a 4.3% adjusted EBITDA margin after corporate expenses.

A key factor affecting growth was a planned transition in one of our core brands. It relates to the longer-term normalization of business operations and involved shifting the business warehouse and inventory. This is a temporary and planned transition that should be completed in Q2. Therefore, we expect growth to bounce back starting in Q3.

If I assume that we had conducted the same business for this particular brand as in Q1 FY25, apply a very nominal growth rate, and add the impact of the Flipkart settlement, which is about 2%, the year-on-year growth for this quarter would have been in the high teens. That is why I said that this is not a structural change in the GlobalBees business. We will be back on track by Q3. This growth is entirely organic, as our last acquisition was in September 2022.

What we have also been doing is focusing on expanding margins. Although there has been a slight drop in our gross margins, overall adjusted EBITDA has grown from 1% to 3.9%. This continues to be a strong focus for us as we move forward. The overall momentum in adjusted EBITDA continues year-on-year. We have been demonstrating a strong improvement in the margin profile, and the same is visible in the quarter-to-quarter year-on-year change of 290 bps. As we continue to move forward, we will focus on improving our profitability.

Shubham: This is our fourth business segment, which is the preschool business. Both revenue and EBITDA growth were very strong in Q1, with a 47% growth in net revenue from 13 crore rupees to 19 crores and a 65% jump in adjusted EBITDA from 3 crore rupees to 5 crore rupees in Q1 FY27.

Before I discuss the consolidated numbers, here is a quick recap of the various business-segment numbers. There was an impact on the adjusted EBITDA margin, which Vivek discussed and explained in detail. Going forward, the recovery in margin should be much faster.

I am happy to mention that we delivered very good growth in the India multi-channel business, the best in the last 7 quarters. Despite the geopolitical tensions in the Middle East, the international business delivered 12% growth and a very healthy reduction in EBITDA losses, from 10% to 7%.

While the flattish revenue growth in the GlobalBees business is temporary, we have focused on improving EBITDA margins, which improved from 1% to 3.9% in Q1 FY27. The preschool segment continues to perform very well, with a 47% jump in revenue and EBITDA at 26% compared with 23% in Q1 FY26.

Combining these 4 segments, we arrive at the consolidated numbers: 13% growth in revenue, the best in the last 5 quarters, while consolidated adjusted EBITDA in absolute value remained more or less the same, largely because of the impact on EBITDA in the India multi-channel business. However, we will continue to improve this in subsequent quarters.

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One important thing I would like to mention is that while adjusted EBITDA was 4.24% of net revenue, we increased EBITDA by almost 80% on a year-on-year basis in Q1 FY27 compared with Q1 FY26. This is after adjusting for ESOP costs.

Operator: Thank you, team. We can wait for a minute for the queue to form, after which we can start the Q&A. I request participants to raise their hands to ask questions. We will unmute you one by one, and you will have access to the microphone. Please introduce yourself and the name of the organization you represent. Participants are also requested to limit their questions to a maximum of 2, including any follow-up.

Operator: The first question is from Jay Laddha. Jay, please unmute yourself.

Jay Laddha: Hello. Good evening, sir.

Management: Good evening, Jay.

Gautam: Hi, Jay. Good evening.

Jay Laddha: The numbers are very good, and the whole business has completely recovered from the past losses. My question is related to gross margin and manufacturing losses. You guided that we would be fully normalized in Q2 FY27, but you have not mentioned that number anywhere. I am curious to know how much was recovered in Q1.

Gautam: Is your question linked to the India multi-channel business gross margin, Jay?

Jay Laddha: Yes, it is related to the consolidated business overall.

Gautam: If you look at the Middle East business, gross margins have improved on all fronts except in the India multi-channel business. Gross margin for the international business is continuously improving. If we exclude the impact of the change in revenue recognition due to Flipkart, I think we are more or less similar in terms of gross margin compared to {? Q1 FY26 ?}. Gross margin for the preschool business is also continuously improving, as is evident from the improvement in EBITDA.

What remains is the gross margin of the India multi-channel business. Vivek mentioned that we recovered around {? 20 bps ?}. He took you back to Q4, where we lost around {? 280 bps ?} of gross margin, out of which {? 20 bps ?} of gross margin was recovered.

The 2 reasons that contributed to this loss of gross margin were, first, heightened competitive intensity in the diapering category, which has started easing. This is clearly visible, and we should see the impact on gross margin in Q2.

The second reason was rupee depreciation and the increase in crude-linked raw material prices. We said that we had started passing on those price increases to our customers, and by the end of Q2, we should be able to pass on the entire increase to customers.

On both fronts, you will see gross margins continuously increasing or improving. Other factors will also continue to help us expand gross margins, including the continuous increase in the home-brand mix, the fashion mix, and margin negotiations with third-party brands.

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Jay Laddha: My other question is about the international segment's break-even period. What timeline should we expect, and are there any updates related to the FY27 full-year guidance?

Gautam: Vivek, do you want me to take this?

Vivek: Yes, please.

Gautam: Regarding the break-even point and timelines, we would not want to provide a specific quarter. However, I can tell you about the trajectory. If you look at the presentation from the last quarter, one of the slides showed the gross-margin trend compared with India at a similar age of the business. We are very much there.

Secondly, as you can see, our input metrics are important. EBITDA, growth, and gross-margin expansion are all output numbers, but how do we arrive at them? We need to focus more on the input side, and the comfort level should come from the input side of the business. I can say that on the input side of the business, we continuously focus, without deviation, on reducing our burn and growing the top line.

How do we do this? One fundamental element is improving our home-brand mix in the top line. The second is curating brands that have high gross margins. The third is acquiring extremely high-quality customers at this stage of the business who have a lifetime value that meets our expectations. When you do these 3 things, and also continuously improve and work on service levels in the Middle East, the business progresses.

Once you do these things, comfort comes from seeing EBITDA losses reduce, gross margins expand, and growth remain in the early-teens to mid-teens range every quarter on a comparative basis. Once we reach a stage where we believe our unit economics and gross-margin structure allow us to be more aggressive and double down on our growth trajectory, that will give us leverage on the bottom line.

That is how we are approaching the business in the Middle East. Having said all of this, we all know what is going on. We all know that the situation is not ideal, so to speak. However, as a business, we have taken this as an opportunity rather than a challenge. Rather than viewing it as an ecosystem challenge, we have viewed it as an opportunity, and we have seen our home brands perform continuously, gross margins expand continuously, and the top line continue to grow.

From a comfort standpoint, there are many variables and numbers that should give everyone on the call a comforting view of where the business is heading. Providing a timeline is probably very tricky at this point, but it will be sooner than you think. Let us put it that way.

Management: I think the great testimony is that the March 2025 number was minus 16%, which has come down to minus 7% in {? Q1 FY26 ?}.

Management: FY27. So, in a span of 15 months, losses have reduced by 9%.

Vivek: Losses will continue to decline in the subsequent quarters as well.

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Jay Laddha: I understand all of that. The business is recovering completely from its past losses, and it is good to see that. Thank you.

Gautam: Thank you, Jay.

Operator: Thank you, Jay. The next question is from Aditya Kumar. Aditya, please unmute yourself.

Aditya Kumar: Thank you. Good evening, everyone. I have 2 follow-up questions, one on growth and the second on margins. I will start with growth. It is good to see exceptional growth in the multi-channel business in the current quarter. Will we be able to see a similar type of growth in the upcoming quarter? That is my question on growth.

Regarding margins, when will we be able to see the margin recovery, and how does management believe we will recover the margin that was lost in the multi-channel business? These are the 2 questions from my side.

Vivek: Regarding the India multi-channel business, your question is specifically about India multi-channel, correct?

Aditya Kumar: Yes.

Vivek: In the multi-channel business, we demonstrated almost 18% growth, one of the highest rates in the last 7 quarters, as we mentioned. We believe that growth will remain elevated for the next few quarters as well because of the inputs we have been sharing with you and the key initiatives. All of them are focused on our online and offline businesses.

RocketBees has helped us improve customer experience and improve delivery TAT by 20%. As we just mentioned, RocketBees now covers more than 50% of our total online volumes as a delivery framework. We have also started reverse logistics. With all of this, customer experience is bound to improve. That is what we had visualized a few quarters ago, and that was what the business was suffering from. We have fixed it and will continue to improve it further. Growth will remain elevated on that front.

Second, regarding FC Quick, you have seen the numbers we just shared: from 60,000 shipments in March across 5 cities to 125,000 shipments in June across 12 cities, which is almost double. We have also reduced the delivery time from 3 hours to 2 hours in a few pin codes and cities, and our ambition is to reduce it further. Customer experience is therefore improving further.

On the offline side, we demonstrated 15% GMV growth, primarily because of the product assortment that we discussed. We moved from a width strategy to a depth strategy to offer products at lower price points without having a material impact on gross margin, which is what we demonstrated. We tested this successfully based on our plan for SS'26, saw the impact in Q4 of last year, and continue to see the impact in Q1.

We will now double down on opening more stores, which will further accelerate growth. The improvement in product availability is also something we have worked very hard on. We had struggled somewhat in between because of several geopolitical situations affecting some of the brands and our footwear category, and some of those issues have also been fixed.

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With all these improvements, we strongly believe that our growth rate will remain elevated in the India multi-channel business in the subsequent quarters of FY27.

Management: This is also evident from the sequential revenue growth in the India multi-channel business each quarter. Starting from 7.5% in Q1, we sequentially improved the growth from 7.5% to 7.9%, 8.9%, and 11.4%, and now to almost 18%.

Vivek: Regarding margins, the explanation was given very clearly by both Vivek and Gautam. We believe that the {? 280 bps ?} loss or decline in Q4 will be recovered, although there was a recovery of only {? 20 bps ?} in Q1. We believe that recovery will be much faster.

We are already seeing somewhat lower competitive intensity than we saw in the previous 2 quarters. This reduction in competitive intensity is happening because of market dynamics, with everyone trying to focus more on gross margin and the bottom line.

The same phenomenon occurred in 2015 and 2016, and it is happening again. We mentioned in our last quarter that it would take 4 to 6 quarters to fully normalize. We have started seeing this in Q2, in both July and August. We are seeing a more benign state in terms of competitive intensity, lower than what we experienced in the past. This will have a positive impact on the retention of gross margin and the recovery from the {? 280 bps ?} or {? 260 bps ?} decline.

Regarding crude-linked raw material prices and rupee depreciation, we should be substantially recovered by the end of this quarter as we pass on the increases to customers. You will see a positive impact in Q2, and from Q3 onwards you will most likely see a full recovery.

With that, margins will also recover and growth will remain elevated. We believe we are back in a position where we can be satisfied with the performance we wanted to achieve. We will continue striving for even better outcomes than what we have discussed. I hope that answers your question.

Management: To add on the margin front, the remaining 85% of our business, which is non-diapering, will also continue to accrue higher margins through the levers of increasing fashion contribution and home-brand contribution.

Operator: Thank you, Aditya. The next question is from Randeep Sen. Randeep, please unmute yourself.

Randeep Sen: Thank you. I am curious to understand our right to win in the diapering space. We have been seeing aggressive competition, and if we look at the overall ecosystem, someone can walk into an Apollo Pharmacy, where Apollo Essentials has launched its own diapers. There are also MedPlus stores in residential societies with more than 2,000 apartments, and MedPlus has launched its own diapers.

Are we in a market with intense competition, which we have been seeing for the last couple of quarters? What is the management's thinking on how to crack this space? That is my first question.

Vivek: Vivek, do you want to take that, or should I?

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Ranadeep: I will go ahead, and then you can carry it forward from there. Diapering is a complex category, and consumer retention for the product is very critical. It is not easy for any brand such as Apollo Pharmacy or any other private-label product to achieve a high retention rate because the product is essentially being used on a baby.

From that perspective, disproportionate pricing strategies are used on established brands, where other e-commerce players or quick-commerce players try to attract consumers with very aggressive pricing for a limited period of time. That is what we saw, as Supam mentioned, during the 2015–2016 period. It has also been happening with the aggressive expansion of quick commerce over the last 2–3 quarters.

We have already started seeing some improvement in the branded side of the diapering category in this quarter, and essentially everything else follows that. We are fairly confident that the category itself will optimize over the next couple of quarters. Supam, do you want to add anything?

Supam: No. Ranadeep, we are also adding FC Quick. Customers who are very loyal or who want to remain on our platform can do so because we offer a full destination for babies and kids. Young mothers and young fathers who are not looking for a 10-minute service from Apollo Pharmacy or a particular brand can find most of what they need with us.

We are now also serving them in 2 and 3 hours through FC Quick in 12 cities, and we will continue to expand there. With that framework, we should be able to retain those customers and derive a larger benefit.

We remain very confident because, over the course of a couple of quarters, this is the same playbook that occurred in 2015 and 2016. It is coming back in a different form. We had to implement FC Quick at that time, but FC Quick and those customer expectations did not exist then. Now we are doing it in response to revised and new customer expectations.

We have done fairly well, as I just discussed regarding our performance in FC Quick. With that, we believe that new customers are largely onboarded with us because of FirstCry as a brand, as an ecosystem, and as a destination. All young parents and young mothers know about FirstCry while they are pregnant. We are their favorite destination in that sense.

The remaining requirement is to deliver that service to retain them, and we are on that path. From a margin-loss perspective, we digressed only from Q3 onwards, but we have started to see some recovery and hopefully we will see much faster recovery going forward as well.

Randeep Sen: My second question relates to our fourth business vertical, which is very small. I understand the base effect and why we are seeing aggressive growth, but I wanted to understand management's thinking on making this a larger vertical. Is there scope and opportunity for mergers and acquisitions that we are exploring? For example, Kidzee is the number-one player, and the group is in disarray, so this is a great opportunity. Are we thinking of building a model that grows at 100% per year, or are we considering a large acquisition to make this a larger vertical?

Supam: We will continue to grow. Currently, we have more than 500 preschools under our FirstCry Intellitots umbrella, and we will certainly continue to grow rapidly.

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The significance lies in the framework: the curriculum framework, the discipline framework, the technology framework, and the execution framework that we have built. These 3 frameworks are already in place. We understand franchise operations because we have also run franchise operations in our offline stores.

Through the FirstCry brand, which is the largest destination for mothers, babies, and kids, we understand and already know the children and babies in every catchment in the country for our preschool business. We therefore have the natural ability to partner with many more franchisees and business partners in the preschool segment and continue to expand into new cities and into denser areas within existing cities.

I will not be able to comment on M&A. It is too early, and I do not think we are considering it yet. However, we have a very solid organic growth path ahead, and over a period of time we believe we should not be looking at fewer than 1,000 preschools over the next couple of years.

Ranadeep: On your point regarding the lower base, structurally the business will always have lower revenue. It will never contribute a significant amount to overall revenue because it is a royalty-based model. If you convert this revenue into the revenue accrued at the franchisee level, you could multiply it by several times to arrive at the actual revenue generated by the franchisees.

Supam: We remain quite bullish on the business, and that is all I would say. We will continue to grow organically in this business. I think we still have a few years before we become a very significant force on the preschool side of the business.

This business also fits strategically very well because many of the children and parents associated with and participating in our preschool framework are power users of FirstCry from a retail perspective.

Operator: Thank you, Ranadeep. The next question is from Percy Panthaki. Percy, please unmute yourself.

Percy Panthaki: Am I audible?

Ranadeep: Yes, Percy.

Percy Panthaki: I wanted to understand the margins. In Q4, the margin for the India multi-channel business was about 7.3%, and now it is 5.7%. Is this sequential deterioration largely because of crude-linked inflation?

Supam: We discussed this in the Q4 presentation. If you go back to it, you will see a 280 bps year-on-year decline. The 2 factors we had explained were continued competitive intensity in diapering, which started in Q3, continued in Q4, was present in Q1, and has now started to moderate and improve.

The 280 bps decline was a combination of the impact on our margins from diapering and the impact of crude-linked prices and rupee depreciation. We said that the first factor would take 4 to 6 quarters, and we have started seeing improvement from Q2 onwards because of somewhat lower competitive intensity. As we all know, the other players are focusing on gross margin and the

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bottom line because many of them are entering the public market or are already in the public markets.

Regarding the second factor, crude-linked prices and rupee depreciation were largely affecting our manufacturing setup. It takes time to pass all input costs on to customers. By the end of this quarter, we will be completely able to pass on all the increases related to crude-linked prices and rupee depreciation.

You will continue to see an impact in Q2, and from Q3 onwards it will normalize. We should be able to complete the pass-through by the end of this quarter. A significant part should be recovered from Q3, while the first factor may take until Q4.

The remaining 85% of the business, which is non-diapering, will also continue to improve gross margins. We will remain on the path we had originally promised. We encountered some challenges along the way, but over the long life of a company's journey, we all face some surprises. We remain sharply focused on improving gross margins back to where they were and continuing to improve them further from there.

We will recover this 280 bps. We have recovered 20 bps, will recover the remaining 260 bps, and then return to the level we wanted to reach. I hope I have answered your question.

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

Supam: The 280 bps decline should reduce dramatically further. That is what we would say.

Ranadeep: Percy, the impact of the margin loss because of competition in the diapering category will take some quarters to recover in the business. The margin loss because of rupee depreciation and crude-linked raw material prices will be fully recovered by the end of Q2, and it will be completely reflected in Q3.

Percy Panthaki: Is the 280 bps you are referring to the Q1 FY27 versus Q1 FY26 comparison?

Ranadeep: No. This relates to the Q4 numbers versus Q4, which is a year-on-year comparison of Q4 versus Q4, where we saw gross margins decline by 280 bps.

Percy Panthaki: My question was more about EBITDA and only for the India multi-channel business. Q4 was actually down 200 bps year-on-year, and Q1 has deteriorated further from the Q4 level. I think I am asking a slightly different question from the one you are addressing.

Ranadeep: We are talking about a year-on-year comparison. If you look at the year-on-year decline in EBITDA in Q1 versus Q1 last year, it is a 290 bps decline on a year-on-year basis. The bridge for this 290 bps is 260 bps from the reduction in gross margin, which we started seeing from Q4 onwards. In Q4, we had lost 280 bps of gross margin, which came down to a 260 bps decline in Q1 on a year-on-year comparison.

The remaining 30 bps is a combination of the increase in logistics costs because of our logistics initiatives in {? XpressBees ?} and FirstCry Quick, and the positive recovery in margins from the

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operating leverage we achieved in marketing spends and fixed costs. That is the bridge for the 290 bps.

Percy Panthaki: Understood. Secondly, I wanted to ask about accounting hygiene. India revenue growth is 18%, but GMV growth is 12%. What explains this difference?

Supam: The India multi-channel business is a combination of our online business, offline business, and manufacturing business.

Ranadeep: This is a combination of these 3 factors. In addition, GMV essentially represents the MRP of the product. GST 2 was implemented in Q2. There was also a minor impact from that, which led to a reduction in the MRP. That is why you see a difference between GMV growth and net revenue growth.

Percy Panthaki: Understood. That is all from me. Thank you, and all the best.

Supam: Thank you, Percy.

Ranadeep: Thank you, Percy.

Operator: Thank you, Percy. In the interest of time, we will take the last question. The next question is from Harsh Gokal Gandhi. Harsh, please unmute yourself.

Harsh Gokal Gandhi: I hope I am audible.

Ranadeep: Yes, Harsh.

Harsh Gokal Gandhi: I have 2 questions. First, regarding the India multi-channel business, I wanted to understand the profitability difference between the diapering and non-diapering businesses. Given that diapering is only 15% of our business, it is nevertheless having a significant impact on gross margin.

My second question is regarding our share of the overall diaper category compared with competitors. Those are the 2 questions I had.

Supam: Harsh, having been in this business for more than 15 years, diapering is one of the important categories in fulfilling the mission we have set out from the perspective of mothers and young parents.

We took multiple steps earlier in our journey to ensure that we could build a profitable trade while operating in the diapering category. In the early years of our business formation, we did have to incur losses. However, those were the very early years of our formation and journey.

Over time, not only did we partner with other brands, but we also built our home brands, which helped us retain more customers and improve our margin profile. We settled that trade when some of the horizontal players entered in 2015 and 2016. That trade was settled after the increased competitive intensity during the 2015–2017 period. Everyone was satisfied with their share of the diapering category, their growth rates, and the margins they wanted to make, and so were we.

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From 2017 to 2024, we continued our journey smoothly while improving our gross margin and EBITDA margin across the overall business. A customer who buys only diapers also buys other products, so we cannot lose that customer. It also builds a cohort. As I said, diapering is an intrinsic part of the needs of young parents when the child is a newborn and especially up to 2.5 to 3 years of age.

Having said this, this is a very recent phenomenon, in which more players entered the category with more capital, leading to greater competitive intensity. We discussed this in the last 2 quarters. This is transitional and absolutely unsustainable. As we speak, from this quarter onwards, certain developments in the market—we have all observed them, including some IPOs being postponed and other such events—have brought more sanity to the market. I am quite certain that over the next few quarters this will be completely normalized.

Through FC Quick, we will provide the service that our customers are looking for. Through our home brands, we will continue to retain those customers with superior products. With this combination, our basket size, and all the associated factors, I think we will return to the position we managed during the 2015–2017 period. We will manage this period as well.

This is more of a transitory period and not a structural change. Hopefully, in the next 2 quarters you will have much greater visibility on this, which we will demonstrate.

Harsh Gokal Gandhi: Fair enough, sir. Regarding my first question on the profitability difference between the diapering and non-diapering segments, could you help me understand that?

Supam: All I can say is that, as we speak, the difference between diapering and non-diapering has increased. This is a common-sense point, since we are discussing the reduction caused by diapering. The rest of the business is delivering healthy margins, particularly fashion. More than 50% of our GMV comes from fashion, and more than 50% of our business is also represented by home brands. Both factors lead to fairly healthy margins, so the difference is clearly meaningful.

Vivek: We do not incur losses in diapering.

Supam: Yes, we do not. That is not how we operate the business. However, we believe that the difference will narrow over the next few quarters when diapering margins recover from positive levels to the much more positive levels we used to have in the early part of FY26.

Harsh Gokal Gandhi: Understood. Fair enough. Thank you very much, sir.

Operator: Thank you, Harsh. We have some more time and can take one last question. The last question is from Archana Menon. Archana, please unmute yourself.

Archana Menon: Thank you very much for the opportunity. Supam, my first question is on the India multi-channel business. On the offline side, we have seen growth improve, but could you help us understand what changes have been made? Beyond the revenue-growth number, what other KPIs have been improving and are you tracking?

Supam: Fundamentally, when we were in Q2 of last year, we had clearly discussed that we were facing challenges with customer experience because of poor delivery under a third-party

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framework, which was also struggling in its own ways. I will not go into why that was happening.

We struggled as a company because our products ranged from 10 grams to a 30-kilogram toy car. We are like a mini-horizontal business in that sense, and it is very difficult to manage and deliver the customer experience we expect.

Given that, we took several steps. The first was the introduction of our own framework, {? Rocket Beets ?}, which we started during the January–March period of 2026. Quarter-on-quarter and day-on-day, literally day-on-day, we built that framework from 0 cities to 72 cities. From 0% of our volume being under our own framework—all 100% being handled by third parties—we have now reached a point where {? Rocket Beets ?} is delivering more than 50% of our volumes. We promised 2 quarters ago that we would deliver more than 50% by the end of June, and that is what we have delivered.

This is one KPI that we check every day: the delivery TAT for customers under the {? Rocket Beets ?} framework is 20% better. There are also many benefits, including lower RTOs. I cannot describe how delighted a young mother and young father are when their goods arrive and the whole family is happy. This affects repeat purchases and the future cohort of those customers. It will reflect over time because many customers have experienced this, while many others are yet to experience it.

FC Quick is an additional layer, which we started as a pilot in December last year. As I mentioned, we have doubled our volumes from March, increasing from 60,000 shipments in 5 cities to 125,000 shipments in June across 12 cities. We have again seen very happy customers and excellent customer experiences. This is what we experienced in the early part of our journey, when we did not face such delivery-side challenges.

These are the 2 input areas on which we continue to focus and double down. The third was the offline business. In the middle of last year, we said that we would change our product assortment somewhat from width to depth, ensuring that we could offer some lower price points and improve conversions and footfalls. That is exactly what happened.

We have delivered very strong volume growth in the offline channel, leading to approximately 15% GMV growth in both Q4 and Q1. We believe that the expansion of new stores will now really take off. We had more or less paused this expansion and remained conservative from a capital-efficiency perspective. We have now accelerated on that path, so you will see new-store growth coming up as well.

With all of this, we believe that growth will continue to remain elevated for the India multi-channel business. The inputs and KPIs we are tracking address the pain points we were trying to solve.

There are many more KPIs that we track, but I am highlighting the KPIs related to the pain points. We are very happy to report every morning that this KPI appears on our screen, either giving us a reason to smile or presenting a challenge for us to solve further.

We will continue to drive both initiatives more aggressively. There is still a lot of headroom to grow on the first 2 initiatives. The third has been fully delivered, but we will now undertake further store expansion. There are also more opportunities to optimize the product assortment in the offline

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business, not from a width-to-depth perspective, but in other areas that we will address in the subsequent quarters.

We therefore strongly believe in the growth because of the input variables we have put in place.

Archana Menon: Thank you for that, Supam. I have 2 more questions. First, could you share your store-expansion plans for the coming years? Second, what is the salience of non-diapering consumables, such as personal care and other consumables, and how are you assessing competition from quick commerce in that area?

Supam: On the first point, we will add close to 100 stores.

Vivek: Around 100 stores on a net basis. This is net of any attrition.

Supam: We will be able to add that number in this fiscal year, which answers the store-expansion question. FY28 will obviously be even better because we were waiting for the transition we just discussed to take place. We will undertake all this expansion in the remaining quarters, but for the full year FY28 it should be even better because we will not have lost a quarter or spent a quarter preparing for it.

Regarding your other question—

Vivek: Regarding non-diapering consumables, we continue to grow in line with the overall business trajectory. There is no challenge in that area, and margins also remain healthy.

Archana Menon: What is the salience of that segment within your India revenue, Vivek?

Supam: It is approximately 15% of our GMV, as we also mentioned in our last quarter. It is 15%.

Archana Menon: Thank you very much.

Supam: All right, thank you.

Vivek: Thank you.

Archana Menon: Thank you, everyone.

Supam: Thank you very much.

Operator: Thank you, everyone. Thank you.

Vivek: Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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