FC/SE/2024-25/40
November 20, 2024

National Stock Exchange of India Limited Exchange Plaza, C – 1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai-400051 **Symbol: FIRSTCRY**	**BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001 **Scrip Code: 544226**

Sub: Transcript of the Audio-video recording of Earnings Call | Q2 & H1 FY25 results

Ref : Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations") and our earlier intimation dated November 15, 2024 bearing reference no. FC/SE/2024-25/36

Dear Sir/Ma'am,

In terms of Regulation 30 and Regulation 46 read with Part A of Schedule III of the Listing Regulations, please see enclosed herewith transcript of Earnings Call with the Analysts/Investors held on Thursday, November 14, 2024, post announcement of Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and half year ended as on September 30, 2024.

The audio-video recording of the Earnings Call along with the Transcript has been uploaded on the Company's website and the same can be accessed from the link provided below: https://www.firstcry.com/investor-relations/analyst-earning-calls

We request you to kindly take the aforesaid information on record.

Thanking you,

Yours sincerely,

For Brainbees Solutions Limited

NEELAM SITALDAS JETHANI

Digitally signed by NEELAM SITALDAS JETHANI
Date: 2024.11.20 13:34:30 +05'30'

Neelam Jethani
Company Secretary & Compliance Officer
ICSI Membership No.: A35831

“Brainbees Solutions Limited (FirstCry) - Earnings Call Q2 and H1 FY '25 Results”

November 14, 2024, 6.00 p.m. IST

Management:

Mr. Supam Maheshwari
Managing Director & CEO

Mr. Gautam Sharma
Group Chief Financial Officer

Ms. Neelam Jethani
Company Secretary & Compliance Officer

Mr. Anish Arora
AVP - Investor Relations

Mr. Anish Arora Good evening, everyone. Welcome to the Brainbees Solutions Limited Q2 and H1 FY25 earnings call. This is Anish Arora, and I have with me, Mr. Supam Maheshwari, Managing Director and CEO of the Company, and Mr. Gautam Sharma, Group Chief Financial Officer of the Company.

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

We will be covering the presentation in the beginning of the call and we will there after open for 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 investor presentation shared with you.

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

Mr. Supam Maheshwari Good evening, friends. First of all, I would like to say Happy Children's Day, to all of you who have kids, or have kids in your families, near ones, dear ones. So Happy Children's day.

Welcome again to our second quarter’s earnings call. So, we'll just go through and choose slides that this presentation has. This presentation has been uploaded and you may have already seen it, but we will just go through it to take you through our performance for the Quarter 2 as well as for the First Half of the FY25. You might find some of the slides as repetitive, but it is for the reason that some of our friends who have joined for the first time, over this call, just to give them a little bit of a feel of our business, otherwise we will stick to our Quarter 2 performance.

These are the 5 broad segments that we will be covering. The fifth one is more for extra information, so we'll be covering the first four segments: The Quarter 2 snapshot, Business Overview, Segmental Performance and Financial Summary.

On the Quarter 2 financial performance snapshot, we have continued to deliver growth momentum with improved profitability and overall if you will see our annual unique transacting customers have improved. It increased by 16.5% from Sep'23 to Sep'24 ending. From a GMV window, it's increase of 21% to INR 2,528 Cr for Quarter 2. Net revenue from operations at a Consol level is around INR 1,904 Cr, which is 26%, growth over Quarter 2 of last year. Overall, while our growth has been fairly robust, all of this, we have also been able to deliver bottom line performance. Our consolidated Adjusted EBITDA has delivered around INR 80 Cr and this has been 66% increase over our last year Quarter 2. And India multi-channel, which is our core business, which is the largest business segment that we have, it has delivered 38% increase in Adjusted EBITDA, which is yielding INR 110 Cr of Adjusted EBITDA. This has also resulted in overall cash profit after tax of INR 27.9 Cr, which is 209% increase over the same quarter last year, which is Q2 FY24.

With that, I would like to give you a brief snapshot segment wise. If you look at a consol level, we have grown 26% year on year for revenue of the consolidated business for Q2. If you look at our segment wise performance - India Multi channel grew at 19% for Q2 same period, International grew by 25%, which is Middle East operation. GlobalBees, which is our D2C foray, has grown 55% and we will speak about it during the segmental performance as well, both the topline performance as well as the bottom line performance, how it has stacked up. Others, which is primarily our, education business has also demonstrated a very significant growth of 44% on Quarter 2, year on year. So all our four business segments continue to demonstrate meaningful growth and in the subsequent slide, you will be able to see our bottom line performance as well.

Moving further. This is just a summary of what all I have spoken about. This is more for people who may probably read this presentation later. It is also uploaded on the Stock Exchanges. So, it is just a summary of what I've just spoken about. Overall consol growth of 26% with Adjusted EBITDA growth of 66% year on year and a cash profit growth of 209% for the quarter over the same quarter last year. India multi-channel grew 38% on adjusted EBITDA and 19% on revenue growth. International grew 25% year on year with improved Adjusted EBITDA. Losses are 18.9%, which is a 390 basis point improvement year on year for Quarter 2, from 22.8% to 18.9% losses. GlobalBees also delivered a strong performance of 55% growth and 154% growth in Adjusted EBITDA, over same quarter last year. So overall, if you look at it, the performance in the profitability at a consol level has been led by a gross margin expansion of 101 bps year on year at a consol level and a bit of an operating leverage, leading to 4.2% Adjusted EBITDA margin for Quarter 2, over from 3.2% in the last year Quarter 2. So that's the overall summary of our consolidated performance, even segment wise that you have been able to see at a meta level. We will go further down. Requesting Anish to change the slide please.

We will go through the business review. Some of these sections, some of these points might be repeat for some of you who have been in our earlier calls or were there in our roadshows or prior, but for the new friends who have joined this call, first time, it'll just give a brief summary. We can then quickly rush to the segmental performance.

This is our overall ecosystem, FirstCry platform. We are driving fundamental parenting needs of shopping, content, community and education. We've built a capability around data and technology, deep understanding for customers, array of Home Brands and great partnership with 7,000+ third party brands. We have deepened our moats with Manufacturing as well as Logistics & Supply chain and manifested all these capabilities that we have built in the form of 4 business segments which is India multi-channel, which is our largest core business segment, which constitutes modern stores, online platform and general retail trade distribution. Second is International, which is our Middle East foray. It is completely online as of Quarter 2. The third is GlobalBees, which is house of brands and fourth is Others, which we call Others in our segmental performance, but essentially, it is education preschool business. So these are the four segments that just wanted to refresh moving further.

This is a data point that as of Quarter 2, our online GMV split and offline GMV split in India Multi-channel has been 77% vs 23%. We have added 9.4 million annual unique transacting customers and total store count that we have including all modern stores is 1,124 as of 30th September of this year. Our community continues to do very well and overall we have close to now out of 1,124, 498 FirstCry and BabyHug COCO stores as well. So our overall approach of multi-channel, which is online, offline and distribution continues to do very well where customers can purchase in a multi-channel way. They can shop at our own stores as well as can research online and can do either way vice versa as well, where they get the benefit of doing touch and feel on our stores as well.

Going further, this is overall breadth of our product range that we are addressing. We address all kinds of babies and kids needs, including expecting mothers, right from when she gets pregnant, to up to 12 year age kid, we continue to operate across 1.8 million SKUs offering from close to 7,900 brands on our entire platform.

So we have one of the widest and the most curated product range that we have and within that we have also built a very robust portfolio of home brands. If you will recall, that we had in our RHP, a Redseer industry report which has a statement around BabyHug, which is one of our oldest and the largest home brand. Incidentally, it has also been the largest mothers, baby and kids multi category product brand in terms of GMV and also it has been in terms of the product assortment, the largest brand in Asia Pacific excluding China. We believe that we have continued to maintain that leadership from FY24 to Quarter ending Sep'24. BabyHug is available across platforms. We have now 307 BabyHug COCO stores as well, as of Sep 30th.

This is for our international foray. This is very important to highlight, that while India is the world's capital of mothers and babies and kids. We make 25 to 26 million babies a year. International market, which is UAE and KSA, has a very meaningful birth rate as well and spend per child is also meaningfully higher than India and overall childcare market as well as per capita spend is very meaningful for us. Our AOV in international business is almost roughly 3.9 times that of AOV of India business. We continue to successfully replicate our India playbook to our international Middle East market, UAE and KSA.

With that, I come to the last segment on GlobalBees. We continue to operate amongst our 4 broad categories, which is Home utilities, Premium appliances, Fashion, Lifestyle and Home and Personal care. We continue to deliver superior performance through GlobalBees platform that we have built in terms of getting customer insights and able to build products as per the new developments that we are able to get insights from, not just the third party market platforms, but also from the social fabric of the country. We are able replicate those insights into the products and therefore be able to drive our growth.

So with all of that, I think numbers will speak more than some of the subjective points that we have talked about. So I'll hand over now to Gautam to talk about the segmental performance across our all four business segments.

Mr. Gautam Sharma Thanks Supam.

So we will now talk about the four business segments. The first one being the India Multi-channel business, which is the core business segment for us. After that, we will talk about the International business performance and then we'll move on to the GlobalBees performance, before we talk about the consol performance for Q2 and H1FY25.

So this is for the India multi-channel business. So these are the three important KPIs which are also disclosed in our prospectus, that is annual unique transacting customers, orders and GMV. You can see a very healthy growth in all the three important KPIs. AUTCs have grown by 16%, Orders in Q2 has gone by 19% and GMV has gone up by 21% in Q2 on a year on year basis. And for H1, it has grown by 19 percent on a year on year basis. Next slide. Net revenue growth, in Q2 over the last year Q2 is 19% for the India Multi-channel business and for the H1, the growth is 18%. This growth in Q1 was around 16%, so we are we are able to increase the growth rate for the India multi-channel business. Adjusted EBITDA is improving year on year from 7.4% in Q2FY24, we have reached to 8.6% in Q2 FY25, which is a 38% year on year growth. Similarly, if we talk about the H1 performance, from 7.6% in H1 FY24, we have reached to 8.5% in H1 FY25, which represents a 31% year on year growth. Important thing to mention here is that generally, so if we talk about the last year Q2 performance, the margins, the adjusted EBITDA margins are slightly lower than the Q1 margins. However, given the strong growth and with a core focus on the improvement of margins, we were able to improve the gross margins in Q2 as well over Q1.

This is about the international business. Again, the three important KPIs, annual unique transacting customers, GMV and orders. So while the growth in H1 clearly has an impact of the floods in UAE and the advancement of festivities, we were able to post a very healthy growth in all the three important KPIs in the international business for Q2. Next slide. Revenue growth in Q2FY25 over Q2FY24 is 25%. So from INR 165 Cr in Q2FY24, we have reached to a revenue of INR 208 Cr in Q2FY25. Similarly for H1 FY24, which also has an impact of you know a lower growth in Q1, we were able to grow this by 16% on a year on year basis. EBITDA performance, on a year on year basis, is clearly improving from 22.8% negative in Q2 FY24, we have brought this down to 18.9% in Q2FY25. Similarly, from a negative 22.8% in H1 FY24, we were able to bring this down to negative 17.8% in H1 FY25.

We go into the GlobalBees performance. We have reported very strong growth in GlobalBees. A 55% year on year growth in Q2. One of the important reason of this strong growth is also an advancement of some seasonal sales by the platforms on which GlobalBees sells their products. So that was an advancement in September, last year it has happened in October. So we got the benefit of the advancement of seasonal sales. On H1 FY25 basis, the growth is 41% year on year. EBITDA performance is improving quarter on quarter and year on year and there is 2.5x jump in EBITDA in Q2 FY25. So from 1.2%, we have improved this to 2% in Q2 FY25. Similarly, if we talk about the H1 performance, it has grown by 14.4 X from 0.2% in H1 FY24, we have taken it to 1.7% in H1 FY25.

Moving on to the next slide. So this is about the consol performance. So while we don't have an additional slide on the performance of education business, Supam talked about the growth in the education business, which is classified in others. So the growth in revenue on a year on year basis is 46% and similarly the EBITDA if I talk about for H1 again, this used to be somewhere around 16% in H1 FY24, which has now improved to 23% for H1 FY25. So there is a strong growth in all the business segments and a very good improvement in profitability as well in all the four business segment on a year on year basis.

This is the consol performance. We will start with the green box on the left hand side. That is basically the trend on the gross margins. Gross margins in Q2, it has improved by 100 basis points from 36.3% to 37.3%. And, further for H1, it has improved from 36% to 37.5%. Similarly, on the consol net revenue, given the strong growth in all the business segments, we were able to post a year on year growth of 26% in Q2FY25. Similarly for H1 FY25, we have posted a growth of 22% on a year on year basis. Consol EBITDA as well, its improving every year. From 3.2% in Q2FY24, we have improved this by 100 basis point to 4.2%, which is a growth of 66% on a year over year basis. Similarly, for H1, we have improved the EBITDA performance from 2.9% in H1 FY24 to 4.3% in H1 FY25.

This ends our presentation now. Anish, over to you.

Mr. Anish Arora Thank you, Supam and Gautam.

I would like to hand it over to Gautam back in case he wants to highlight, say something before we move on to the Q&A forum.

Mr. Gautam Sharma Yeah, so one of the important things which I would like to talk about is that there is a recent, a search and seizure operation done by the GST authorities in Maharashtra in our corporate office in Pune as well as the warehouse in Pune. We have given this information to the Stock Exchange. So this started on 6th of November and this ended on 10th of November. On the findings, so the search and seizure was all about two points. One is the mismatch in 2B and 3A, that is what the vendor filed for us and what we show in our returns. So that's a mismatch. And the availability of GST credit for the IPO expenses which is attributable to the shares issued by the company. So on this, we have paid a total amount of INR 1.74 Cr to the GST authorities, which includes the mismatch amount as well as the interest component for four years which is AY18-19, AY19-20, AY20-21 and AY22-23. So these are the four years and the information in this regard has already been shared with the Stock Exchanges.

Mr. Anish Arora Thank you, Gautam. We can now open for the Q&A forum. I request participants to raise hands for asking questions. We'll unmute you and you will have access to the mic. Please introduce yourself and the name of the organization you represent. The participants are also requested to limit their questions to maximum two. For any follow up question, you may join the queue again.

We have first question from Garima. Garima, we will unmute you.

Ms. Garima Mishra (Research, KIE) Yeah, Thank you so much for the opportunity. My first question is on GlobalBees. Exceptionally strong metrics, both revenue as well as EBITDA. So anything particular you want to call out here which worked well during the quarter, you did mention seasonality, but anything apart from that and any of the constituent companies here which have sort of delivered a great quarter.

Mr. Supam Maheshwari So I will just take you down a little bit of memory lane here.
I think this is a favorite question for all investors as well that this industry has been probably painted by the Thrasio sort of a, I would say I won't call it a play, but it's just a bad sort of a nomenclature. But look, I think India for us, FirstCry itself is a

great example, that a business model like FirstCry doesn't probably exist anywhere in the world, at least what we have learnt during our roadshows as well.

So we have demonstrated what we have built and I think similarly, GlobalBees with its consumer insights and ability to be able to innovate products, based on those consumer insights which it gets from third party platforms as well as from social platforms, converted into products is what it has resulted into, and, then of course, a great execution and great supply chain that we have built. All of that has resulted into a great performance. While the performance has been extraordinarily good because of seasonality being advanced.
But overall, industry continues to grow at, if you look at our industry report which a couple of quarters back that Redseer had published, it is 30% plus. So you know, we will strive our best to ensure that we continue to beat that. So I think that's where we are.

Mr. Gautam Sharma

On a full year basis and just to add that the growth of GlobalBees for Q2, which is 55%, is a complete organic growth.

Ms. Garima Mishra (Research, KIE)

Got it. Good to know. Thank you, Gautam. My second question is actually to you. So there's this slide in the presentation which is reconciliation of loss / profit after tax to cash profit after tax, right. There are two line items here. One is IndAS 116 cost and then a cash outflow for these rentals. If I was to look at this number for 1H FY25, should I just assume that your real rent is INR 100 Cr? You are booking INR 119 Cr in the PnL and hence you know your PnL is understated by let's say INR 19 Cr.

Mr. Gautam Sharma

That's the right interpretation, Garima.

Ms. Garima Mishra (Research, KIE)

Alright, OK, perfect. That answers my question. If I have anything else, I'll come back. Thank you so much.

Mr. Anish Arora Thank you, Garima. Next, we have a question from Sheela.

Ms. Sheela Rathi, Morgan Stanley Hi, thanks for taking my questions. Hi Supam and Gautam. So, my question again was on GlobalBees. I understand there was seasonality this quarter, but if you could just tell us how should we think about the growth rate and which are the strong quarters in general for GlobalBees? Going into future, how should we think about it? And again, I think Garima also asked that question is there any particular category which stood out for us in this particular season, or which has scaled up to, a certain level where we would want to talk about it?

Mr. Supam Maheshwari So as I just alluded couple of minutes back, the overall industry report states that the D2C sector and the categories that we are operating will continue to demonstrate a 30%+ CAGR for few years. So we are pretty much in line with that on an annual basis. However, some quarters because of the festive season as GlobalBees operates and sells its products on a couple of third party marketplaces and therefore does have an impact on seasonality or some of those sale periods and there are few of them, few of such sale period during the year. So it does have an impact but on an annual basis we should be able to be around what we just talked about as what industry report says.

Ms. Sheela Rathi, Morgan Stanley And with respect to the profitability, Supam, is this going to, I mean we have delivered 2% EBITDA margin. So should we think of this to improve going ahead or again this had some seasonality to it.

Mr. Supam Maheshwari No, no, there is no. As some of our businesses are fairly, I would say not very mature. This is a 3.5, 3 year plus old business. We are in our 4th year of our operation. We started in May'21. So this has a long life where we can continue to expand and we will continue to strive hard to demonstrate

	both top line growth as well as bottom line expansion. It is just the beginning. I mean we have just started.
Ms. Sheela Rathi, Morgan Stanley	Understood. Thank you.
Mr. Anish Arora	Thank you, Sheela. The next question is from Sanidhya.
Mr. Anish Arora	Sanidhya, you can go ahead.
Mr. Supam Maheshwari	I think she has probably logged out or something. Maybe we can start with someone else.
Mr. Anish Arora	Sure. Next question is from Tejpal.
Mr. Anish Arora	Tejpal, please unmute yourself and ask the question.
Mr. Tejpal Singh	Hello?
Mr. Supam Maheshwari	Yes
Mr. Tejpal Singh	My question is that from five years now, where we are seeing ourselves in the Indian markets or as a company, what is the five year plan where we are seeing in the revenue terms in the profitability terms? And the second question is that in the product line, what we are selling, but the in terms of the what we are getting to do, which is most… (voice unclear)
Mr. Supam Maheshwari	Sorry, I got your first question, but I did not get your second question.
Mr. Tejpal Singh	OK, so in the age category where we are getting to the 12 year, till the 12 year old age, but I just want to ask which age category we are catering to the most?
Mr. Supam Maheshwari	Oh, OK, sure. So the first questions answer, Tejpal, is actually we are operating in, you know, in next four to five years, our

overall TAM will be close to $120 billion. So we have a significant headroom even in our India multi-channel core business, which is the largest and 14 years in sort of play. We are very small. Although we are the largest multi-channel play in the mothers baby and kids domain. But we are very, very small. In India, the childcare market itself will become a $64 billion in over next four years or five years. So therefore, we will continue to compound all our topline across all four business segments. Our other two business are fairly new. International, especially in that, Saudi Arabia, that's a new business and GlobalBees, I just spoke about is 3, 3.5 year old business. So they'll continue to grow. So from a growth perspective, I think we should be able to see a sustained growth because our TAM is fairly large as I just spoke about and we are very small.

To answer your 2nd question. The largest segment, obviously, our 6 to 12 business was launched just a few quarters back. So it will take us some time to actually build on that. So our large part of our business is 0 to 6, because that's how we started our business 14 years back. It will take us a bit of a time to balance this, as our cohorts gets built up over a period of time. Our large part of our business comes from 0 to 6, both online and offline, while 6 to 12 will continue to build, as you know, those customers who are at 5 or 6 years old kids, they'll continue to transact with us over a longer period of their life cycle. I hope I've answered.

Mr. Tejpal Singh But so ok, so thank you. And my next question is that in the education segment where we are, what is our strategy like we are seeing as ourselves, as a DPS as a establish itself or we have another strategy or I just want to know your thought process.

Mr. Supam Maheshwari We largely run a franchised model which is an asset light building preschool, which is catering to kids from 2.5 year old, to somewhere around 6 year old. So it's before they go to K12 proper school. This is where we operate in. We have business partners who we work with and we provide all kinds of curriculum, technology, to help and facilitate the admissions and so on so forth, and the brand, all of that is being leveraged with our business partners to be able to provide. This is a very big market. Again, it's very unorganized and within that it's very unbranded. So millions of parents want to actually give lot more organised and lot more branded and quality education to their young ones and that's where we are coming into the place. So we have a huge headroom to build our sort of model within the preschool market. That's what we will continue to do in an asset light way.

Mr. Tejpal Singh OK, so any guidance for the like in the 2-3 years how many schools we are going to operate or in the franchisee based model?

Mr. Supam Maheshwari As I said, we are a very small, Tejpal. The market is 50,000+ preschools in the country and 80% of them, a large part of them actually is unbranded. So you can imagine, I mean we are less than, sort of, we are very small and although we are growing quite meaningfully as you can see in our numbers of 44% growth. We'll continue to demonstrate that growth as we go along. We are insignificant as far as overall preschool market is concerned. So the overall branded segment is small. So the branded segment is growing and within that we are probably growing in a very fast way.

Mr. Gautam Sharma I think that revenue growth is an indication of the number of schools that we are opening and you know and plus you know it's a very high profit business as well.

Mr. Tejpal Singh So, Sir I just wanted to quantify the number like we are in, is there any plan to operate at 200, 300 schools like this one to know the number if you have any?

Mr. Gautam Sharma End of September, we are already sitting on the, number of schools are already 300+.

Mr. Tejpal Singh OK. Thank you. Thank you for my questions and best of luck for the future.

Mr. Supam Maheshwari Yes, thank you.

Mr. Anish Arora Thank you, Tejpal. Next question is from Anamitra.

Mr. Anamitra Basu, 360 ONE Asset Congrats on a great set of numbers. 2 pointers. For H1, we have a mix of 23% offline with 77% online. So what would be our steady state mix. Any target that we have we have in mind offline vs online?

Mr. Gautam Sharma If you see the historical trends as well, if you see a disclosure we have made in the prospectus also, for last 3-4 years, the mix between online and offline, it remains in the same trajectory, probably 1% here and there. 76 could become 75 or 76 could become 77. So we don't expect this number to change significantly.

Mr. Supam Maheshwari And we have a lot of headroom to grow even in offline. Because being, you know there are no, FirstCry is the largest organized player in the country. We have 1,100 stores today and in some of the other brands that you would think of, in the other categories, whether it is like categories like Bata or Raymond or other brands, they have significantly higher number of stores 1,600 to 2,000 and even more. We continue to believe and we are only there in 500+ cities as of today. So not only we will continue to add FirstCry stores, we will continue to add BabyHug stores, which can coexist in the same vicinity. So therefore, we believe our offline platform or offline stores will continue to improve our overall multi-channel story as we go along and it will continue to demonstrate growth as a multi-channel. While this percentage may not, as Gautam said, significantly change because both both online offline will continue to grow. That's the beauty of our convenience and all the benefits of online offline that we want to proliferate and give it to our audience, young parents and that's what we believe is something that nobody can give and probably what we have delivered and what we continue to deliver will be very good for our audience to give their largest wallet share to us.

Mr. Anamitra Basu, 360 ONE Asset

Sure, of course. One related point is in terms of, so on an overall basis for the India Multi Channel segment, we are at 8.5% EBITDA margin, right? So, at a store level, what would be the EBITDA margin, any indications on that?

Mr. Supam Maheshwari

So Anamitra, I would sincerely request that you should not look at our business, further segment wise in terms of offline or online. During our Q1 call as well, I talked about it, our customers transact both online as well as offline. There's a huge amount of overlap of our customers that they transact on both the channels and now we have also started a distribution channel as well, which is growing as well and within that we only sell largely BabyHug and our home brands only. So essentially the customer can get penetrated through our distribution platform, through 1 lakh+ retailers that are selling our BabyHug products, and then they can also, if they want to buy extended categories or product types, or subcategories, they can come to our offline channel, which is, our COCO or FOFO stores or our FirstCry or BabyHug stores and then they can also come to our online. So as the trust builds different set of customers which are, I would say e-commerce savvy, or they want to have a convenience of buying offline, with the touch and feel with instant gratification and having a sort of an experience of buying offline, taking their families out. So all of those that we provide, so please look at our business in a multi-channel way and that is what we believe that with more stores and with this coherent approach of a multi-channel, we'll continue to improve post marketing CM-2 and thereby over a period of time, continue to improve our EBITDA as well. And that's what has happened in the past as well.

Mr. Anamitra Basu, 360 ONE Asset

Yeah, yeah, got it. Sir, my last question would be on the international business. So I think the Landmark group is also planning to launch in India, which is also there in KSA. Do you see the competition intensifying in both of these geographies where we are operating in.

Mr. Supam Maheshwari

Both of the geographies you mean?

Mr. Anamitra Basu, 360 ONE Asset

Both India and international.

Mr. Supam Maheshwari

See, Landmark is already there in Middle East, right. They are already there. In India, yes they have opened few stores and there is no dearth of competition in India.

So, I don't think. See, if you look at our tenet, which is building a multi-channel experience to the customer. So if a customer can buy offline and can remember and build that trust with the product as well as with the platform, then they come online and also buy the same brand, same product which is not available. So BabyHug today is not available and some of our brand partners, have also products which are with us alone and some of our home brands. So all of these make us, I would say very differentiated platform with our curation, with our personalization, with our convenience of you know, you know faster deliveries and so on and so forth. With our 80 warehouse supply chain network of 40 cities same day delivery, 1,000+ cities next day delivery. All of this to provide by a new player, to a new young parent only in offline will not cut the ice, that's our view.

Mr. Anamitra Basu, 360 ONE Asset

All right. Thanks a lot and all the best.

Mr. Supam Maheshwari Thank you.

Mr. Anish Arora Thank you. The next question is from Sachin Salgaonkar

Mr. Sachin Salgaonkar Thank you for the opportunity. My first question is just wanted to understand more on Ad and promo expenses which have increased to 9.1 as a percentage of revenues slightly higher than what you've seen in the past. Question out here is, were we spending more on India multi-channel or International or any other business and how should we look at the spend going ahead?

Mr. Supam Maheshwari Sure, Sachin. So Sachin, I would like to draw your attention to our AUTC. If you look at our AUTC, in just India multi-channel, we were at sort of 1 million addition for FY24 and then for Q1 for annualized basis, it was 1.1 million. Now it is 1.3 million. So, we have been continuously increasing our AUTC rate. So that's #1. #2, if you look at our mix of the business, India multi-channel is still at a fairly decent maturity stage compared to our International and GlobalBees business which are fairly new and within that KSA is even more newer. So as the mix will change, so you will probably be able to see percentage wise increase while we will continue to optimize our overall spend in a way that we ensure that the CM-2, which is contribution margin post marketing, continue to improve. So that's what we have been able to deliver even in this quarter and that'll be our endeavor that even if you improve, that percentage might look higher, but at CM-2 level which is post marketing contribution margin, we are still accretive. We are still better off than the quarter two last year or H1 of last year versus H1 of this year. So we have demonstrated that already in our numbers and with that, I think we feel very comfortable going forward that with that thesis in mind, with that discipline in mind, we'll be able to continue to steer both top line growth as well as bottom line growth.

Mr. Sachin Salgaonkar Thank you, Supam, very clear. Second question, we are hearing multiple comments from multiple consumer companies about an impact on some kind of a consumption slowdown now in urban areas, also. I wanted to understand if you guys are seeing any impact especially on your same store growth on the back of that?

Mr. Supam Maheshwari Sachin, this particular question came in the last time around. We don't look at our business from a same store basis. We look at our business in a multi-channel way because we would like that customer, and that does happen in the past, for many years and will continue to happen for many years to come. I don't think the behavior will change significantly and that's why we feel we are fairly unique. That our customers who join our platform first time either offline, they continue to go to online for multiple transactions or they continue to 1st come online, they also go back to stores in the vicinity of their homes to do transactions offline. So with that basis looking at an SSSG is not the right metric to look at our business. The best metric to look for our sort of multi-channel is you know CM1 or CM2 kind of sort of a data point which is there in our supplementary sheet. Although it's at a consol level, but large part of our business is multi-channel, so you can assume it is reflecting and coming from the India multi-channel. So we'll continue to demonstrate that. We would like to add more stores over longer period of time, because that's what we have stated in our RHP as well. We have added close to around 40 stores in quarter 2 over last quarter period. And we'll continue to add that because we believe we will be able to add a large number of stores in next four to five years. Because we are the, as I just said, some of the other categories have a large number of stores and our stores give lot of benefit to us even in online and online gives benefit to offline. So together, it becomes a strength. So we look at our business in a more totality to arrive at a unit economics and that's why we invest our energies like that. So that's how we believe we have been successful in the past and we'll continue to demonstrate even more success going forward.

Mr. Sachin Salgaonkar So then, so to clarify and not much of an impact on consumption slow down on your business, right?

Mr. Supam Maheshwari Well, consumption slowdown is something that, at least Q2 numbers is visible to you. So, I don't have to say much on that. Rest I think we are in a category, its 16%, I would say only organized. A lot of industry is getting from unorganized to organized and we are the largest player, so we'll continue to gain and benefit from that. So that's how I will put it. I don't think we should look at it one or two or three months, one or two quarter, maybe these are things that we haven't experienced in the past because we were small, now we've become a certain size, but I think we're still small compared to where we want to reach. So over a longer period of time, some of these things probably will not matter.

Mr. Sachin Salgaonkar OK. And then last question and I know that you got this question, you know regularly in the past as well, but you know every month quick commerce platforms are getting bigger and bigger. So as we speak today, you know any impact from quick commerce platforms because there are certain standardized products for example diapers which could be eventually bought and sold on those platforms.

Mr. Supam Maheshwari So Sachin, first of all, I think you must understand first as a platform, we are at an e-commerce level available PAN India, across thousands of PIN codes. On our stores, we have 500 plus cities covering Tier 2, Tier 3, Tier 4 cities as well, 500 cities is where we are present. So whereas quick commerce is present probably in metros or probably top 8 - 10 cities or over a period of time they may get to it, sort of state capitals, but I think they're largely and broadly present in top ten cities or 12 cities. Having said this, if you look at the categories and we deliver, as you know already, and you would have seen in our RHP as well, we deliver 40 plus cities same day delivery and 1,000 plus cities next day delivery and this we have not been doing it in last six months or nine months. We have been doing it for many, many years probably, we were the first original company or long back we built this model to, we never called it dark stores and stuff like that, but we had built this model long, long time back. So we're delivering this kind of customer experience for a fairly long period of time, although we'll continue to improve as we'll build more proximity to our customers to be able to give better experience. But with our PAN India, with our offline 500 cities approach, with already a large network of sort of SDD and NDD, and on top the category overlap is very minimal. It's just probably diapers where and it's not as significant sort of. So therefore, we do and we are solving for mothers who are looking for trust, looking for products. So we believe that these are very planned sort of purchases. There will be some sort of young parents or mothers who may want to buy, but what they probably feel comfortable buying with us along with other products in the kind of assortment that they can get from us is probably usually a mother's purchase is very planned, but that's how we believe that it's not been a very material sort of impact even today or going forward. That's what we assume and we believe, but we'll continue to improve as we go along in our giving, getting more proximity to the customer. So that's what we'll continue to do. So, so that's where we are placed. Because majority of our business if we remember as you know, I think as we've discussed in the past, is fashion.

Mr. Sachin Salgaonkar Yeah, got it. Thank you. And all the best.

Mr. Supam Maheshwari Thank you.

Mr. Anish Arora Thank you, Sachin. We'll now take the last question. Ankit, please go ahead.
Ankit, please unmute yourself and ask the question.

Mr. Ankit Kedia Hello, can you hear me?

Mr. Supam Maheshwari Yes, yes

Mr. Ankit Kedia Hi. Just on GlobalBees, just to probe more, which company actually you know in GlobalBees is leading to this turn around. Is it Frootle or Kuber, because these are profitable before also and on the sales side you know Merhaki Foods has grown exponentially in last couple of years. So if you can give us more granular data or it will help us analyze because it becomes difficult for us to look at the consol 22 company level.

Mr. Supam Maheshwari Sure. So Ankit, just look at that from a window of, there is no brand concentration in the business. Don't look at a company because that's not how you should look at it because from an investor perspective, from an operator perspective, from our perspective, our GlobalBees' perspective, how we look at it is at a brand level. No brand is, one single brand is dominant or even more than 20% or more than I would say 15% of the overall sales. So I think from that window we are quite distributed at a brand level. So it's quite, fairly distributed and that is what is the beauty of the model that we have built as a D2C platform which enables us to continue to get more insights, from the third party platforms from the social networks and being able to deliver and internally all the tech platform that we have built to be able to come up with more product innovation based on those insights and being able to quickly use our internal capabilities from a sourcing to a supply chain, being able to deliver on the ground to deliver growth. So that's how we have been able to demonstrate growth.

Mr. Ankit Kedia So and from the investments from the fund raised from the standalone entity to Globalbees. Now when does that happen and how will our stake change in GlobalBees once that investment happens?

Mr. Gautam Sharma So, we have already invested. We have agreed to utilise around INR 170 Cr in GlobalBees, either in the form of investment or by way of loan. To help GlobalBees acquire additional stake and those are committed stakes in 3 of its subsidiaries. Out of INR 170 Cr, we have already invested around INR 85 Cr in GlobalBees for them to increase their stake as per what we have agreed in prospectus. In terms of our shareholding in GlobalBees today, we hold around 50.73% shareholding in GlobalBees

Mr. Ankit Kedia So the investment is in form of debt and not equity.

Mr. Gautam Sharma No, it is in the equity now. So what we have agreed in the prospectus is will be in the form of convertible equity.

Mr. Ankit Kedia Ok. My second question is what's leading to this Gross Margin expansion? Are we seeing any mix change in product with apparel share increasing significantly or is this gross margin sustainable?

Mr. Supam Maheshwari Ankit, I think over a period of time, as there are multiple levers across our business segments. In our India multi-channel, which is the largest core business segment, if I talk about it. We have multiple levers to continue to improve our gross margins. One is simply our category mix changes. Second is home brand mix. 3rd is scale and size of our home brands itself which leads to a COGS reduction and 4th is our third party brands where we will continue to as over scale be able to you know get better margins. So I think with those four levers over a bit longer period of time, we should be able to, continue to improve our gross margin as we've demonstrated in the past for many years in a row. We should be able to continue to demonstrate that over longer period of time.

Mr. Gautam Sharma In fact from FY23, we have improved our gross margins by almost 400 basis points. It used to be 33% in FY23. And it is, it is hovering around 37% as we speak.

Mr. Supam Maheshwari And some of our other new businesses like International are yet to improve, yeah and so on and so forth.
Yeah. So there is. Sorry go ahead.

Mr. Ankit Kedia So this quarter, if I could just point out from a quarterly basis of the three levers which you called out for gross margin expansion, how many bps came from each of those levers?

Mr. Gautam Sharma All the levers have contributed to the improvement in gross margins.

Mr. Supam Maheshwari This will be a continuous process across all levers. There is no single lever as a management team or as a team. We will never leave anything unturned to continue to expand our gross margin because as an execution machine, as a team, we are continuously after both top line expansion as well as bottom line expansion led through a gross margin expansion and some operating leverage.

Mr. Ankit Kedia My last question is on the EBO expansion for the International market. When do we start seeing that happen?

Mr. Supam Maheshwari Sure. So we have an update that we have hired the head of the business for our offline foray and further team is getting hired. I think you should see a couple of stores in the next year.

Mr. Ankit Kedia And will the unit economics remain the same? These are COCO stores?

Mr. Supam Maheshwari Unit economics - you will have to look at a multi-channel basis. That's how we would look at the unit economics because the same customer as I was talking about for the

India business. Similarly it will, we would like it to, I mean we will experiment with the first few stores and then we will scale it up. But we believe that it'll follow somewhere what India trajectory is.

Mr. Anish Arora Thank you everyone. Supam, I will hand it over to you again for any closing remarks.

Mr. Supam Maheshwari Thank you very much all of you for giving your time on a evening. With that, I think we will continue to strive hard for delivering performance as what we have delivered this quarter over a longer period of time.

So thank you for joining us and listening to us and our story. Thank you.

Mr. Gautam Sharma Thank you everyone.