RECODE®

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CIN : L74999PB2021PLC053619

Date: 20.11.2026

To

BSE Limited
Department of Corporate Services
25th Floor, PJ Towers, Dalal Street, Mumbai, 400001

SCRIP CODE: 544755 SYMBOL: RECODE ISIN: INE2B6701015

Subject: Transcript of the Earnings Conference Call for the Unaudited Financial Results of the company for the Half-Year Ended September 30, 2026

Ref: Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on Tuesday, November 17, 2026 at 04:00 P.M. (IST) for Unaudited financial results of the Company for the Half Year ended September 30 2026.

The said transcript will also be available on the Company's website at https://shop.recodestudios.com/pages/earnings-call-investor-meet

You are requested to take the above-mentioned information on your records.

Thanking You,

For RECODE STUDIOS LIMITED

Dheeraj Bansal
Digitally signed by Dheeraj Bansal
Date: 2026.11.20 16:00:42 +05'30'

(Dheeraj Bansal)
Managing Director
DIN: 09205916

Enclosed: As Above

Recode Studios Limited

H1 FY27 Earnings Conference Call

17 November 2026

Management:

Mr. Dhiraj Bansal - Chairman and Managing Director
Mr. Narinder Singh - Chief Financial Officer

Organized by: Moonwalk Capital

Recode Studios Limited

H1 FY27 Earnings Conference Call

Moderator: Good afternoon, everyone. Welcome to the earnings call of Recode Studios Ltd. for H1 FY27. I would like to thank the management of Recode Studios for giving us the opportunity to host the conference call on behalf of Moonwalk Capital. As a part of the safe harbor rules, I would like to inform you that this call may contain certain forward-looking statements and should be viewed in conjunction with the risks and uncertainties of the company's business. As a part of compliance, please note that this call is now being recorded. From the management side, we have Mr. Dhiraj Bansal, Chairman and Managing Director of Recode Studios, and Mr. Narinder Singh, CFO of the company. I would now like to hand over the call to Mr. Dhiraj Bansal for his opening remarks.

Mr. Dhiraj Bansal: Good afternoon, everyone. Thank you for joining us for our earnings call.

During H1 FY27, Recode reported revenue of 45.82 crore, EBITDA of around 6.45 crore, and PAT of 4.92 crore, registering growth of 24.04%, 8.75%, and 26.77%, respectively. While we have delivered growth across key financial parameters, both revenue and operating margins remained below our internal expectations.

This was largely on account of several front-loaded investments and expenses towards strengthening our team and the new verticals we opened. We opened those verticals just when the season was weak, but

they are performing very well these days. We were also building our presence in quick commerce and organized retail.

These investments were undertaken with a long-term growth perspective, while the corresponding revenue benefits are expected to materialize in the coming quarters. As we move into the second half of FY27, we expect stronger revenue growth, improved operating leverage, and normalization of operating expenses.

With these factors playing out, we remain confident of recovering our EBITDA margin closer to 25% on a blended basis for the full financial year 2027.

On the operational front, we have expanded our product portfolio from 350 to around 400 SKUs, strengthened our Nykaa presence to 34 touchpoints, and enabled 60-minute delivery through Nykaa Now across 7 major cities. Our strategic investment in {? Frisa ?} will further strengthen our presence in the premium and luxury color cosmetics segment.

Despite the relatively subdued first-half performance against our internal expectations, we remain confident of delivering at least 50% growth in 2027. We hired a new team after the IPO, and our expenses increased for the employees. However, they are paying me back now, starting from October.

We believe that the investments made during the first half have laid a strong foundation for the coming months, not just the next quarter, but the coming

months and the current month as well. That is a brief introduction from my side.

Moderator: I would now like to open the floor for questions. Participants can raise their hands and ask questions. Please note that we will be limited to 2 questions per participant. We will wait for the question queue to line up. Participants who wish to ask questions can raise their hands.

The first question is from the line of Mr. Omkar Pipikar, an individual investor. Mr. Omkar, you can unmute and ask your question.

Mr. Omkar Pipikar: Hello, sir. I saw your press release, and you have maintained the 50% growth guidance that you had previously given for FY27, correct? That means we have done around 25% in the first half. Therefore, we will have to do considerably more in the second half, correct? We are looking at a top line of around 75 crore. Where do we stand on that? Also, how was the festive season, and how was October?

Mr. Dhiraj Bansal: Yes. I received the money in my account in June because, at the time of the IPO, it was not certain when I would receive the IPO funds because of the Iran-US war. After floating our IPO, I went ahead with product development because we did not know when our IPO would be floated.

I had only 3 months after the IPO, and effectively I had only 2 months to increase revenue. At that time, I had not launched any products. After that, if you launch a product, it takes around 3 to 4 months to launch it.

I also hired the team after going into the IPO. If you

compare my H1 against the previous H1, there is a huge difference in employee expenses. Employee expenses have increased, but they are paying me back now and my business is performing very well.

If I am talking about a 50% growth trajectory, my business has underperformed significantly against that trajectory. However, I am now on track to achieve 50% revenue growth for the full year. I hope I have answered your question.

Mr. Omkar Pipikar: Okay. Could you tell us how the Diwali period and the festivals such as Dussehra and Diwali were?

Mr. Dhiraj Bansal: Yes. Up to Diwali, it was very, very, very excellent and record-breaking for us. After Diwali, because of the short holiday, it became somewhat muted, but over the last 3 days it has returned to the same pace.

This is happening across all channels, including our own website, Nykaa, Amazon, Flipkart, Myntra, and our offline channel. I am pursuing very deep penetration. Wherever our legacy brands do business, I am going from small villages to cities, including Tier 2, Tier 3, and Tier 4 cities. Tier 1 is already covered, including Bangalore, Hyderabad, Delhi, and Kolkata.

Recently, I opened a dark store in Odisha, and from there we are catering to Bhubaneswar, Sambalpur, Cuttack, and the surrounding smaller cities. In addition, I am doing very well in Uttar Pradesh. In the next 5 to 10 days, I will open a new dark store in Jammu.

From Jammu, I will cater to Udhampur, Akhnoor, Srinagar, Samba, and the surrounding areas. I am not playing only in the Tier 1 market now. I am doing very

well in Tier 2, Tier 3, and Tier 4 markets in terms of acquiring customers and generating business. Recode has significant brand presence. When my team visits these locations, people do not say that they do not know Recode. They know Recode, but my people had not reached them earlier because of labor constraints.

I had hired workers, but they also needed some time to adapt to the company's environment. 3 - 4 months have already passed. They now understand the founder's fundamentals and what we want to do, and they are already paying me back from October itself.

Mr. Omkar Pipikar: Could you provide a number for the year-on-year growth target you are pursuing in Q3, if possible?

Mr. Dhiraj Bansal: Can I disclose the number, sir? Is disclosing the number forbidden in this case? You mean Q3, the October to December period?

Moderator: Sir, you can provide overall growth guidance.

Mr. Dhiraj Bansal: The guidance is that, if I am talking about achieving 50% growth over the previous year, I am currently doing business according to that trajectory. We have to keep in mind that Recode's IPO came in the middle of the financial year. I had only the IPO…

Mr. Omkar Pipikar: I am not saying that 25% growth is not good.

Mr. Dhiraj Bansal: No, 25% is good, but compared with the projection I have set and what I want to achieve, it is low. However, I am quite confident that I will achieve the number I have set as a target for myself and my team.

Mr. Omkar Pipikar: Your operating margin in H2 was around 23%, whereas now it is around 14%. What will happen to the margin in the coming H2?

Mr. Dhiraj Bansal: If we compare H1 with the previous H1, there is only a 2-point gap. H1 is always very poor for color cosmetics because of humid weather, summer, and rain. I have explained this in previous calls as well.

In addition, in North India, where 80% of our population is Hindu, there are no marriages during this period. Therefore, H2 is much stronger. H2 compensates for all the effort in H1. In H1, we manufacture, and in H2, we sell.

Mr. Omkar Pipikar: That is why we will reach 23% - 25% in H2, correct?

Mr. Dhiraj Bansal: Yes. That is how the average will work out. If my H1 is weak and H2 is similar to the previous year, there could be a difference of 1 - 2 points, perhaps because I am not a mature brand. We are still growing, so the margin could be 1 - 2 points lower, but it will not decline drastically. I am monitoring that.

Mr. Omkar Pipikar: You recently acquired the Aflairza brand. Could you tell us what its guidance will be for FY27?

Mr. Dhiraj Bansal: Compared with the previous year, it will achieve 2x revenue and around 3x profit.

Mr. Omkar Pipikar: Could you provide a number for the FY27 PAT target or revenue target?

Mr. Dhiraj Bansal: In terms of numbers? Can we disclose Aflairza's numbers?

Moderator: Could you provide the overall annual guidance for Aflairza?

Mr. Dhiraj Bansal: Yes. I am hoping to close Aflairza at 20 crore for this financial year, with a PAT of around 3 - 3.5 crore.

Mr. Omkar Pipikar: We will be raising our stake to 51%.

Mr. Dhiraj Bansal: Yes. We will do that within January. We will complete it in January 2027 along with the acquisition. Happy New Year, sir.

Mr. Omkar Pipikar: So approximately 3 - 3.5 crore will be added to our PAT?

Mr. Dhiraj Bansal: No, it will be 51%, so it will be around 1.5 - 2 crore. It is 51% of that, correct.

Mr. Omkar Pipikar: All right. Thank you, sir.

Moderator: Thank you. The next question is from the line of Mr. Sunil Kateshiya from Tanush Investments.

Mr. Sunil Kateshiya: Hello, sir. Congratulations on a good set of numbers. I wanted to ask where our Recode brand stands against competitors such as Renee and Sugar Cosmetics. If I look at online platforms, which brands are more visible in advertising, those brands or ours? Could you help me understand our competitiveness?

Mr. Dhiraj Bansal: Both the brands you mentioned have venture capital money and are burning money from their deep pockets.

Recode is in the public market, and I have to look after revenue while maintaining EBITDA and PAT.

I cannot compare myself with Renee or Sugar because both are funded by venture capital and are burning money from their deep pockets.

Therefore, I will not compare Recode with those brands. If I had to run the business in that manner, I would do 250 - 300 crore this year in the next 5 months.

Mr. Sunil Kateshiya: We are also spending a significant amount on marketing, correct? That is the only way...

Mr. Dhiraj Bansal: It is not a significant amount. Renee and Sugar are spending 50% of their total revenue, whereas Recode is at around 20%. It is not a significant amount in the color cosmetics industry.

We are building a brand. I am not a factory; I am building a brand. I have to show people what I am selling, what my product is made of, and what the advantages of my brand are compared with other brands. I do not compare myself with Colorbar, Sugar, Renee, or any other Indian brand. I compare myself only with international brands.

Mr. Sunil Kateshiya: Understood. Also, regarding the Aflairza brand that we are acquiring a 33% stake in, what is the difference between its products and ours, and why have we bought it? What is the strategic plan behind tying up with them or buying the stake?

Mr. Dhiraj Bansal: It is essentially a very long-term plan. Based on my study, I may be wrong, but as a promoter, founder, and market participant, my assessment is that a single brand in India cannot generate revenue of more than 300 - 350 crore.

I have therefore already prepared for the next brand to generate around 300 - 350 crore in revenue. Over 5 - 7 years, there may be around 5 - 7 brands in my portfolio, like other listed companies that have 6 - 7 brands in their portfolios. Each brand generates 250-300 crore, and together they generate 2,000 crore of revenue.

I am following the same playbook. That is why I acquired Aflairza at an early stage, so that I can receive revenue support in the future. Its positioning is

somewhat different. They are in the premium market, whereas I am in the mass-luxury segment.

It is easy for me to sell a product below my price. If one of my foundations is priced at 1,000, I can sell it at 700 very easily. But if I want to sell it at 1,500, I will have to put in tremendous effort and I may not be able to do it. Therefore, I bought that brand because it is already positioned as a premium brand.

Mr. Sunil Kateshiya: Are there chances of new stores opening this year, and how many SKUs are we planning?

Mr. Dhiraj Bansal: We will add around 100 SKUs in H2, taking Recode to around 500 SKUs. There is a very large pipeline of new products. They have already been tested and tried by my quality control team and makeup artists. They have already liked the products and are saying that we should launch them quickly because these products are needed.

I have made the product pipeline very strong.

Mr. Sunil Kateshiya: Understood. Regarding the SKUs that we open, I understand the retail business, and in some malls there may be SKUs that are not profitable. Do we have a shutdown ratio? How many stores do we shut down in a year compared with the 100 SKUs we are opening?

Mr. Dhiraj Bansal: Are you referring to products or stores?

Mr. Sunil Kateshiya: I am referring to stores.

Mr. Dhiraj Bansal: I keep opening and shutting stores. Recently, I closed my COCO store in Mumbai because it was not generating good profit for me and its visibility was also poor.

If a store is making a loss, I may consider it as advertising for me, like a billboard costing 1.5 - 2 lakh. I may say that a store is providing advertising and brand recall. However, I closed the COCO store in Mumbai because it was not providing visibility and was also making a loss. This is part and parcel of the business and will continue.

Mr. Sunil Kateshiya: I understand the retail business. My question is that if we open 100 stores, how many of them do we shut down? I am looking for that ratio.

Mr. Dhiraj Bansal: That ratio should not be more than 10%.

Mr. Sunil Kateshiya: Understood. That is great.

Mr. Dhiraj Bansal: Yes, because I do not open stores randomly. I first built the brand in a location. I am not Pizza Hut or McDonald's, where I can open a store and people will automatically come to eat pizza or burgers.

I have to create the market first because I am a new entrant and a startup. I first have to build the market in that location and then open a store. I initially built the market through a dark store. When the dark store gains traction, I open my FOFO store there. I will open my FOFO store.

Mr. Sunil Kateshiya: Of the 100 stores you mentioned, how many will be FOFO and how many will be COCO?

Mr. Dhiraj Bansal: There are not 100 stores...

Mr. Sunil Kateshiya: I mean the 100 stores that you are going to open.

Mr. Dhiraj Bansal: All of them will be FOFO. All will be FOFO. I will focus on new product development, supply chain management, and other activities. I will not go into operations. Operations would consume too much of my team's energy.

Mr. Sunil Kateshiya: Correct. That is great. Thank you so much. That is all from my end. Thank you very much and all the best.

Mr. Dhiraj Bansal: Thank you.

Moderator: The next question is from the line of Mr. Kailash Kabra from KK Investments.

Mr. Kailash Kabra: Thank you for the opportunity. I have a few questions. My first question is related to geographical expansion. If we divide India into 4 parts North, East, South, and West…

Where is our current focus, and where are we planning to grow further?

Mr. Dhiraj Bansal: I love this question because I love Indian geography. Every 100 kilometers in India, there is a different skin tone and a different taste for everything.

In North India, I sell a nude lipstick, whereas in South India, more red and dark shades are sold. I am penetrating Chennai as well. Around Chennai, including Coimbatore, Ernakulam, and Paramkudi, and also in Telangana and Hyderabad, I am penetrating at a very strong pace. Likewise, in Maharashtra, it is easy to say that I am available in Mumbai and Pune, but I am also available in Latur, Solapur, Kolhapur, and Parbhani. My children recently told me that we are going to Pandharpur. I said that its population is very small, but they told me that there are customers there.

I am penetrating Recode PAN India across Tier 1, Tier 2, Tier 3, and Tier 4 cities. I do not focus heavily on Tier 1 because any brand can enter Tier 1. You spend and sell. However, along with Tier 1, I am building deep roots across India.

For example, in Karnataka, I am present in Mysuru and Belagavi. In Madhya Pradesh, I am present in Rewa, Satna, and Katni. I am mentioning small cities because most brands cannot reach them.

Around Nagpur, there are cities such as Gondia, Bilaspur, Raipur, and Rajnandgaon. I am covering the entire country. I am not covering only a state; I am covering a district or subdistrict.

Mr. Kailash Kabra: Understood. Please let me know whether my understanding is correct. Are we positioning ourselves as a Tier 2 and Tier 3 city brand?

Mr. Dhiraj Bansal: No, it is not like that. Demand will be generated from Tier 1. The business generated from Tier 1 will make us aspirational products for people in Tier 2 and Tier 3 because Tier 1 is using the products.

Mr. Kailash Kabra: Understood. Regarding Aflairza, what is our plan 2-3 years down the line? We have currently bought approximately 33% and are raising it to 51%. Will the brand remain Aflairza, will it remain a separate brand within our group, or what is the plan for the next 2-3 years if Aflairza is with us?

Mr. Dhiraj Bansal: Currently, the plan is for Aflairza to remain an independent brand because Recode is not yet a mature enough brand to run on its own. I also have to build Recode.

The promoters of Aflairza will be responsible for building the brand, with 51% held by Recode and 49% by themselves. It will remain a separate entity for the next 2 - 3 years. After that, I will assess whether to take Aflairza for an IPO or pursue another course after 1,000 days.

Mr. Kailash Kabra: Understood. My last question is related to fund utilization. How much of the funds have already been utilized, and what is the plan going forward?

Mr. Dhiraj Bansal: Narinder, can you explain this? I have no idea about it. Narinder?

Mr. Narinder Singh: Yes, sir.

Mr. Narinder Singh: What are you asking about fund utilization?

Mr. Kailash Kabra: How much of the funds raised in the IPO have already been utilized?

Mr. Narinder Singh: Okay. We have utilized some of it, and we currently have 3.64 crore in hand.

Mr. Kailash Kabra: The rest of the money has already been utilized?

Mr. Narinder Singh: Yes. The report has also been submitted. We used the amount allocated for working capital exactly as stated in the report.

Mr. Kailash Kabra: Understood. I will wait in the queue. Thank you.

Mr. Narinder Singh: Thank you.

Moderator: The next question is from the line of Mr. Ashish Soni from MM Capital.

Mr. Ashish Soni: From which areas will this 50% growth target be achieved this year? H1 was only 25%. I know H2 will be better because of Diwali and the wedding season, but could you explain broadly where the growth will come from?

Mr. Dhiraj Bansal: It will come from PAN India, starting from North India to South India. I conduct business every day and receive sales reports every day. Therefore, I am penetrating and generating more revenue from every part of India.

This includes Assam, Chennai, Hyderabad, Gujarat, Maharashtra, Jammu and Kashmir, Punjab, and Haryana.

The color will be the full color of the Indian flag. It will be about uniformity and unity. The business will come from the entire country.

The climate is also changing across India. Central India's climate is already favorable for us currently. Business will come from the whole country. I cannot say that only North India will perform better, or that Central, East, West, or South India will perform better. Growth will come from all corners.

Mr. Ashish Soni: What is your internal margin target? You want to spend on marketing as part of the expansion, correct? What is your internal margin target for the next 1 - 3 years? You also have to bring growth in new areas, where you said you will build inroads through dark stores. I think you also plan to spend significantly on marketing. Could you explain the plan for the next 2 - 3 years and the growth targets?

Mr. Dhiraj Bansal: The biggest pain point for any promoter or founder is maintaining margins while also growing. Generally, founders burn their pockets, pursue growth, and eventually run out of money, causing their margins to disappear.

However, the dark store model I have developed for

Recode is unique in India. My masterclass model, as seen on Shark Tank, was also unique, and this dark store model is also unique.

All other brands go through distributors, who already retain 20% - 25%. They place their products with distributors, who already have data and customers. However, after 2 - 3 years, when returns come back, the brand does not know what to do with them.

We already have several recent cases that have gone viral where brands have been unable to manage returns when they come back. They simply cannot manage them. At Recode, we specifically focus on secondary sales, not primary sales. For primary sales, I could have inventory worth 20 - 25 crore today, bill 25 crore tomorrow morning, and launch a new product because I have money in my bank. However, my focus is on secondary sales. I have to place the product in the hands of the end consumer.

As my revenue increases, I will have more room to spend. If I generate 25 crore in revenue or grow revenue further, the more my revenue increases, the more money I will have available to spend.

I am hoping, and I am already committed, that my full-year PAT and EBITDA will be maintained in line with the previous year. There may be a difference of 1% - 2% or 1 - 2 points in either direction, but it will not be a huge change.

As I said in my opening note, I will not surprise the market by allowing EBITDA to disappear.

Mr. Ashish Soni: What do you believe is a sustainable growth rate? You have established the business to some extent. Should sustainable growth come from launching new products and expanding into different geographies or channels?

In retail, the biggest challenge is that if you grow too aggressively, your margins disappear, as you also mentioned. For the next 2 - 3 years, what do you believe is a sustainable growth rate that you can comfortably achieve?

Mr. Dhiraj Bansal: In the industry I am in, it is impossible not to launch products. We have to launch products because this is color cosmetics. Every day, there is a new fashion trend in the UK or the USA, and we have to follow that path.

We have to launch new products. Our existing products remain our heroes, but in color cosmetics, we have to launch a new product every month or every 15 days. Some of the older products may become dormant.

Some products will become dormant and new ones will be introduced. This is a process and a cycle. New products come in, and older products that are no longer selling or have gone out of fashion become dormant.

Recently, over the past 2 years, holographic eyeliners were the talk of the town. A holographic eyeliner has a chameleon-like shade, but now no one in the market asks for it. People built brands around that product, but now no one asks for it.

This is the process in color cosmetics. You have to keep launching new products.

Mr. Ashish Soni: When you launch a new product, how do you assess inventory and demand? That could also result in a loss

Please take a simple example. Suppose you are going to launch a new product tomorrow. How much inventory would you keep, and how much would you spend on marketing? Could you explain the high-level thought process and how you would scale it? You said this is a major pain point, so an explanation would be helpful.

Mr. Dhiraj Bansal: The spending I have to make on the product will be 20% of my revenue. In this industry, if a product gains traction, it happens quickly. We know within the first 10 - 15 days how much potential the product we launched has.

We will launch every product well, like my child. Every product is my child, but the customer has to understand that the product is good.

This process continues. Lipsticks never go out of fashion. I currently have 10 lipstick shades; tomorrow there may be 20, then 30, 40, 50, or 60 shades. Inventory keeps increasing in this manner.

A product may cause some pain initially, during the first 45-60 days, when we do not yet know how successful it will be. If it becomes super-viral, the supply chain is established at the source and there is no problem. This is how I have operated in the past as well.

Mr. Ashish Soni: Before launching a product, do you conduct a market study to determine what should be launched, or do you only look at patterns and trends worldwide? On what basis do you launch a new product?

Mr. Dhiraj Bansal: You are referring to the same two things. We have to look at the pattern and see what is working in the world.

I have recently launched some unique products, and those unique Recode products have also gone viral. We have to follow international patterns, such as what is working in the USA and the UK.

Recently, we launched the Rose Grip Spray, which has already gone viral. We are the first brand to launch a full spray with shimmers, grip, and a dewy finish.

We have to follow international brands and also understand the taste of our own market. Recently, we launched a bullet lipstick that is non-transfer, waterproof, and smudgeproof because that was demanded by our customers.

We also take customer feedback to understand what is missing at Recode. We follow other brands, including premium and international brands, and accordingly our work and new product development continue.

Mr. Ashish Soni: All the best.

Mr. Dhiraj Bansal: Thank you. Thanks a lot.

Moderator: The next question is from the line of Mr. Gaurav Sachdeva from Sajag Capital.

Mr. Gaurav Sachdeva: Hello, sir. Do we currently have a brand ambassador?

Mr. Dhiraj Bansal: Currently, we do not have a brand ambassador, and there will be no brand ambassador for Recode for the next 2 years.

Mr. Gaurav Sachdeva: How much have we spent on dividends this year?

Mr. Dhiraj Bansal: We paid 25 paise, so I think it would be around 27 - 28 lakh...

Mr. Dhiraj Bansal: Yes, around 26 lakh.

Mr. Gaurav Sachdeva: Around 26 lakh. You have mentioned a 50% growth target for FY27. What is your aspiration for next year, FY28?

Mr. Dhiraj Bansal: I will be clearer about that number in January, but I am hoping to continue this pace because I have already hired the team.

The team I have is quite large, and the numbers show how much salary I have paid. They have only recently started paying me back, so the numbers will be very good in the coming years.

It is too early to say anything about next year. I will have greater clarity in January. Based on my pitch deck, I cannot commit now, but it will be good.

Mr. Gaurav Sachdeva: You currently have around 3.5 crore in working capital. Is that working capital sufficient for this year's growth, or will we need to undertake borrowings?

Mr. Dhiraj Bansal: Not at all. I have ample money for the future, for the next 1 - 2 years.

Mr. Gaurav Sachdeva: All right, sir. Thank you for answering my questions.

Moderator: The next question is from the line of Mr. Preet Shah.

Mr. Preet Shah: Am I audible?

Mr. Dhiraj Bansal: Yes.

Moderator: Yes, you are audible.

Mr. Preet Shah: Greetings, sir. First of all, thank you for giving me the opportunity. I have 2 questions. My first question is: why did our margins decline in H1? What was the reason for the decline in margins?

Mr. Dhiraj Bansal: I think you joined the conversation late. I have already answered this...

Mr. Preet Shah: Yes, sir.

Mr. Dhiraj Bansal: Due to the hiring of new staff for the season we are currently entering, I hired a large number of staff, so salaries and related expenses increased and suddenly shot up.

I also opened quick-commerce kiosks, which was an investment. H1 was my investment phase. H1 is already weak for my business. On top of that, I spent money, but it is paying me back in H2. That is the reason.

Mr. Preet Shah: Understood. The festive season starts in H2. How is demand currently? What kind of response are you seeing in the market during October and November?

Mr. Dhiraj Bansal: I cannot provide the number, but I am at a record high.

Mr. Preet Shah: I am not asking for the number. I am asking what the response is like. Is it good?

Mr. Dhiraj Bansal: Yes, it is more than good, more than good. I am in line with what I expected.

Mr. Preet Shah: I know you may have already answered this, but our margins were lower in H1. Therefore, to cover that in H2, we will have to increase margins considerably to return to last year's rate. Will we be able to do that?

Mr. Dhiraj Bansal: Of course. That is exactly what I am working towards. That is my job. I am sitting here for that purpose...

Mr. Preet Shah: Understood. All the best, sir. Thank you.

Mr. Dhiraj Bansal: Thank you.

Moderator: The next question is from the line of Mr. Sahil Chopra from KIFS Capital.

Mr. Sahil Chopra: Good evening, sir.

Mr. Dhiraj Bansal: Good evening.

Mr. Sahil Chopra: Based on last year's numbers, our H1 - H2 split was approximately 55% - 45%. Will this trend continue this year?

Mr. Dhiraj Bansal: The trend will be better this year. Last year, I had limitations in terms of capital. This year, I have to grow much more than the previous year's H2.

Last year, my funds were limited. This year, I have money and staff. Therefore, this time I will grow by at least 2x compared with H1.

Mr. Sahil Chopra: To achieve 50% growth, we will have to almost double the business, so we are assuming a target of 120 crore for this year. Diwali is generally a peak period, and because Diwali came in Q3, most of the business in H2 would normally come from Q3.

Will this trend continue, or will we see some slowdown after that?

Mr. Dhiraj Bansal: No, no, no. If there were a slowdown now, I would have to sit at home. We cannot have a slowdown now.

Diwali and the month of Karwa are good months for the cosmetics industry. However, for Recode, my business season starts on November 20 and continues until July because the wedding season is running from November 20 to July.

This year, the Indian Hindu wedding season is 1 month late. My main season will start on November 20.

Mr. Sahil Chopra: How have the 45 days of H2 so far been?

Mr. Dhiraj Bansal: Excellent.

Mr. Sahil Chopra: Will those 45 days help us maintain the same trajectory and reflect the 50% growth?

Mr. Dhiraj Bansal: Absolutely. All the pain we had in H1 has already occurred. In H1, the IPO money came to me, so I increased my inventory, which I had to do because the season was approaching.

I also increased my staff because I knew what I had to do in H2. Everything depends on H2. Moreover, this year's H2 will not end immediately because the wedding season continues until July.

It is extremely rare for weddings to take place in India in May, June, and July, but this year our wedding season continues until May, June, and July.

Mr. Sahil Chopra: We have also seen a sharp increase in trade receivables this year. Regarding that...

When will normalization happen? Also, there has been an addition of 8-9 crore in short-term loans and advances. Are these advances to suppliers, and what are they for? Or do they involve any inter-party transactions?

Mr. Dhiraj Bansal: All of that is advanced to suppliers. I also have advances to vendors in China and Thailand, and I have given advances to some of my vendors, on which I have also earned interest income.

What was your other question?

Mr. Sahil Chopra: When will receivables normalize?

Mr. Dhiraj Bansal: Receivables have already improved. Suppose I opened a store in Bhubaneswar, Hyderabad, Chennai, or Jammu, where I will open a store in 10 days. I have also opened stores in Jabalpur, Patna, and Ranchi.

I have to place inventory there initially. I was short of this inventory before the IPO. Why did I enter the IPO market? Because I was already a cash-generating business. Why did I go to the IPO if I already had money? I went because I lacked the capital to penetrate deep into India.

Once I received the funds, I placed inventory in every location where I saw potential. However, that inventory is not simply being given away. I am receiving my money back. I now have repeat customers, and the cycle has been established.

From the beginning of November, until November not October it was one-way traffic, and I was only supplying. However, when I supplied my dark stores, they sold onward, payments came in, and now the cycle has been completed.

Mr. Sahil Chopra: Going forward, what is our normal target for the working capital cycle in terms of days?

Mr. Dhiraj Bansal: Currently, I will not intentionally reduce it because I have to penetrate the market and compete with legacy brands.

I provide a higher margin and good-quality international products. The manufacturers are the same and are at par with those used by other international brands. Therefore, even if I wanted to, I would not reduce it. I am being flexible on this, and I do not want to reduce it now.

Mr. Sahil Chopra: Will the same number continue compared with last year?

Mr. Dhiraj Bansal: Yes, I am doing this intentionally. It does not cause me pain. I am intentionally giving leverage to my retailers so that they can sell and pay me.

Mr. Sahil Chopra: Is there a possibility that it will stretch further?

Mr. Dhiraj Bansal: It will not stretch further. It has already stretched as much as it was going to.

Mr. Sahil Chopra: Regarding the advances, how much inventory are you sourcing from India and how much from outside India? Also, what interest rate do you charge the supplier?

Mr. Dhiraj Bansal: 12%.

Mr. Sahil Chopra: 12%.

Mr. Dhiraj Bansal: I will personally send you the ratio separately. I do not have the data with me right now...

Mr. Sahil Chopra: All right, sir. Thank you and all the best.

Mr. Dhiraj Bansal: Same to you, sir.

Moderator: The next question is from the line of Mr. Ram from SNA.

Mr. Ram: Good evening. I wanted to ask about our employees. What is the current employee count, and how much has it increased over the last 6 months after the IPO?

Mr. Dhiraj Bansal: Narinder, can you please explain this?

Mr. Narinder Singh: Give me 5 minutes. I will check and tell you.

Mr. Dhiraj Bansal: Sure. I will check and tell you. In the meantime, we can take the next question.

Mr. Ram: My next question is related to the employees you said you have hired in large numbers. Will we continue hiring in the coming months or during this year, or will there be no further hiring?

Mr. Dhiraj Bansal: If it takes Narinder some time to provide the number, I can answer. We have hired around 65 - 75 employees. Going forward, we will hire only 5 - 10 more. Those will be front-line employees. The team behind them is already complete.

Mr. Ram: Employees who will generate business, in effect?

Mr. Dhiraj Bansal: Sorry?

Mr. Ram: Are most of the employees you have hired people who will increase the business?

Mr. Dhiraj Bansal: Yes. I have hired the ground force. If I hire another 5, 6, 7, 8, or 10 people, they will be top-notch employees who will generate business. I already have the people who will do the work.

Mr. Ram: What is your target for the cash or revenue generated by each employee you add?

Mr. Dhiraj Bansal: It depends on the employee. I do not want employee expenses to be 5% - 7% of revenue, but in some cases the cost is higher and in other cases it is covered.

My target for employee expenses is 5% - 7% of revenue.

Mr. Ram: That is your investment objective. How long do you expect it to take for that investment to be recovered and for the employee to begin generating additional revenue?

Mr. Dhiraj Bansal: In the season, which is the H2 I am currently in, it will take 15 days or 1 month.

However, if we look at H1, I hired employees when I entered the IPO. Due to the U.S.-Iran situation, that 3-month investment became weak, but now they are paying me back. This is part and parcel of the business.

If a good employee joins me in June or July, I will not tell him to come in October. I will hire him, but he will only pay me back in October or September.

Mr. Ram: You mean the business will be in full swing...

Mr. Dhiraj Bansal: The season is strong. Although I have operated in this difficult market, with the U.S.-Iran war and lower disposable income, which has affected all brands, I have done my best and H2 is performing well.

However, we will also hire employees in H1 going forward. I cannot tell an employee to join me only in H2, because if I find a good employee, he will find another job by then.

Mr. Ram: You are saying that some more employees will be hired during the current H2, so we should expect employee costs to increase somewhat?

Mr. Dhiraj Bansal: As I said, we have hired 65 - 70 employees, and I only need to hire another 10% of that number. I have already hired 90% of the employees.

Mr. Ram: The major portion is complete.

Mr. Dhiraj Bansal: Yes, the major portion is complete. Only a small portion remains, or may remain. However, with my current team, I do not need new hiring for H2.

Mr. Ram: So the team is sufficient for now?

Mr. Dhiraj Bansal: Yes, it is more than sufficient and more than enough.

Mr. Ram: My next question is regarding customer acquisition cost. You sell through your website, FOFO stores, COCO stores, Nykaa, and other channels. Where is the cost lowest and where is it highest for acquiring a customer?

Mr. Dhiraj Bansal: The best mode of customer acquisition, which makes Recode profitable, is my own website and app.

Through Meta ads, influencer marketing, and repeat customers which account for 40% month-on-month we acquire customers and bring them back.

Mr. Ram: You are saying that 40% return month-on-month, meaning they are returning customers?

Mr. Dhiraj Bansal: Yes, month-on-month. After that, customer acquisition cost is lowest on my main website.

The cost of acquisition is higher through Nykaa and through the shops where my beauty advisors are present. A beauty advisor stands there and allows people to try the products in MBOs, or multi-brand outlets, where 10-15 international and national brands are displayed. Customer acquisition costs are highest where we have a beauty advisor.

Mr. Ram: Where is your main focus currently? Are you focusing primarily on your website, or across all channels?

Mr. Dhiraj Bansal: It will be across all channels. It is not the case that if my team is working on the website, I tell them to stop doing something else. There are separate teams working on each channel, and they have separate targets.

Mr. Ram: You said the website generates substantial business. What is the approximate cost of acquiring a customer and what is the average order value?

Mr. Dhiraj Bansal: My AOV on the website is around 900. My average order value is 900, but customer acquisition has to be viewed on an overall basis.

Suppose I run an advertisement on Meta and land a client on my website, but the same product may also be sold on Amazon, Flipkart, Myntra, and Nykaa. Therefore, it is undefined, and I cannot determine the ROAS for each individual channel.

For the last 4 - 5 years, whenever I have made pitches, I have been asked what my CAC, or customer acquisition cost, is. I simply say that my CAC is 20% of my revenue.

Mr. Ram: So that includes the website, Nykaa, Amazon, Flipkart, Myntra, and offline stores?

Mr. Dhiraj Bansal: Collectively, it is 20%.

Mr. Ram: Understood. You have many SKUs. Within those SKUs, which products generate the most cash or revenue?

Mr. Dhiraj Bansal: In terms of revenue, I am in color cosmetics, and everything is focused on the face and eyes.

For example, I have 60 eye products. 10 of them are viral, and the other 50 are performing well. Similarly, in the face category, 50 products are performing well and the others are average.

This is how it works for any brand, not only Recode. Consider Huda Beauty, Rare Beauty, Smashbox, Nars, or ELF, which is a U.S. brand. All brands work this way. Some products are the heroes, followed by Tier A, B, and C products.

Mr. Ram: So there is no single specific product. It is common across the board. It is not that one product generates significantly more and some generate very little.

Mr. Dhiraj Bansal: From day one, I have not adopted the fundamentals of making the company dependent on a single SKU.

If I am dependent on a single SKU or 5 SKUs. If I had to compete with other brands on the basis of those 5 SKUs, I would go crazy. I am working on 50 - 100 SKUs, so it is easy for me to counter any other brand.

Mr. Ram: As you mentioned, you have to launch new products continuously. Do you also have to discontinue old SKUs? Once you discontinue production of an SKU, can it ever be reintroduced, or is it permanently abandoned?

Mr. Dhiraj Bansal: We abandon products only after considerable thought. 3 - 4 years ago, I discontinued a lipstick and later relaunched it, but then discontinued it again. That is extremely rare.

If a brand abandons a product, it does so after careful consideration. If I abandon a product and then relaunch it, that would mean my study was wrong.

Mr. Ram: So once a product is discontinued, there is a very low chance that it will return?

Mr. Dhiraj Bansal: There is a 99.99% chance that it will remain dormant.

Mr. Ram: It will remain dormant. What happens to the inventory left with you?

Mr. Dhiraj Bansal: Recode does not have leftover inventory. I conduct masterclasses, so I include those products in gift packs because I have confidence in their quality. I give them away as gifts. Recode has zero expiry.

Mr. Ram: So it is consumed or given away as a gift?

Mr. Dhiraj Bansal: Yes, it is given away as a gift.

Mr. Ram: Do we manufacture any of the SKUs ourselves, or are all of them manufactured by third parties?

Mr. Dhiraj Bansal: I follow an asset-light model. I do not manufacture anything, and I do not intend to manufacture anything in the future.

Mr. Ram: So will you continue with the asset-light model?

Mr. Dhiraj Bansal: I will focus on my brand, not on manufacturing.

Mr. Ram: Understood.

Mr. Dhiraj Bansal: I am focused simply on Recode, the brand. I am focused only on building the brand.

Mr. Ram: Of the products we source, what percentage is from India and what percentage comes from outside India? If products come from outside India, could you provide a geographic split?

Mr. Dhiraj Bansal: This question was also asked earlier. I do not have that data with me at present. I will keep it ready next time. We will send you the data on imports versus products made in India separately.

Mr. Ram: All right.

Mr. Dhiraj Bansal: This data is not currently ready with me.

Mr. Ram: Regarding the difference in quality, for products that we import, will you eventually source them from India, or are the chances low because they cannot be made here at the same quality?

Mr. Dhiraj Bansal: I will never change an imported product and try to have it made in India. This is color cosmetics. First of all, it is impossible for a brand to match the color 100%.

For example, if my shade is Zero-Two Indrapastha and my manufacturer is making Zero-Two Indrapastha, the entire world could try, but no one would be able to match the same color exactly. If we tried to match it, the cost would become very high.

Therefore, a product will continue to be manufactured where it is currently being made. If a product is imported, it will remain imported and will not be made in India.

Mr. Ram: You mentioned that you run advertisements. Do you mainly advertise on Facebook and Instagram, or do you also spend on Google Ads? Could you provide a split for the website?

Mr. Dhiraj Bansal: I have the full split. I spend 99.95%, or 99.5%, on Meta and 0.5% on Google.

A color cosmetics brand does not work on Google. No one is going to search for “best lipstick in India.” People may search for the best price of an iPhone or where to buy a shirt, but no one will search for lipstick.

If someone wants to buy lipstick from Sugar, Colorbar, Renee, Recode, Huda Beauty, or ELF, they have to go to the brand's website. The customer already arrives with an intention to buy.

You cannot sell this type of product by displaying it through Google. Four or 5 companies have approached me saying that they would place my lipstick at the top of ChatGPT. I told them that I would not place my product on ChatGPT and would not burn money on ChatGPT.

Mr. Ram: That is why you have not tried it. Going forward, will you continue focusing on the channels that are already working?

Mr. Dhiraj Bansal: My product does not work there at all. The type of product I sell, and my addressable market, are not on Google or ChatGPT. Who is going to search for “best red lipstick in India”?

Mr. Ram: Understood. Those were my questions. Thank you for your time, and have a good day.

Mr. Dhiraj Bansal: Same to you.

Moderator: The last question is from the line of Mr. Lalaram Singh from Sabre Edge.

Mr. Lalaram Singh: Good evening, Dheeraj. I am not sure who is speaking, but thank you. I was reading about the promoters and your family's historical business, which was apparently in the manufacturing of bicycle parts. I wanted to understand how we entered this business and what the motivation was.

Also, what skills are required to operate this business effectively, and how were those skills acquired?

Mr. Dhiraj Bansal: What was your question? What did you want to know?

Mr. Lalaram Singh: Basically, I was asking about the promoter's background...

Mr. Dhiraj Bansal: I understand that part. What was the last part of your question?

Mr. Lalaram Singh: The skills required for this business are quite different from those required in your historical business. I wanted to understand how you made the leap into this business.

Mr. Dhiraj Bansal: I have been in this business for 8 years. I have been in this business since 2018.

This business was started with my co-founder, Mr. Rahul Sachdeva. He was the COO of the company until 6 - 7 months ago. I have been in this business for 8 years, so I know every aspect of it.

My daughter and son have also joined the business. My daughter is the CMO of the company and my son is the COO. They are from Generation Z. They understand the tastes and color schemes of Generation Z and know how to design packaging for them.

It is a combination of different strengths. We are a very good team here. We understand what every customer likes, what Generation Z likes, and what older women like.

A 44-year-old customer and a 24-year-old customer have different tastes, colors, and product requirements. We understand what is needed for each of them.

Mr. Lalaram Singh: Your approach to the business is quite different from that of your competitors, and it was enjoyable to hear. Could you summarize the 3 - 5 most important things in this business, the approach you have taken compared with the competition, what you have done differently, and why?

Mr. Dhiraj Bansal: I opened my heart on national television during Shark Tank 3 years ago, but no brand has copied that model to date.

When I was generating revenue of around 22 crore and

was funded by venture capital, I had raised an angel round. At that time, people asked me what I would do if another brand entered the market.

This same question is being raised again. If no one has been able to do it until now, no one will be able to do it. It requires pain. This is work, and you have to work hard at it.

You cannot sit on the 11th floor of a skyscraper, drink 3-4 cups of coffee a day, and expect to succeed. You have to keep your feet on the ground. There is a great deal of fieldwork in this business. Through fieldwork and hard work, my team acquires customers and gives demonstrations. We follow an MR model, similar to medical representatives who visit doctors and say, “Take my paracetamol; it is better than Dolo.”

In the same way, my team visits customers and says, “Leave the international brands. Our product is better than the major brands from the USA, the UK, or France. Try it, compare it, check the smudge, check the coverage, and see whether it is waterproof.”

My team works very hard. That is how we acquire customers, and that is a different model for me. We operate this model differently, and we will continue operating it this way.

Although I have acquired many customers, there are around 3 - 3.2 million weddings in India every year. Around 5.5 - 7 million, or 7.5 million, children take their Class 10 or Class 12 examinations. India is growing every day, so we have to conduct our children's masterclasses every day. That is our main moat.

Mr. Lalaram Singh: Amazing, sir. I enjoyed that. All the best.

Mr. Dhiraj Bansal: Thank you, sir. Thank you.

Moderator: I think we are done with all the questions. Dheeraj, I would request you to give your closing remarks.

Mr. Dhiraj Bansal: In my closing remarks, I would like to thank all the investors for their trust and faith in Recode. I am doing my best and taking the full pain to deliver what I have committed to the investors.

Moderator: Thank you very much. Thank you, everyone, for joining the call. If participants have any other questions, they can reach out to Moonwalk Capital. Thank you, everyone.

Mr. Dhiraj Bansal: Thank you.

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