

PHOOL VISIT

February 2025

Alquity



In January 2025, Suresh Mistry, Head of Sustainability, visited Phool to catch up with the Phool team on developments in the business over the past year, as well as to conduct another consumer panel with the flowercycling team. Please find below his report following the visit.

BACKGROUND

Phool was selected as one of the **Transforming Lives Awards** winners back in 2019. Initially, the Alquity Transforming Lives Foundation provided a loan to help the business grow, which has now been converted into an equity stake. Phool was selected for its groundbreaking business model, **recycling temple flowers into environmentally friendly incense products. Phool employs mainly women from disadvantaged backgrounds,** providing them with stable employment and opportunities for training and development.



Phool (named after Hindi for 'flower'), is a social impact business founded in 2017

BUSINESS UPDATE

During Suresh's visit, he met with the senior management team and discussed how the business had developed over the previous 12 months.

Phool has continued its rapid expansion, adding new facilities across Uttar Pradesh and Bihar. They now have a total of 14 units, including four in Kanpur, two in Ayodhya, three in Bihar, and two in Varanasi. The key challenges they have faced include managing growth and scaling operations while protecting their proprietary processes and formulas. As they expand into new regions, they have had to navigate complex relationships with government authorities and temple organizations to secure supply chains.

On the product side, Phool has made significant progress with its bio-leather project. After overcoming initial challenges with tensile strength, they have refined their solid-state fermentation process and can now produce sheets of bio-leather up to 4x4 feet in size. They are preparing to send samples and test reports on tensile strength **to potential brand partners like Tommy Hilfiger.** They have very high hopes that this will be the **primary growth driver for the business** in the coming years.

In terms of sales, Phool expects to achieve around **95% year-over-year growth** in 2025. Their focus has been on expanding their online direct-to-consumer channel, where they received 75,000 orders for Diwali gift boxes, but could only fulfill around 25,000-30,000 due to capacity constraints. They have also seen surging B2B demand, with **orders from corporates like Tata Consulting Services** and others. **The company has grown its workforce from 220 employees 20 months ago to over 400 currently.** However, recruiting skilled talent in Kanpur remains a challenge, as the city is seen more as an industrial hub rather than an attractive destination.

Financially, Phool is expecting to achieve EBITDA profitability for the first time this year. Overall, **Phool continues to demonstrate impressive growth and innovation**, while navigating the challenges that come with scaling a purpose-driven business in India.



CONSUMER PANEL WITH THE FLOWERCYCLING TEAM

Suresh took the opportunity to visit the Phool operations and conduct a consumer panel with a team of Flowercyclers. This is now the **fourth consecutive year that we have met with this group to discuss their views on the economy and its impact on their daily lives.** Based on the discussion, the key messages that emerged were:

1) Optimism about the future and economic progress

- The workers expressed a generally positive outlook on the changes they have seen in their lives and the country over the past year.
- They highlighted improvements in infrastructure, access to basic amenities even in rural areas, and increased opportunities for the next generation.

2) Resilience in managing daily expenses

- Despite some inflationary pressures, such as higher bus fares and mobile data costs, the workers seem to be managing their daily expenses reasonably well.
- They benefit from government subsidies for utilities, which have increased compared to the previous year.

3) Aspirations for the next generation

- The workers shared both concerns and hopes for their children's future, particularly regarding education and opportunities.
- They see the improvements in infrastructure and access to amenities as positive signs for their children's prospects.

KEY TAKEAWAYS

The business continues to go from strength to strength, and the energy and commitment shown by all the staff are truly inspiring. The breakthrough in producing bio-leather is critical, as this could provide a significant growth opportunity and reward the team for their ingenuity and hard work in developing the product. Despite facing growth challenges, Suresh left the facilities **feeling even more confident about Phool's future.**



THANK YOU!

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FOR MORE INFORMATION ON ALQUITY, PLEASE CONTACT

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