IPO Note

October 30 2023

Honasa Consumer Limited

HDFC securities
Click. Invest. Grow.
20 YEARS

Issue Snapshot:

Issue Open: October 31 – November 02, 2023

Price Band: Rs. 308 –324 (Discount of Rs 30 for all eligible employee)

*Issue Size: 52,513,594 eq sh (Fresh Issue of Rs 365 cr + Offer for sale of 41,248,162 eq sh including employee reservation of Rs.1 cr)

Reservation for:

QIB	atleast	75% eq sh
Non-Institutional	upto	15% eq sh
((including 1/3rd for applications between Rs.2 lakhs to Rs.10 lakhs))		
Retail	upto	10% eq sh

Face Value: Rs 10

Book value: Rs 20.29 (June 30, 2023)

Bid size: - 46 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	310.48 cr
*Post issue Equity:	Rs.	321.74 cr

Listing: BSE & NSE

Book Running Lead Managers: Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited, JM Financial Limited, J.P. Morgan India Private Limited

Sponsor Bank: HDFC Bank Ltd & ICICI Bank Ltd

Registrar to issue: KFin Technologies Limited

Shareholding Pattern

Shareholding Pattern	**Pre issue %**	**Post issue %**
Promoter and Promoter Group	37.41	35.34
Public & Employees	62.59	64.66
Total	100.0	100.0

*=assuming issue subscribed at higher band

Source for this Note: RHP

Background & Operations:

Honasa Consumer Limited (HCL) is the largest digital-first beauty and personal care ("BPC") company3 in India in terms of revenue from operations for the Financial Year 2023. Since its inception, it has worked with the primary objective of developing products that address beauty and personal care problems faced by consumers. For instance, its flagship brand, Mamaearth, is built to service a core customer need for safe-to-use, natural products, and focuses on developing toxin-free beauty products (as defined below) made with natural ingredients. Since launching Mamaearth in 2016, it has added five new brands to its portfolio, namely The Derma Co., Aqualogica, Ayuga, BBlunt and Dr. Sheth's, and have built a 'House of Brands' architecture. As of June 30, 2023, its portfolio of brands with differentiated value propositions includes products in the baby care, face care, body care, hair care, color cosmetics and fragrances segments.

HCL's success with Mamaearth and its ability to identify and cater to emerging trends has enabled it to develop repeatable brand building playbooks that has helped in scaling its newer brands at a fast pace. These playbooks are powered by its consumer centric approach across various aspects of its business model, including its innovation engine, its digital-first omni-channel distribution, and its technology and data-driven marketing and consumer engagement model. Additionally, the Company continuously seeks to connect better with its consumers and strengthen its brand equity by building 'purpose driven' brands that are associated with environmental and social impact causes.

- HCL focus on building thoughtfully designed and purpose driven brands has helped cultivate trust, brand resonance and affinity amongst its consumers and has enabled it to grow its business, as demonstrated by the following:

- It has grown its revenue from operations at a CAGR of 80.14% between Financial Years 2021 and 2023 (from ₹4,599.90 million in Financial Year 2021 to ₹14,927.48 million in Financial Year 2023.

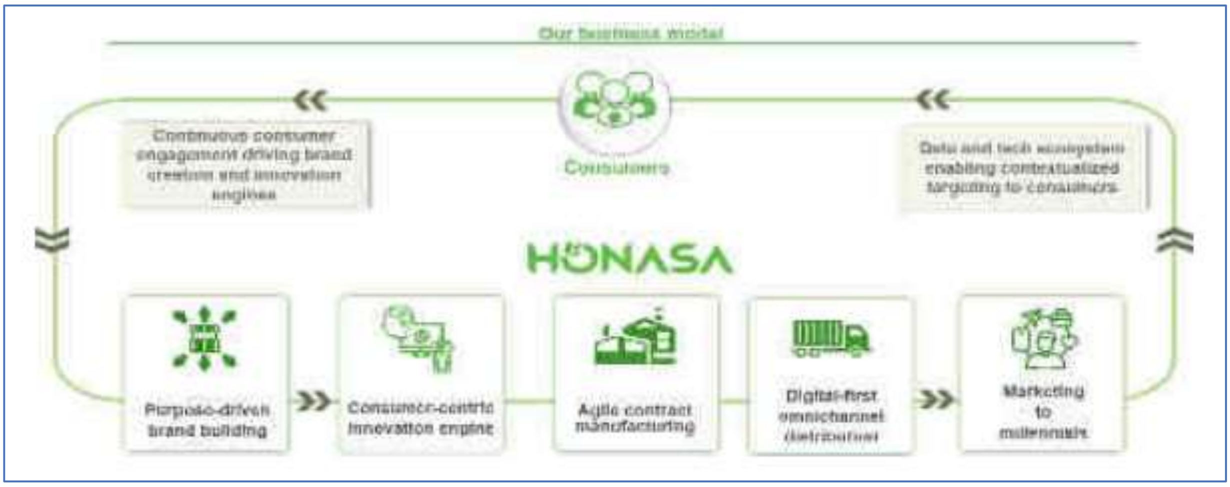
- The Company is the largest company in the DTC BPC market in India in terms of revenue generated from the DTC channel in Financial Year 2023 (Source: RedSeer Report). During Financial Year 2021, 2022, 2023 and the three months' period ended June 30, 2022 and June 30, 2023, 38.51%, 43.15%, 56.90%, 52.65% and 63.20% of its revenue from operations from this channel (for Mamaearth brand) was attributable to existing customers, respectively.

- HCL had a market share (in terms of gross merchandise value) aggregating to approximately 5.4% (₹13,300 million) of the online BPC market (i.e. DTC and e-commerce) (₹248,000 million) in India in calendar year 2022, a market share (in terms of gross merchandise value) of 1.5% of the total BPC market (₹23,200 million) for calendar year 2022 and a market share (in terms of gross merchandise value) aggregating to approximately 28.9% (₹5,500 million) in the DTC BPC market (₹19,000 million) in calendar year 2022.

- Mamaearth was India's most-searched BPC brand on Google Trends between January 2020 and June 2023

- Mamaearth was ranked amongst the top three in terms of awareness in the grooming category on Flipkart between May 2021 and July 2023

The Company's success is driven by its differentiated business model that is built upon principles of consumer centricity, agility, and technology, as depicted in the graphic below:



HCL has developed a range of tools and capabilities that enables it to engage with its consumers and generate insights into new and emerging trends in the BPC market in India. Its consumer insights-led product innovation engine is an integral part of its business model and helps it conceptualize and develop new brand concepts, new products and new product ranges. It makes its products available to its customers through omni-channel distribution networks across both online and offline touchpoints. It strategically leverages its presence on online channels (both DTC platforms and e-commerce marketplaces) during the early stages of a brand or products lifecycle to generate trials amongst early adopters, engage with consumers directly and test for product market fit.

Objects of Issue:

The Offer comprises the Fresh Issue and an Offer for Sale.

Offer for Sale

Each Selling Shareholder shall be entitled to its respective portion of the proceeds of the Offer for Sale, net of their proportion of Offer-related expenses and the relevant taxes thereon. The Company will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the Net Proceeds.

Fresh Issue

HCL propose to utilise the Net Proceeds towards funding the following objects:

- Advertisement expenses towards enhancing the awareness and visibility of brands.
- Capital expenditure to be incurred by the Company for setting up new EBOs;
- Investment in Subsidiary, Bhabani Blunt Hairdressing Private Limited ("BBlunt") for setting up new salons; and
- General corporate purposes and unidentified inorganic acquisition.

Utilisation of Net Proceeds

Particulars (In Rs million)	Amount
Advertisement expenses towards enhancing the awareness and visibility of brands.	1,820.00
Capital expenditure to be incurred by the Company for setting up new EBOs;	206.00
Investment in Subsidiary, Bhabani Blunt Hairdressing Private Limited ("BBlunt") for setting up new salons; and	260.00
General corporate purposes	*
Total	*

Competitive Strengths

Brand building capabilities and repeatable playbooks: Millennials in India are becoming increasingly conscious of their beauty and personal care needs and the brands they consume. Moreover, they are also more acutely oriented towards new-age innovations that cater to their specific needs and preferences, as compared to mass market propositions that cater to more mainstream or functional need spaces. Keeping with its customer centric approach, HCL has responded to this changing consumer dynamic and has introduced new BPC brands and products in its portfolio over the last seven years. During Financial Years 2021, 2022 and 2023, the three months' period ended June 30, 2022 and June 30, 2023, 38.51%, 43.15%, 56.90%, 52.65% and 63.20% of its revenue from operations generated from the DTC channel (for its Mamaearth brand) was attributable to existing customers, respectively. It launched at least 5.7 times the number of new products / SKUs than the BPC industry median in Financial Year 2023. This ability to successfully introduce new innovations and conceptualise and build new brands has been and will continue to be critical to its success. Its flagship brand, Mamaearth has emerged as the fastest growing BPC brand in India to reach an annual revenue of ₹10 billion (in the preceding 12 months) within six years of launch and was India's largest digital-first BPC brand in terms of revenue in Financial Year 2023. In a short period of time since its launch in 2016, Mamaearth became India's most searched BPC brand on Google Trends between January 2020 and June 2023.

HCL experience and success with Mamaearth helped it develop a brand building playbook that enables it to replicate its success with Mamaearth across newer brands. These playbooks extend from its innovation engine to its distribution strategy to its marketing and customer engagement capabilities. Leveraging these playbooks, it has demonstrated a track record of introducing new brands to the market.

HCL has set up a dedicated in-house start-up team called "Brand Factory" that closely works with its founders and is responsible for end-to-end ideation, incubation and execution of new brands. This team primarily comprises senior employees who leverage its brand building playbooks to scale new brands in the early stages of their lifecycle. The team actively identifies opportunities to optimize operations for the new brands by capitalizing on synergies from its House of Brands architecture. This model gives it a competitive advantage over both incumbents and digital-first companies in the BPC market across two key aspects:

- Ability to acquire new customers and increase share of wallet from existing customers
- Ability to launch new brands at low costs

Consumer-centric product innovation: Product innovation powered by HCL continuous consumer listening and engagement model is a key strength of its business. Over the last seven years, it has built multiple tools and capabilities that aims to capture insights into consumer needs and identify whitespaces and consumer trends faster. A summary of key innovation tools is mentioned below:

Social Listening: HCL's in-house social listening and tracking platform enables it to proactively capture consumer sentiments and identify emerging trends and propositions both in India and globally.

Online Competitive Intelligence: Its in-house market research and competitive intelligence platform for e-commerce, enables it to track market share movements across a number of BPC sub-categories and a long range of ingredient spaces and price points. Leveraging this tool, it is able to identify growing BPC sub-categories, ingredients, value propositions and price points that are gaining traction with consumers.

User Conversational Research (UCR): HCL's two-way consumer engagement digital platform, UCR, enables it to directly converse with users through quick surveys and polls launched on its own brand websites and apps. It gives the flexibility to conduct iterative research across all phases of a new product development lifecycle including identification of new product concepts, defining the right formulation and packaging, and developing the right positioning and messaging for each launch.

All new products are designed and developed by HCL in-house innovation team of 47 members, as on June 30, 2023, led by its co-founder and Chief Innovation Officer, Ghazal Alagh. It has dedicated innovation centres in Gurugram and Thane to develop new formulations and propositions in line with consumer insights. It also engages with large third-party ingredient suppliers to identify emerging innovations and co-create new products. For manufacturing, it has set up an asset-light model enabled with contract manufacturing. Its innovation and manufacturing ecosystem has helped it reduce time to launch new products and has resulted in new SKUs (across all its brands) and new products (across all its brands) in the BPC market in India.

Digital-first omnichannel distribution: HCL's omnichannel network allows it to be present across various touchpoints and serves its consumers wherever they shop. It has established scale across both online and offline channels and recorded the highest revenue from offline channels among digital-first BPC companies in India in Financial Year 2023. It has adopted a digital-first approach to its distribution strategy wherein it first incubates new brands on its online channel, and then selectively introduce them in the offline channel. The strategic role of each of its online channel and offline channel during a brand's life cycle is elaborated below:

Online channel
HCL's new to early-stage brands are incubated in its online channel with the key objective of acquiring new users and generating trials amongst early adopters of these brands. It leverages the online channel to (i) test product market fit by capturing early feedback from consumers on brand proposition, positioning, packaging and performance; (ii) capture valuable consumer insights across purchase behaviour, product preferences, and need-spaces; and (iii) generate customer affinity by providing a personalized and engaging brand experience for consumers.

Offline channel
HCL's offline channel is leveraged to (i) increase consumer reach by making products accessible to a larger consumer base; (ii) improve profitability for the brand given that the sale of BPC products through offline channels tends to be more profitable as compared to

online channels (Source: RedSeer Report); and (iii) improve brand image through specialized offline formats such as exclusive brand outlets (EBOs) and professional salons where it seeks to deliver a more personalized experience to its consumers. Moreover, recommendations from beauty advisors or trained stylists at such outlets and salons contribute towards building trust amongst consumers.

Data-driven contextualized marketing: HCL has adopted a marketing model through which it activates consumer engagement initiatives across multiple media platforms and channels. With a combination of digital and traditional marketing, it delivers a consistent narrative about its brands and their proposition across all touch points relevant for its consumers. Through these initiatives, it aims to target consumers across the entire marketing funnel from creating awareness to driving consideration and conversion for its brands. The Compnay's marketing capabilities are reflected in its content-community-commerce framework that enables it to deploy contextualized data-led marketing to its consumers. It has leveraged its extensive data libraries to segment consumers into micro-cohorts to drive contextualized nano targeting and engagement. This has led to better consumer engagement, larger conversion funnels and transactions that further strengthens its data capabilities, creating a flywheel effect. Its consumer engagement and marketing capabilities have translated into a strong retention funnel for its Mamaearth brand with 38.51%, 43.15%, 56.90%, 52.65% and 63.20% of its revenue from operations for its Mamaearth brand from the DTC channel being attributable to existing customers during Financial Year 2021, 2022 and 2023, and the three months period ended June 30, 2022 and June 30, 2023, respectively.

Ability to drive growth and profitability in a capital efficient manner: HCL is the largest digital-first BPC company in India in terms of revenue from operations for the Financial Year 2023. It has grown its revenue from operations at a CAGR of 80.14% between Financial Years 2021 and 2023 (from ₹4,599.90 million in Financial Year 2021 to ₹14,927.48 million in Financial Year 2023. Moreover, its growth has been driven by increase in volumes. For the Financial Years 2021, 2022 and 2023, and the three months period ended June 30, 2022 and June 30, 2023. While it continues to focus on growing the business, it is focused on driving profitable unit economics. This has translated into an efficient business model and ranked third amongst digital-first BPC companies in India in terms of gross profit margins in Financial Year 2022. HCL has strategically built an asset-light scalable business model by developing in-house capabilities for strategic functions such as technology, product innovation and marketing while outsourcing other operations such as manufacturing.

Founder-led company with a strong professional management: HCL's organization is led by its visionary founders, Varun Alagh (CEO) and Ghazal Alagh (CIO). Ghazal has been associated with the Company as a promoter and director since September 16, 2016. Together, their knowledge and understanding of the consumer packaged goods and BPC products space in India has been instrumental in developing and growing the business. HCL's founders are complemented by a professional leadership team with a combined experience of over 100 years across consumer packaged goods, e-commerce and DTC companies in India. This team is governed and advised by a board of directors comprising of reputed individuals with extensive experience in consumer businesses. Additionally, it has been funded by marquee investors such as Peak XV VI, Stellaris, Sofina, Evolvence India Fund III Ltd, Evolvence India Coinvest PCC, invested through its Cell E and Fireside Ventures Fund, who continue to guide it on strategic initiatives.

Business Strategy:

Expand distribution and brand awareness: HCL has built a large base of consumers across its brands and aims to continuously acquire new users to drive growth. It intends to continue to invest in innovative brand building and performance marketing initiatives to drive awareness and generate trials for its brands. It intends to focus on deploying a holistic marketing strategy across digital, social, and traditional platforms and actively leverage its differentiated content, community, and commerce flywheels to improve its reach and drive effective engagement to acquire new consumers. Moreover, to support its offline expansion plans, it intends to differentially focus on other modes of advertising, including television advertising, to reach and target a larger consumer base. HCL intends to focus on increasing sales from these outlets in the medium term by developing relevant consumer and retailer loyalty and engagement programs. Additionally, it intends to continue expanding its store footprint with a focus on adding new high-value retail outlets across both existing and new cities and towns in India.

Incubate or acquire new engines of growth:

- Launch new brands and continue to drive product innovations across existing brands: HCL intends to incubate or acquire new brands across new value propositions and price points. It intends to continuously leverage its House of Brands architecture and brand launch playbooks to derive both revenue and cost synergies for the new brands.

- Develop new channels and strengthen omni-channel strategy: Expand EBO footprint: HCL intends to open new Mamaearth EBOs across a mix of mall stores and high-street outlets in India. It intends to leverage this channel to curate a richer brand experience for its consumers and deepen engagement with them in the offline retail environment. It also intends to use its EBO channel to further develop strategic categories such as color cosmetics that require a more personalized service and experience to facilitate purchase conversion. Going forward, it intends to expand its salon footprint and build on these positive synergies for its products business.

- Selectively expand into new markets: While India is and will continue to be focus market in the medium term, HCL intend to opportunistically expand its presence in identified priority markets such as the United Arab Emirates, Nepal, and Bangladesh, both organically and through strategic acquisitions.

Strengthen business efficiency drivers:

- Optimize channel mix for flagship brand, Mamaearth: In line with HCL's distribution strategy, it intends to continue driving growth for its flagship brand, Mamaearth, in the offline channel. Going forward, it intends to continue to grow its share of business from the offline channel. Given that the sale of BPC products through offline channels tends to be more profitable as compared to online channels expansion into offline channels will help improve the overall margin profile of its business.

- Drive scale benefits from core business: As business scales, HCL intends to proactively work towards deriving further benefits of economies of scale across all aspects of its business model, including procurement and manufacturing, supply chain and distribution, advertising and promotional expenses, and operating expenses.

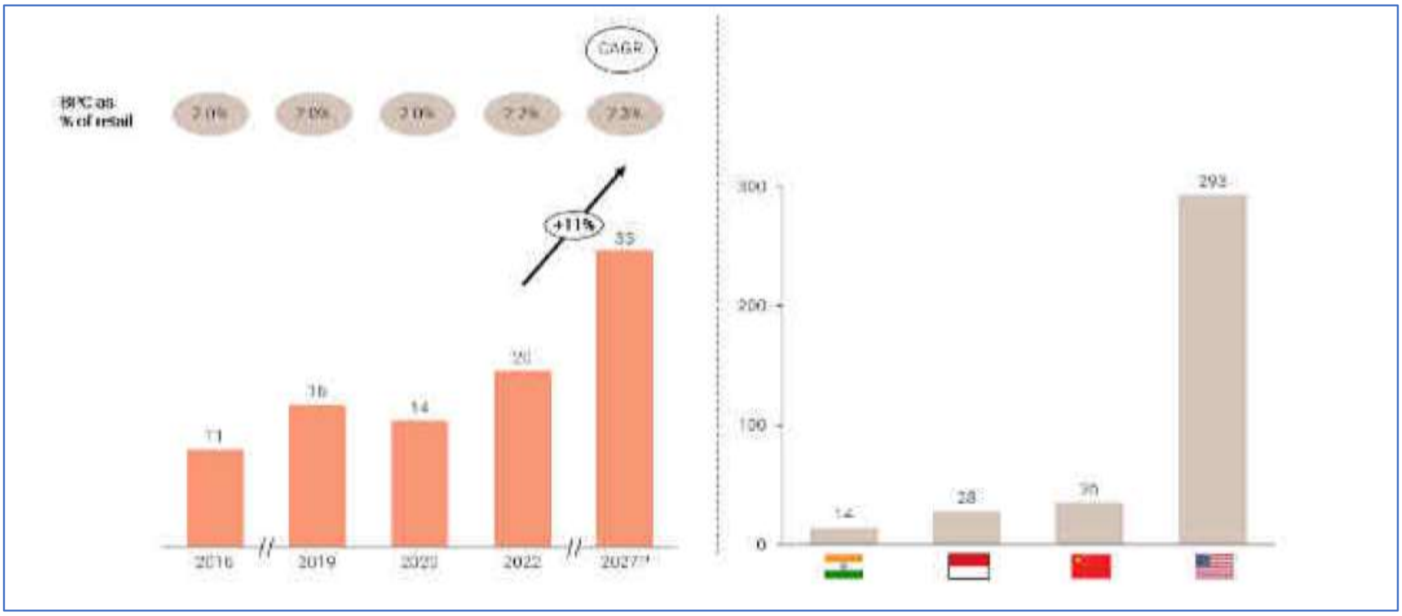
- Strengthen technology and data capabilities to drive business efficiencies: The Company intends to continue to invest in its technology and data capabilities to drive business efficiencies, stay connected with its consumers and strengthen cross-brand, cross-functional synergies. It intends to further refine its personalization engine to deliver a more tailored, contextualized experience to its users, deepen brand connect and drive consumer retention and repeat. Further, it intends to actively leverage its House of Brands architecture to identify opportunities to improve cross-brand targeting and thereby reduce cost of acquisition for newer brands and increase customer lifetime value at a company level.

Industry:

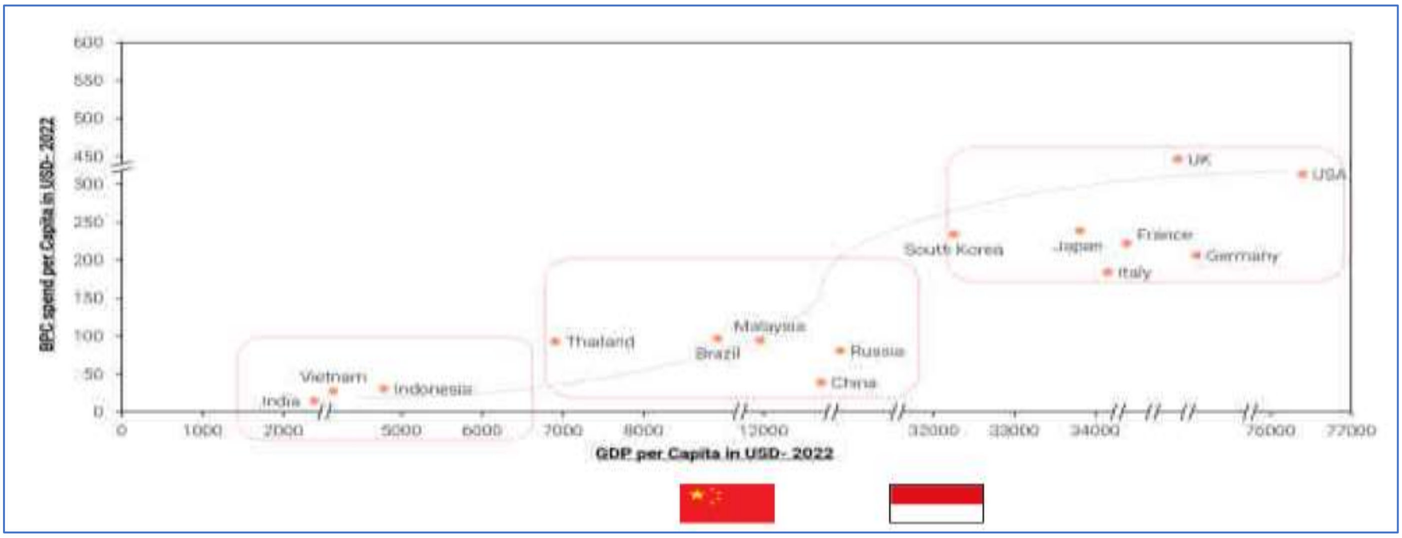
Beauty and Personal Care in India

Beauty and Personal Care in India is an approximately US$20 billion market, and expected to grow at 11% annually to be approximately US$33 billion by 2027

Sized US$20 billion, BPC in India is a large market (6th largest in the world). BPC is significantly underpenetrated in India. Traditionally, Indian households have spent lesser on BPC in comparison to other countries. For instance, in 2022, BPC spends per capita in China were around 3 times of that in India. Even compared to relatively smaller economy like Indonesia, India's per capita BPC spends are lower, indicating massive growth headroom.



The BPC products market in India is undergoing a fundamental re-industrialization owing to the convergence of technology, demographic dividend, and growing consumer aspirations. BPC is expected to grow faster than categories like food, grocery and consumer electronics. This makes BPC one of the most attractive retail categories in terms of growth. India's per capita spend on BPC products is currently one of the lowest in comparison to some of the other developing countries and is at the cusp of growth as GDP per capita has crossed $2,000, which is a critical inflection point as observed in other developing economies.

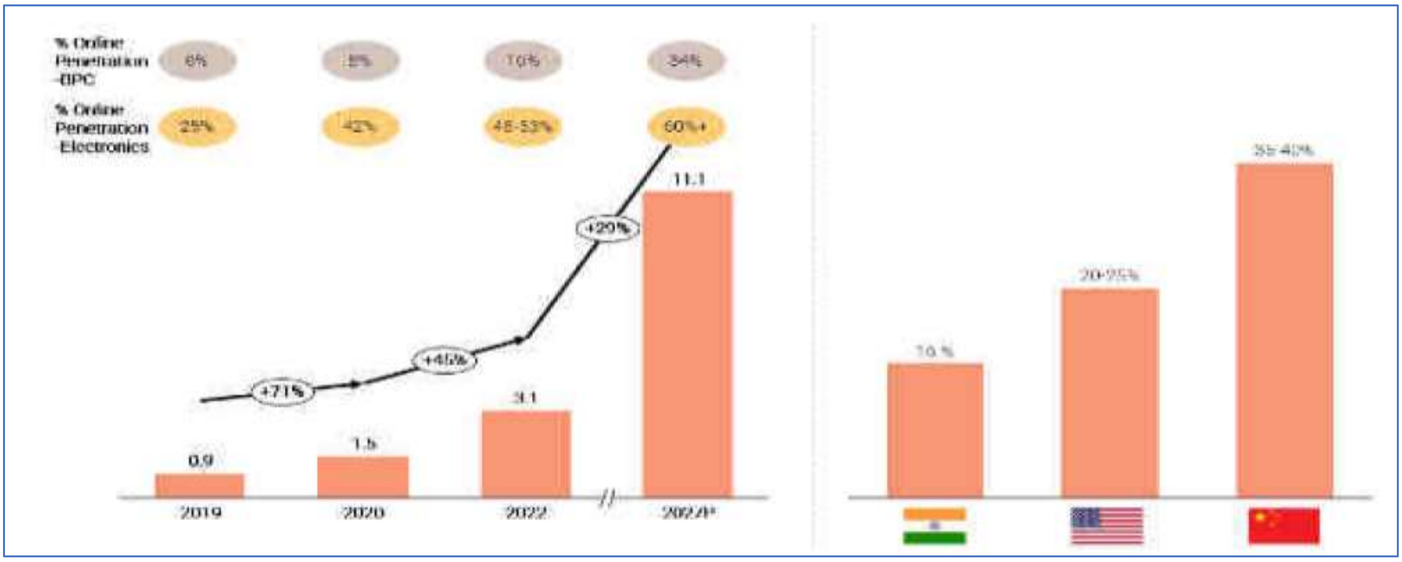


BPC channel segmentation

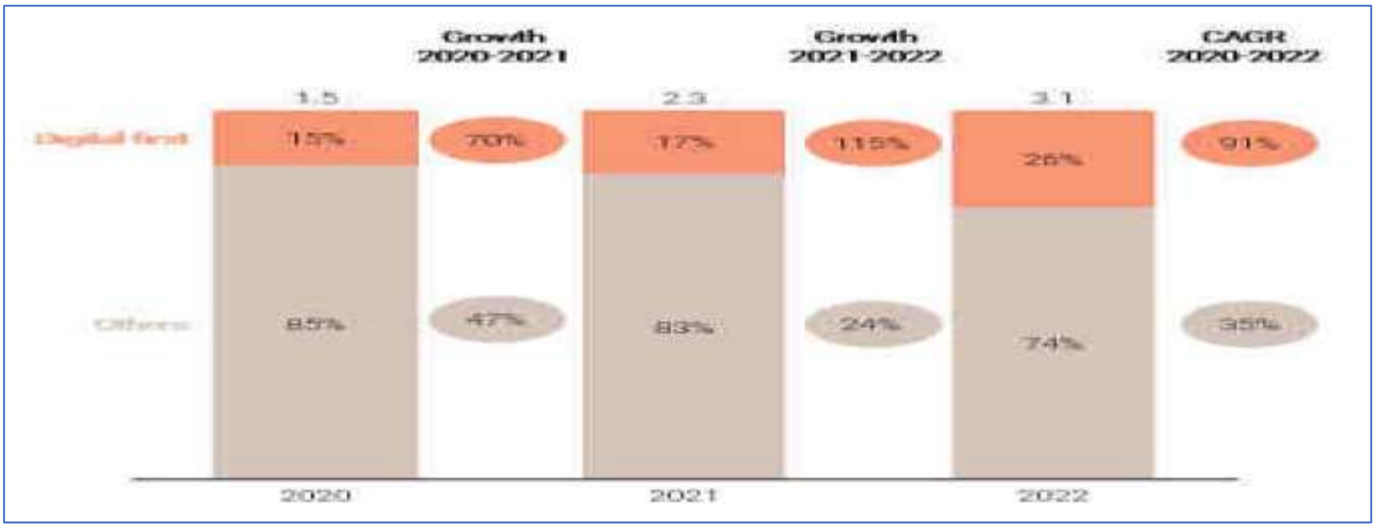
The offline channel, which consists of unorganised channels such as general trade, and organised channels such as modern trade and salons, contributed to 84% of the BPC products market in India in 2022 in terms of revenues. Therefore, offline is the largest BPC channel. Also, due to lower customer acquisition costs, sale of BPC products through offline channels tends to be more profitable as compared to online channels. Within offline, the organised channels are growing much faster than unorganised (general trade). However, online is the fastest growing BPC channel. Online has two types of channels – online marketplaces like the horizontal eTailing portals, beautyfocussed vertical marketplaces and DTC– own digital platforms of branded players. The online marketplaces channel is expected to grow at around 25% annually between 2022 and 2027. And DTC is expected to grow at more than 45% annually between 2022-27.

BPC sales in the online channel is nascent and is growing much faster than the broader BPC market. COVID further accelerated its adoption by encouraging trials, while superior consumer experience provided by online players has boosted consumer confidence, driving retention. On the supply side, online is attractive for players as it entails lower cost, infinite shelf space and instantaneous access to actionable data, to note a few of the efficiencies. As a result, even as offline channels witnessed degrowth post COVID (between 2019 and 2021), online channel grew approximately 60% annually in the same period. Online channel accounted for 2% of the India's BPC market in 2016 and grew rapidly to account for 16% of the BPC market in 2022. Going ahead, the compounded annual growth rate of the online channel is likely to be up to 27 times as much as that of the unorganised offline (general trade) channel and it is projected to account for 34% of the BPC market by 2027. In India, traditional channels are generally not designed to offer a wide range of products to the tier 2+ cities. E-commerce can help penetrate this market – this is a large structural tailwind. Rising internet penetration and India's digital payment infrastructure should accelerate growth.

The online BPC market is under-penetrated. Compared to the USA and China, where online penetration of BPC is 20-25% and 35-40% respectively, the same for India is around 16%. Further, within Indian eTailing, categories like electronics have close to 50% online penetration. This further underscores the growth headroom for online BPC. With online retail mimicking China's trend of high online penetration and e-commerce players covering most of the pin-codes, brands have increased access to acquire new customers in tier-2+ cities. Therefore, online BPC is growing fast. It is currently sized as US$3.1 billion and is expected to grow at 29% annually to be around US$11.1 billion by 2027, translating to online penetration of 34%.

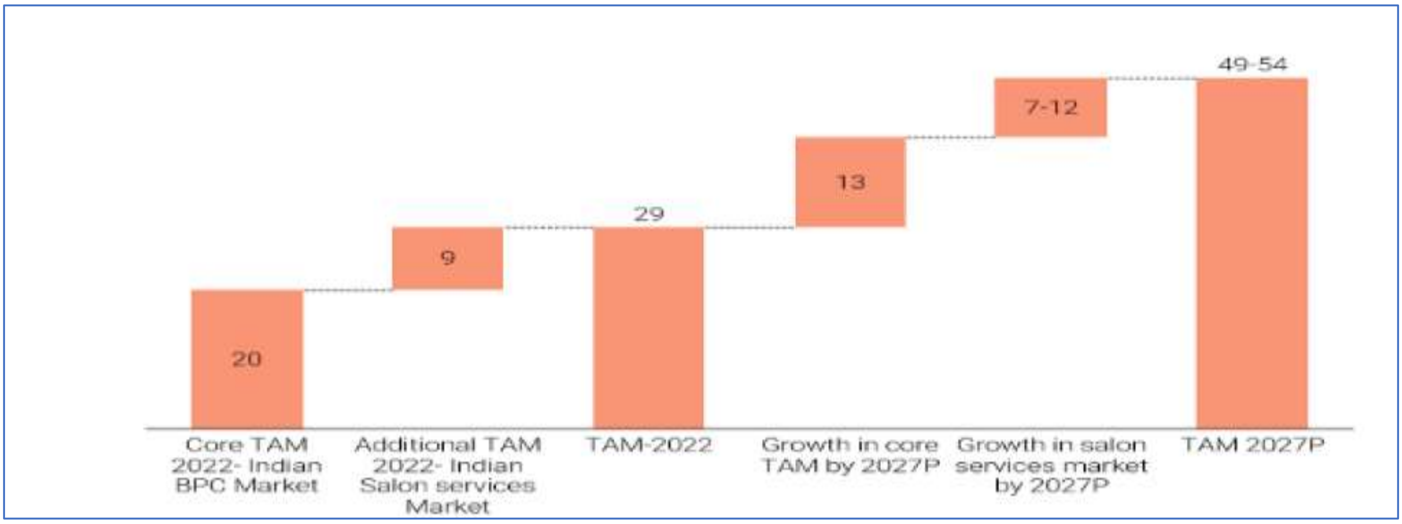


Among the most significant trends driving the online BPC market forward is the disruption led by the Digital-first brands Within this online BPC market, Digital-first brands, through technology-led approaches, are changing the Indian BPC landscape. Contributing 26% of the online BPC market and sized at approx. US$800 million as of 2022, Digital-first brands' revenues have grown at 91% annually between 2020 and 2022, which is almost twice as fast as the other BPC brands who sell products online. In the same period, the number of Digital-first BPC brands in India has doubled. Digital-first BPC brands are democratising distribution by leveraging ecosystem partners like third-party logistics players. Through the support of these partners, Digital-first BPC brands can potentially reach 20,000 pin-codes as of 2022, as opposed to just about 3,000 in 2010. Beyond logistics, Digital-first also leverage enablers like SaaS and payments enablers to drive efficient value chains and seamless customer experience. Traditionally, BPC supply chains were either localised for unorganised players, or piggybacking on the larger retail supply chains of conglomerates. Enabled by ecosystem partners, Digital-first BPC players are much better equipped to serve the evolving consumer needs around personalisation and the required breadth of offerings.



Addressable market for BPC products and salon services

BPC products and salon services have an addressable market of US$49-54 billion by 2027. As elaborated earlier, the BPC products market in India is sized approximately US$20 billion as of 2022, and projected to become a US $33 billion large market by 2027. The salon services space was sized at approximately US$9 billion in 2022. The subcategories within salon services are services for men (US$3 billion), services for women (US$4.7 billion), and Beauty-spa and Beauty-treatments (US$1.3 billion) in 2022. The salon services space is an under-penetrated market and has been growing fast. Between 2016 and 2022, the market has doubled from US$4 billion to US$9 billion. This was driven by proliferation of branded salons across city tiers, increased consumer exposure to new styles and treatments and their willingness to pay a premium for these treatments. The growth momentum is strong and by 2027, the market is projected to be US$16-21 billion



Further, according to RedSeer, for the calendar year 2022, the Company's gross merchandise value amounted to ₹23,200 million and the gross merchandise value of the total BPC market amounted to approximately ₹1,600,000 million. Thus, the Company's market share was 1.5% of the total BPC market for calendar year 2022 (Source: RedSeer).

Key Concerns

- Failure to identify and effectively respond to changing consumer preferences and spending patterns or changing beauty and personal care trends in a timely manner, may adversely affect the demand for products, causing business, results of operations, financial condition and cash flows.

- Brands and reputation are critical to the success of business and may be adversely affected due to various reasons, which could have an adverse effect on the business, financial condition, cash flows and results of operations.

- The launch of new brands or products that prove to be unsuccessful could affect the growth plans which could adversely affect the business, financial condition, cash flows and results of operations

- HCL does not manufacture any of the products and rely entirely on third-party manufacturers for the manufacturing of all its products.

- Company derives a significant amount of revenue from a limited number of products

- HCL has recorded losses in the past. Any losses in the future may adversely impact the business and the value of the Equity Shares.

- The substantial majority of revenue from operations comes from the sale of products under flagship Mamaearth brand. Any decrease in demand for Mamaearth branded products could have an adverse effect on the business, cash flows and results of operations.

- HCL has in the past incurred significant advertisement expenses which has contributed to the growth in its revenue from operations in the past.

- The Company's historical performance is not indicative of its future growth or financial results and it may not be able to sustain its historical growth rates.

- Reliance on celebrities and social media influencers as part of marketing strategy may adversely affect the business and demand for its services.
- HCL relies on its relationships with certain marketplaces and web traffic drivers for sales through its online channel. Any failure by it to maintain such relationships may adversely affect the business, results of operations, financial condition and cash flows.
- The Company has experienced negative cash flows from operating, investing and financing activities in the past.
- HCL faces intense competition which may lead to a reduction in its market share, cause it to increase its expenditure on marketing and promotion as well as cause it to offer discounts, which may result in an adverse effect on its business and a decline in its profitability.
- HCL may be subject to unfair competitive or trade practices, which may reduce its sales and harm its brands, adversely affecting its business, financial condition, cash flows and results of operations.
- Business depends on its ability to maintain and scale its technology. Any interruptions or delays in service on websites or mobile applications or any undetected errors or design faults could result in limited capacity, reduced demand, processing delays, and loss of consumers, suppliers or sellers.
- HCL may not be able to successfully identify and conclude acquisitions, or manage the integration of or harness synergies from acquired businesses, or the performance of such acquired businesses may be below its expectations, any of which may adversely affect the business, results of operations, cash flows and financial condition.
- Product liability claims and product recalls could harm the reputation, business, financial condition, cash flows and results of operations.
- If HCL is unable to identify consumer demand accurately and maintain an optimal level of inventory, its business, results of operations, cash flows and financial condition may be adversely affected.
- Inability to effectively manage or expand offline sales network may have an adverse effect on the business, results of operations, cash flows and financial condition.
- HCL is dependent on several third party service providers to sell or distribute its products to consumer, and on third party technology providers for certain aspects of its operations.
- The success of business depends substantially on the management team and operational workforce.
- HCL’s technology infrastructure and the technology infrastructure of its third-party providers are susceptible to security breaches and cyberattacks
- There is outstanding litigation pending against the Company and its Subsidiaries which, if determined adversely, could affect the business, results of operations, cash flows and financial condition.
- HCL relies on its information technology systems in managing its supply chain, logistics and other integral parts of its business. Any failure in information technology systems could adversely affect the financial condition, cash flows and results of operations.
- The Company’s warehousing operations are being conducted on premises that has been taken on lease. Any difficulty in seeking renewal or extension of such lease terms may cause disruption in its operations.
- HCL’s business depends upon the user behavior, growth of online commerce industry in India and continued acceptance of digital platforms. If the online commerce industry in India and in particular the online market for beauty and fashion products does not further develop and grow, its business, results of operations, financial condition, cash flows and prospects could be adversely affected.
- HCL’s culture and values have been critical to its success and if it cannot maintain this culture and its values as it grow, its business and reputation could be adversely affected.

- The Company may not be successful in implementing its business strategies.
- HCL may require additional financing in the form of debt or equity to meet its business requirements
- HCL requires certain approvals and licenses in the ordinary course of business, and the failure to obtain or retain them in a timely manner or at all may adversely affect its operations.
- Online marketing listings or reviews may constitute internet advertisement, which subjects it to laws, rules and regulations applicable to advertising.
- HCL tracks certain operational and key business metrics with internal systems and tools. Certain of its operational metrics are subject to inherent challenges in measurement which may adversely affect the business and reputation.
- A substantial portion of business and operations are located in India and as such, HCL is subject to regulatory, economic, social and political uncertainties in India, many of which are beyond its control.
- Ability to raise foreign debt may be constrained by Indian law.
- Financial instability in other countries may cause increased volatility in Indian financial markets
- If inflation rises in India, increased costs may result in a decline in profits and result of operations may be adversely affected.
- Fluctuations in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of HCL's Equity Shares, independent of its operating results.

Profit & Loss

Particulars (Rs in million)	Q1FY24	FY23	FY22	FY21
Revenue from operations	4644.9	14927.5	9434.7	4599.9
Other Income	126.1	225.2	208.8	121.1
Total Income	**4771.0**	**15152.7**	**9643.5**	**4721.0**
Total Expenditure	**4351.8**	**14699.8**	**9320.1**	**17940.2**
Purchases of traded goods	1618.9	5024.2	3047.7	1607.8
Increase in inventories of traded goods	-273.3	-556.9	-213.3	-280.7
Change in fair valuation of preference shares	0.0	0.0	0.0	13612.4
Employee Benefits Expenses	445.1	1648.8	788.5	277.6
Other Expenses	2561.0	8583.7	5697.2	2723.2
PBIDT	**419.2**	**452.8**	**323.4**	**-13219.2**
Interest	14.8	66.6	30.1	9.8
PBDT	**404.5**	**386.2**	**293.3**	**-13229.0**
Depreciation and amortization	64.9	249.6	69.0	17.1
PBT	**339.5**	**136.6**	**224.4**	**-13246.1**
Impairment loss on goodwill and other intangible assets	0.0	-1547.0	0.0	0.0
Tax (incl. DT & FBT)	**92.4**	**99.3**	**80.0**	**76.1**
Current tax	83.7	171.8	64.1	61.9
Deferred tax (credit)/charge	8.7	-72.5	15.9	14.2
PAT	**247.2**	**-1509.7**	**144.4**	**-13322.2**
EPS (Rs.)	0.9	-4.7	0.5	-98.4
Face Value	10	10	10	10
OPM (%)	6.3	1.5	1.2	-290.0
PATM (%)	5.3	-10.1	1.5	-289.6

Balance Sheet

Particulars (Rs in million) As at	Q1FY24	FY23	FY22	FY21
Non-current assets				
Property, plant and equipment	131.8	134.3	43.7	11.3
Capital work-in-progress	0.0	0.0	0.0	0.0
Right of use assets	579.5	825.9	532.1	199.6
Goodwill	527.8	527.8	1,732.9	0.0
Other Intangible assets	1,031.9	1,036.7	1,107.3	0.0

Intangibles under development	0.0	0.0	18.8	0.0
Financial assets				
Other financial assets	1,014.1	790.0	846.2	60.6
Deferred tax assets (net)	5.2	0.0	0.0	0.0
Income Tax Assets (net)	37.7	40.9	48.6	1.5
Other non-current assets	1.2	4.3	0.0	0.0
Total non-current assets	**3,329.0**	**3,359.8**	**4,329.6**	**273.0**
Current assets				
Inventories	1,413.6	1,139.3	658.5	413.5
Financial assets				
Investments	2,817.7	2,600.4	3,385.1	1,644.3
Trade receivables	1,385.6	1,277.0	727.9	338.4
Cash and cash equivalents	110.1	82.6	337.5	97.6
Bank balances other than cash and cash equivalents	659.6	598.0	539.4	110.0
Other financial assets	275.8	264.9	46.3	4.5
Other current assets	488.9	342.3	325.9	145.2
Total current assets	**7,151.3**	**6,304.4**	**6,020.5**	**2,753.4**
Total assets	**10,480.3**	**9,664.2**	**10,350.1**	**3,026.4**
EQUITY & LIABILITIES				
Equity				
Equity share capital	1,363.4	1,363.4	0.1	0.1
Instruments entirely equity in nature	17,929.4	17,929.4	17,929.4	0.0
Other equity	-12,910.1	-13,233.7	-10,873.3	-17,651.6
Total equity	**6,382.6**	**6,059.0**	**7,056.2**	**-17,651.4**
Liabilities				
Non-current Liabilities				
Financial Liabilities				
Borrowings	0.0	0.0	0.0	19,540.0
Lease liabilities	470.2	739.4	498.0	185.9
Other financial liabilities	0.0	0.0	598.8	0.0
Provisions	59.5	60.6	35.5	9.6
Deferred tax liabilities (net)	26.9	14.1	85.6	14.2
Total non-current liabilities	**556.6**	**814.1**	**1,217.9**	**19,749.6**
Current liabilities				
Financial liabilities				
Borrowings	67.9	36.1	35.9	0.0
Lease liabilities	141.3	146.4	62.5	17.4
Trade payables				
Total outstanding due of micro enterprises and small enterprises	110.8	86.6	35.0	121.3
Total outstanding due of creditors other than micro enterprises and small enterprises	2,579.3	1,880.1	1,668.5	682.2
Other financial liabilities	283.0	373.3	129.5	45.1
Other current liabilities	253.5	188.8	120.7	52.8
Provisions	50.3	40.3	23.9	9.5
Income tax liability (net)	55.0	39.4	0.0	0.0
Total current liabilities	**3,541.1**	**2,791.1**	**2,076.0**	**928.2**
Total liabilities	**4,097.6**	**3,605.1**	**3,293.9**	**20,677.8**
Total equity and liabilities	**10,480.3**	**9,664.2**	**10,350.1**	**3,026.4**

Source: RHP

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