



# IPO NOTE

## HONASA CONSUMER LIMITED



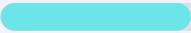
Rating:  
**AVOID**



### ISSUE OFFER

Issue Opens on	OCT 31, 2023
Issue Close on	NOV 02, 2023
Total IPO size (cr)	1701.00
Fresh issue (cr)	365.00
Offer For Sale (cr)	1336.00
Price Band (INR)	308- 324
Market Lot	46
Face Value (INR)	10
Retail Allocation	10%
Listing On	NSE, BSE

### ISSUE BREAK-UP (%)

QIB Portion		75%
NIB Portion		15%
Retail Portion		10%

### SHAREHOLDING (No. of Shares)

<b>Pre Issue</b>	<b>Post Issue</b>
310,479,227	321,744,659

### INDICATIVE TIMETABLE

Finalisation of Basis of Allotment	07-11-2023
Refunds/Unblocking ASBA Fund	08-11-2023
Credit of equity shares to DP A/c	09-11-2023
Trading commences	10-11-2023

Honasa Consumer is the largest digital-first beauty and personal care (“BPC”) company in India in terms of revenue. The Company has its flagship brand Mamaearth. Along with that the Company has added five new brands to its portfolio, namely The Derma Co., Aqualogica, Ayuga, BBLunt, and Dr. Sheth’s, and has built a ‘House of Brands’ architecture.

### OBJECTS OF THE ISSUE

- Advertisement expenses towards enhancing brand awareness.
- Capital expenditure to be incurred by the Company for setting up new EBOs.
- Investment in the company's Subsidiary, BBLunt for setting up new salons.

### OUTLOOK & VALUATION

Honasa Consumer is a new-age company that is well-known for its flagship brand, Mamaearth. The company offers a diverse range of products under its portfolio of six brands. The company has brand-building capabilities and it follows data-driven, contextualized marketing.

However the financial performance of the company has been inconsistent, and it has reported losses in recent fiscals. Subsidiaries that it has acquired have also incurred losses. Additionally, the company does not manufacture its products and relies on third parties for that, and it also does not hold any patents over its product formulas.

The business' return on advertising has also been consistent for a few years, i.e., 2.5%, thus the company's client retention is very low. As it is a loss-making company, we cannot derive its actual P/E, but even after considering its outflow in the latest investment, the company is coming at an extremely high valuation. Thus, I will suggest to Avoid this IPO.



## KEY MANAGERIAL PERSONNEL

01

### Varun Alagh

Chairman, Whole-time Director and the Chief Executive Officer of the Company. He has been associated with the Company as a promoter and a director since September 16, 2016. Previously, he has worked with corporations such as Hindustan Lever Limited, Diageo India Private Limited for over a year and Coca-Cola India Private Limited.

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### Dhanraj Dagar

Company Secretary and the compliance officer of the Company. He joined the Company on May 11, 2022. He holds a bachelor's degree of commerce from Bangalore University and a bachelor's degree of law from Maneklal Nanavati Law College, Gujrat University. He was also admitted as an associate member of the Institute of Companies Secretaries of India.

02

### Ghazal Alagh

She is a Whole-time Director and the Chief Innovation Officer of the Company. She holds a bachelor's degree of computer applications from Panjab University, Chandigarh and a certification in software engineering from the academic council of the NIIT Academy, New Delhi. She has been associated with the Company as a promoter and director since September 16, 2016.

03

### Raman Preet Sohi

Chief Financial Officer of the Company. He is responsible for establishing and executing the financial strategy of the Company. He joined the Company on April 27, 2020. Previously, he worked with Drums Food International Private Limited as the chief financial officer for a period of over a year.



## COMPANY PROFILE

- Honasa's portfolio of brands with differentiated value propositions includes products in the baby care, face care, body care, hair care, color cosmetics, and fragrances segments.
- The Company's success with Mamaearth and its ability to identify and cater to emerging trends has enabled it to develop repeatable brand-building playbooks that have helped in scaling its newer brands at a fast pace.
- It has a dedicated in-house innovation team, consisting of 47 members, that drives end-to-end ideation and execution of new product launches.
- For manufacturing, it has set up an asset-light contract manufacturing model that gives it the benefit of economies of scale at small batch sizes while also providing the flexibility to scale up production as needed.
- The Company makes its products available to its customers through omni-channel distribution networks across both online and offline touchpoints.

## COMPETITIVE STRENGTHS

- Brand-building capabilities and repeatable playbooks.
- Consumer-centric product innovation.
- Digital-first omnichannel distribution.
- Data-driven contextualized marketing.
- Ability to manufacture a diverse range of products and maintain optimal inventory levels.
- Founder-led company with strong professional management.

## KEY STRATEGIES

- Expand distribution and brand awareness.
- Incubate or acquire new engines of growth.
- Strengthen business efficiency drivers.

## KEY CONCERNS

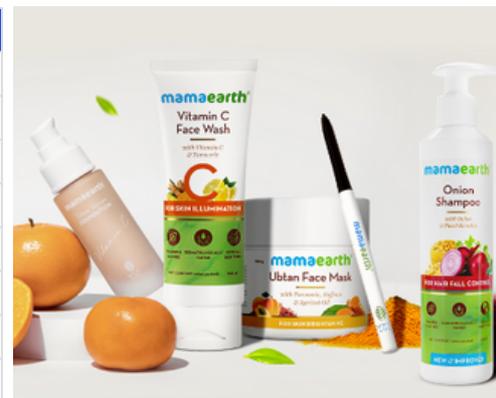
- The company does not manufacture any of its products and relies entirely on third-party.
- It has recorded losses in the past. Any losses in the future may adversely impact its business.
- The Company does not hold any patents over its product formulae and has not made any applications in this respect.
- It faces intense competition which may lead to a reduction in its market share.
- Subsidiaries that it has acquired in the past, have incurred losses for certain historical periods.
- The company incurs significant advertising expenses.
- The company's majority revenue comes from the sale of products under its flagship Mamaearth brand.

## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Company	EPS (Basic)	P/E	Total Income (Mn)	NAV	RONW(%)
<b>Honasa Consumer Limited</b>	<b>(4.66)</b>	-	<b>14,927.48</b>	19.27	<b>(23.57)%</b>
<b>Peer Group</b>					
Hindustan Unilever Limited	43.07	59.16	605,800.00	215.02	20.08%
Colgate Palmolive (India) Limited	38.50	54.25	52,261.97	63.11	61.01%
P & G Hygiene and Health Care Limited	208.91	83.12	39,179.00	291.44	71.68%
Dabur India Limited	9.64	54.53	115,299.00	53.29	18.02%
Marico Limited	10.08	54.28	97,640.00	30.59	33.42%
Godrej Consumer Products Limited	16.65	59.09	133,159.70	134.88	12.34%
Emami Limited	14.50	34.82	34,057.30	52.43	27.13%
Bajaj Consumer Care Limited	9.48	25.65	9,608.73	55.10	17.63%
Gillette India Limited	109.15	57.82	24,770.50	303.47	35.97%

## FINANCIALS (RESTATED CONSOLIDATED)

PARTICULARS (RS. IN MILLIONS)	FY 2023	FY 2022	FY 2021
<b>Equity Share Capital</b>	1,363.36	0.13	0.13
<b>Other Equity</b>	(13,233.71)	(10,873.25)	(17,651.56)
<b>Net Worth</b>	6,059.01	7,056.24	(17,651.43)
<b>Total Borrowings</b>	-	-	19,539.99
<b>Revenue from Operations</b>	14,927.48	9,434.65	4,599.90
<b>EBITDA</b>	227.64	114.59	(13,340.33)
<b>Profit Before Tax</b>	(1,410.40)	224.39	(13,246.09)
<b>Net Profit of the Year</b>	(1,509.66)	144.43	(13,322.15)



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