

# IPO Report

Choice

## “Subscribe with Caution” to Honasa Consumer Ltd.

Maintaining profitability proves challenging



### Salient features of the IPO:

- **Honasa Consumer Ltd.** (Honasa), is the largest digital-first beauty and personal care (“BPC”) company in India, is coming up with an IPO to raise around Rs. 1,635 – 1,701cr. It opens on 31<sup>st</sup> Oct. and closes on 2<sup>nd</sup> Nov. 2023. The price band is Rs. 308 – 324 per share.
- The IPO is a combination of fresh issue and OFS (offer for sale). Honasa will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, Honasa will be utilizing Rs. 182cr for the advertisement expenses towards enhancing the awareness and visibility of the brands, Rs. 20.6cr for capital expenditure to be incurred by the company for setting up new EBOs and Rs. 26cr for investment in the subsidiary, BBlunt for setting up new salons. Residual funds will be used for general corporate expenses.

### Key competitive strengths:

- Brand building capabilities and repeatable playbooks
- Consumer-centric product innovation
- Digital-first omnichannel distribution
- Data-driven contextualized marketing
- Ability to drive growth and profitability in a capital efficient manner
- Founder-led company with a strong professional management

### Risk and concerns:

- The dependence on third-party manufacturers for all the products
- Recorded loss in the past and any losses in the future may adversely impact the business
- The launch of new brands or products that prove to be unsuccessful could affect their growth plans
- Neglecting to recognize evolving consumer preferences and shifting trends in the BPC industry can negatively impact product demand
- Experiencing negative cash flow across all its operational, investment, and financial activities

### Below are the key highlights of the company:

- Incorporated on September 16, 2016, Honasa is the largest digital-first BPC company in India in terms of revenue from operations for FY23. From the beginning, their main goal has been to create products that solve the beauty and personal care problems that people face. For example, their most popular brand, Mamaearth, is all about providing safe and natural products. They focus on making beauty products without harmful chemicals and using natural ingredients. According to the RedSeer Report, Mamaearth has become the fastest-growing beauty and personal care brand in India. They made 1000 crore rupees in revenue in the last 12 months, and they did this within six years of starting.
- After Mamaearth's launch in 2016, they've introduced five more brands to their collection: The Derma Co., Aqualogica, Ayuga, BBlunt, and Dr. Sheth's. They've created a structure where they have multiple brands under one roof. As of June 30, 2023, they have a collection of brands that offer different and unique products in categories like baby care, face care, body care, hair care, makeup, and fragrances.
- Honasa is dedicated to improving its connection with customers and enhancing brand value through the creation of purpose-driven brands that support environmental and social causes. An example of this commitment can be seen in the Mamaearth 'Plant Goodness' initiative, where they collaborate with a non-governmental organization to plant trees for orders placed on their direct-to-consumer (DTC) platform. They even share pictures of these trees with their customers. The Derma Co. is all about supporting a 'Young Scientists' program. This program gives kids in rural parts of India a chance to learn about science. And Aqualogica is part of the 'Fresh Water for All' initiative, where they help provide clean drinking water to underserved communities.

Issue details		
Price band	Rs. 308 - 324 per share	
Face value	Rs. 10	
Shares for fresh issue	1.12 – 1.18cr shares	
Shares for OFS	4.12cr shares	
Fresh issue size	Rs. 365cr	
OFS issue size	Rs. 1270 – 1.336cr	
Total issue size	5.25 – 5.30cr shares (Rs. 1,635 – 1,701cr)	
Bidding date	31 <sup>st</sup> Oct. – 2 <sup>nd</sup> Oct. 2023	
Implied MCAP at higher price band	Rs. 10,425cr	
Implied enterprise value at higher price band	Rs. 10,444cr	
Book running lead managers	Kotak Mahindra Capital Company Ltd., Citigroup Global Markets India Pvt. Ltd., JM Financial Ltd., J.P. Morgan India Pvt. Ltd.	
Registrar	KFin Technologies Ltd.	
Sector	Beauty and personal care products	
Promoters	Varun Alag and Gazal Alag	
Issue break-up		
Category	Percent of issue (%)	Number of shares
QIB portion	75%	3.98 – 3.93cr shares
Non institutional portion (Big)	10%	0.53 – 0.52cr shares
Non institutional portion (Small)	5%	0.26 – 0.26cr shares
Retail portion	10%	0.53 – 0.52cr shares
Indicative IPO process time line		
Finalization of basis of allotment	7 <sup>th</sup> Nov. 2023	
Unblocking of ASBA account	8 <sup>th</sup> Nov. 2023	
Credit to demat accounts	9 <sup>th</sup> Nov. 2023	
Commencement of trading	10 <sup>th</sup> Nov. 2023	
Pre and post - issue shareholding pattern		
	Pre-issue	Post-issue
Promoter & promoter group	37.41%	35.34%
Public	62.59%	64.66%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>
Retail application money at higher cut-off price per lot		
Number of shares per lot	46	
Application money	Rs. 14,904 per lot	

## Key highlights of the company (Contd...):

Companies	CMP (Rs/sh)	FV (Rs/sh)	6M (R%)	12M (R%)	M Cap (Rs)	EBITDA Margin	Gross Profit Margin	PAT Margin	RoE	RoA	D/E (x)	EV (Rs cr)
<b>Honasa Consumer Ltd.</b>	<b>324</b>	<b>10</b>	-	-	<b>10,425</b>	<b>3.9%</b>	<b>69.9%</b>	<b>-7.0%</b>	<b>-18.0%</b>	<b>-10.9%</b>	<b>0.15</b>	<b>10,444</b>
Hindustan Unilever Ltd	2,478	1	1.0%	-1.8%	5,82,428	23.5%	53.8%	16.8%	20.5%	14.1%	0.02	5,78,969
Colgate-Palmolive (India) Ltd	2,061	1	28.8%	26.4%	56,068	30.6%	66.2%	20.8%	64.7%	38.5%	0.04	55,214
Procter & Gamble Hygiene and Health Care Ltd	16,725	10	19.3%	18.6%	54,369	22.2%	57.6%	17.3%	91.9%	31.7%	0.01	53,395
Dabur India Ltd	524	1	-1.7%	-4.9%	92,961	18.8%	59.3%	14.5%	19.1%	12.6%	0.13	93,809
Marico Ltd	532	1	6.9%	2.6%	68,826	19.2%	52.8%	14.3%	36.4%	20.3%	0.16	68,678
Godrej Consumer Products Ltd	978	1	7.9%	17.8%	1,00,015	18.8%	51.4%	12.3%	12.2%	9.6%	0.08	1,00,754
Emami Ltd	507	1	35.3%	8.9%	22,353	25.3%	65.3%	20.0%	30.0%	22.3%	0.04	22,259
Bajaj Consumer Care Ltd	237	1	53.1%	58.6%	3,433	15.6%	54.3%	15.4%	19.1%	16.3%	0.01	3,423
Gillette India Ltd	6,184	10	41.2%	21.5%	20,169	21.8%	52.0%	14.4%	36.0%	18.6%	0.00	19,713

Companies (Rs cr)	P/E (x)	P/BV (x)	P/S (x)	EV/EBIDTA (x)	EV/Sales (x)	Debt	CASH	EPS (Rs)	Sales TTM	EBIDTA TTM	PAT TTM	Net Worth
<b>Honasa Consumer Ltd.</b>	<b>-90.8</b>	<b>16.3</b>	<b>6.3</b>	<b>161.9</b>	<b>6.3</b>	<b>96</b>	<b>77</b>	<b>-3.57</b>	<b>1,645</b>	<b>65</b>	<b>-115</b>	<b>638</b>
Hindustan Unilever Ltd	56.6	11.6	9.5	40.2	9.4	1,219	4,678	43.8	61,452	14,410	10,308	50,304
Colgate-Palmolive (India) Ltd	36.6	32.7	10.5	33.7	10.3	69	923	56.3	5,353	1,639	1,111	1,716
Procter & Gamble Hygiene and Health Care Ltd	80.1	73.8	13.9	61.5	13.6	4	978	208.9	3,918	868	677	737
Dabur India Ltd	53.6	10.4	7.9	42.2	7.9	1,174	326	9.8	11,838	2,224	1,717	8,973
Marico Ltd	50.7	18.1	7.1	37.0	7.1	608	756	10.5	9,682	1,856	1,381	3,799
Godrej Consumer Products Ltd	59.6	7.3	7.3	39.3	7.4	1,130	391	16.4	13,640	2,565	1,676	13,794
Emami Ltd	31.8	9.7	6.5	25.4	6.4	91	185	16.0	3,459	876	691	2,303
Bajaj Consumer Care Ltd	22.5	4.4	3.5	22.4	3.5	9	19	10.5	982	153	151	789
Gillette India Ltd	56.7	20.4	8.1	36.5	8.0	0	456	109.2	2,477	540	356	989

Note: Financials as of FY23 and TTM (with IPO adjustments); Source: Choice Broking Research

- The company offers its products to customers through a combination of online and offline sales channels. They use a smart approach, starting with online platforms like their own websites and e-commerce marketplaces when a new product or brand is introduced. This helps them reach early adopters, get direct customer feedback, and see if the product fits the market. When a product or brand becomes well-established, they introduce it in physical stores to reach a wider audience. This "digital-first" strategy lets them use customer input to improve new products. In FY23, they achieved significant success in both online and offline sales, recording the highest revenue from offline channels among digital-first BPC companies in India, as per the RedSeer Report.
- The BPC products market in India is changing in a big way because of technology, a young and growing population, and rising consumer desires. In addition, this market is predicted to grow from around \$20 bn in 2022 to about \$33 bn in 2027 at a CAGR of approximately 11%, which is among the highest within the broader retail categories and faster than other retail categories such as food and grocery, jewellery and watches, fashion, consumer electronics, home and living, and pharmacy and wellness in India during this period.
- BPC is a category that works well with digital technology. Right now, the online BPC market is worth about US\$3 bn. But it is predicted to grow by 29% every year, reaching around US\$11 bn by 2027. This means that 34% of BPC sales will happen online. One of the big reasons for this growth is that digital-first brands are causing a lot of changes and improvements in how they meet, what customers want.
- The company's key focus is to increase wallet share (i.e., the amount that an existing customer spends on their brands), repeat orders from Honasa's existing customers and attract new customers to their brands and products in a cost-efficient manner. To make this happen, they need to make sure their brands and products stay top-quality, trustworthy, and genuine. They should also keep coming up with new and innovative products. Furthermore, their overall success relies on how well they can reach different markets in India and in other countries, as well as how much people know about their brands and products. In a short time since its launch in 2016, Mamaearth has become the most-searched BPC brand in India on Google Trends between January 2020 and June 2023.
- Over the past six years, Honasa has been introducing new product variations (SKUs) in the BPC market across all their brands. In FY21, they launched 126 new SKUs, in FY22, 159 new SKUs, in FY23, 301 new SKUs, and as of June 30, 2023, 109 new SKUs. These new product and brand launches have significantly contributed to the growth of their revenue from operations. During Financial Years 2022 and 2023, as well as the three-month period ending on June 30, 2023, the introduction of new products led to a substantial increase in revenue from operations compared to the preceding corresponding period. Specifically, there was a 42.17% increase in FY22, a 56.58% increase in FY23, and a 25.46% increase as of June 30, 2023.

### Key highlights of the company (Contd...):

- In previous periods, the company has successfully increased the sales of products from their flagship brand, Mamaearth, as well as newer brands like The Derma Co., Aqualogica, Ayuga, BBlunt, and Dr. Sheth's, across different product categories. These increases in sales have significantly contributed to the overall growth in revenue. For the financial years 2021, 2022, and 2023, as well as the three months ending June 30, 2023, they delivered 1.85cr, 4.50cr, 7.57cr, and 2.38cr units, respectively, across all their brands. This represents a volume growth of 143.30%, 68.23%, and 44.14% for the financial years 2022 and 2023 and the three months ending June 30, 2023, respectively. Honasa's goal is to continue increasing their sales volumes by attracting new customers and offering new products to their existing customer base.
- Honasa has adopted an innovative approach to its manufacturing process, utilizing an asset-light model that leverages contract manufacturing. In the three months ending on June 30, 2023, Honasa collaborated with 37 different contract manufacturers to create its products. This approach allows the company to take advantage of economies of scale, even when producing smaller batches and gives them the flexibility to increase production when needed. Honasa takes quality seriously and conducts thorough inspections and testing on the finished products made by these manufacturers. They start by testing samples from each batch right at the manufacturing facility. Subsequently, they maintain a regular schedule of checks at their own warehouses to ensure that the products meet all necessary standards and requirements.
- As of June 30, 2023, Honasa has a well-organized supply chain in India. They have 13 warehouses in seven different areas. Out of these 13, Honasa runs three of them themselves, while the remaining warehouses are outsourced to third-party partners. Their main warehouse is in Pataudi, Haryana. This big warehouse acts as the central place where all the products are stored. From there, they send the products to their other warehouses in different parts of the country.
- During the three months period ended June 30, 2023, the company has set up a distribution network that covers both online and offline channels. This network allows them to sell their products all over India, reaching 715 different districts. Honasa's online channel comprises of DTC channel which includes their brand-specific websites, mobile websites and mobile applications and e-commerce marketplaces. They take advantage of these online channels to introduce new brands and products, especially to people who like trying new things. Through their online sales, they were able to reach customers in 18,640 different areas (covering 96.58% of all areas).
- Honasa's offline sales channel includes a presence in various types of stores, like regular retail shops and modern retail outlets. They also have their own Mamaearth Exclusive Brand Outlets (EBOs) and BBlunt salons. In the regular and modern retail stores, they aim to reach as many households as possible with their products. On the other hand, the EBOs and salons provide a unique retail environment where customers can have a more personal and customized shopping experience. This helps to build a strong brand reputation for their products in these settings. As of June 30, 2023, the company operated 85 EBOs dedicated to selling Mamaearth products exclusively. These EBOs play a crucial role in creating a more immersive brand experience for their customers and fostering stronger connections with them in physical retail spaces.
- Furthermore, the acquisition of BBlunt in March 2022 has opened doors to the professional salon channel in traditional retail settings. The guidance and recommendations provided by skilled stylists at these salons have played a vital role in cultivating trust among consumers and enhancing the brand reputation of BBlunt products. As of June 30, 2023, the workforce consisted of 993 permanent full-time employees engaged in various business activities. In addition, they were assisted by 1,767 contractors and consultants during the month of June 2023.
- Mamaearth's marketing and customer engagement efforts have led to a solid customer retention strategy. In the financial years 2021, 2022, and 2023, as well as in the three months ending on June 30, 2022 and June 30, 2023, a significant portion of Mamaearth's revenue from DTC sales came from existing customers. Specifically, 38.51%, 43.15%, 56.90%, 52.65%, and 63.20% of the revenue from operations for Mamaearth brand were generated from customers who had bought from them before.
- In the FY21, the majority of the revenue, specifically 81.37%, was generated through online channels. In the following year, FY22, online channels still played a significant role, contributing 69.91% to total revenue. In FY23, this figure decreased to 59.36%. However, by June 30, 2023, online channels rebounded, accounting for 64.01% of the revenue. Conversely, during FY21, offline channels contributed 18.63% of the revenue. This percentage increased in FY22 to 28.87% and further rose to 36.14% in FY23. As of June 30, 2023, offline channels represented 33.47% of the total revenue.
- The company's distribution strategy is aligned with its goal of further expanding its flagship brand, Mamaearth, through offline channels. In this context, the revenue share from offline channels across all their brands has shown remarkable growth. It increased from 18.63% (amounting to Rs. 85.6 cr) in FY21 to 33.47% (to Rs. 155.4 cr) in the three months ending on June 30, 2023. Moving forward, the company remains committed to increasing its presence and business share in the offline channel.

**Peer comparison and valuation:** Honasa is a rapidly expanding online BPC product marketing company. While their revenue has experienced significant growth in recent years, their profitability has faced challenges in staying positive.

No listed company shares an identical business model. However, for valuation purpose, we have taken the above-mentioned company for comparison. At a higher price band, Honasa is demanding a TTM P/S multiple of 6.3x (to its TTM sales per share of Rs. 51.1), which is at a slightly discount to its adjusted peer average. While the valuation may seem attractive, it is important to consider the sustained losses and volatile profitability. Thus, we assign a **"Subscribe with Caution"** rating for the issue.

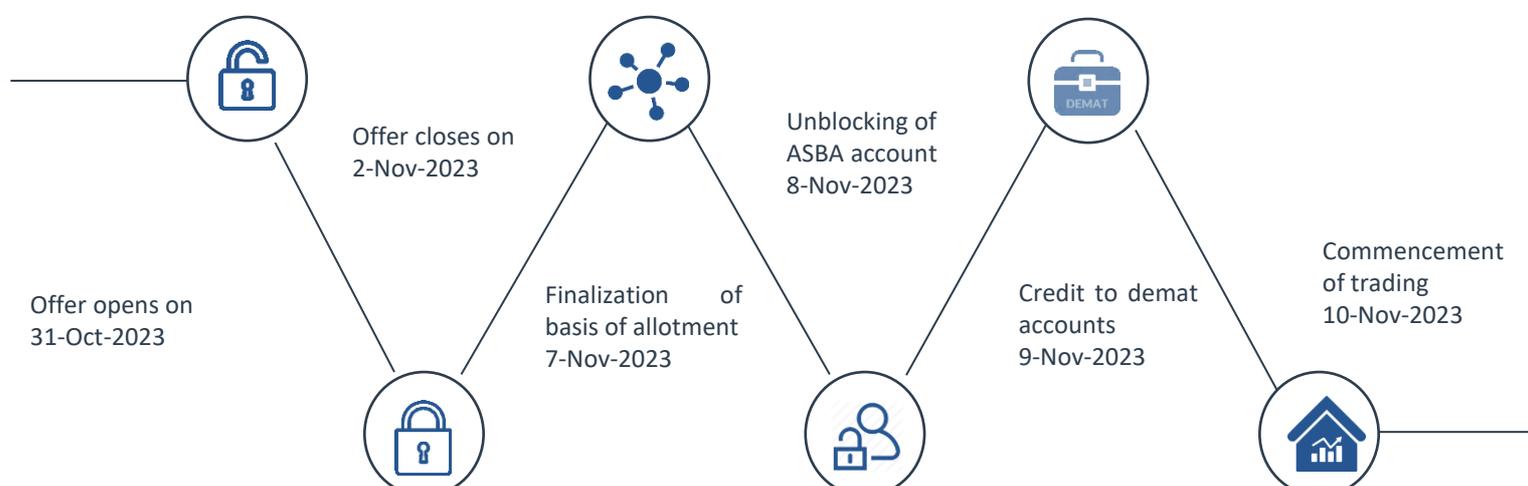
## About the issue:

- Honasa is coming up with an IPO with 5.25-5.30cr shares (fresh issue: 1.12-1.18cr shares; OFS: 4.12cr shares) in offering. This offer represents 16.32% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 1,635 - 1,701cr.
- The issue is through book building process with a price band of Rs. 308 - 324 per share.
- Lot size comprises of 46 equity shares and in multiple of 46 shares thereafter.
- The issue will open on 31<sup>st</sup> Oct. 2023 and close on 2<sup>nd</sup> Nov. 2023.
- The IPO is a combination of fresh issue and OFS. Honasa will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, Honasa will be utilizing Rs. 182cr for the advertisement expenses towards enhancing the awareness and visibility of the brands, Rs. 20.6cr for capital expenditure to be incurred by the company for setting up new EBOs and Rs. 26cr for investment in the subsidiary, BBlunt for setting up new salons. Residual funds will be used for general corporate expenses.
- 75% of the net issue is reserved for qualified institutional buyers, while 15% and 10% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter & promoter group currently have 37.41% in the company, which will get reduced to 35.34% post-IPO. Consequently, the public stake will increase from 62.59% to 64.66% post-IPO.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	37.41%	35.34%
Public	62.59%	64.66%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Pre-issue financial performance:

**Performance over FY20-23:** Over FY20-FY23, Honasa experienced substantial revenue growth, primarily driven by an increase in the sales volume of their products, particularly their flagship Mamaearth brand. This growth was further encouraged by their expanded presence in traditional offline sales channels.

The company achieved an impressive CAGR of 138.7% in consolidated revenue, reaching Rs. 1,492.7cr from FY20 to FY23. This remarkable growth was primarily driven by an increase in overall sales of their products. Additionally, the company's acquisition of several brands also played a significant role in boosting their revenue during this period.

In FY23, the company achieved a positive EBITDA of Rs. 22.8cr, a significant improvement from the negative Rs. -7.8cr reported in FY20. The EBITDA margin in FY23 was 1.5% compared to -7.1% in FY20. However, in the same fiscal year, the company reported a negative PAT of Rs. -151cr. This negative PAT was mainly due to an impairment loss on goodwill. The company's return ratios have shown poor performance, with RoE declining to -24.9%, RoA decreasing to -15.6% and RoCE standing at -0.6%. The D/E ratio has increased from negative -1.4x in FY20 to 0.2x in FY23.

**Performance during Q1FY24:** The consolidated top-line saw a robust 48.8% Y-o-Y increase, reaching Rs. 464.5cr in Q1FY24. This remarkable growth was mainly due to the higher demand and increased sales of products from their leading brand, Mamaearth. Additionally, sales from their traditional offline sales channels also contributed to this growth.

The EBITDA margin showed a remarkable improvement when compared to the same quarter in the previous year, where they had reported a negative EBITDA. In Q1FY24, the company achieved a positive EBITDA of Rs. 29.3cr with a margin of 6.3%, primarily because of reduced operating expenses. Moreover, PAT increased to Rs. 24.7cr with a margin of 5.3%, in contrast to the same quarter in the previous year where they had incurred losses.

Pre-issue consolidated financial snapshot (Rs. cr)	FY20	FY21	FY22	FY23	TTM	CAGR	Y-o-Y (FY23 annual)
Revenue from online channels	99.8	374.3	659.5	886.1	987.2	107.0%	34.4%
Revenue from offline channels	9.9	85.7	272.3	539.4	595.3	278.6%	98.1%
Revenue from services	0.0	0.0	11.6	67.2	62.6		480.0%
Revenue from Operations	109.8	460.0	943.5	1,492.7	1,645.0	138.7%	58.2%
EBITDA	(7.8)	27.21	11.459	22.764	64.509		98.7%
Reported PAT	(428.0)	(1,332.2)	14.443	(151.0)	(114.7)	-29.3%	-1145.3%
Restated reported EPS	(13.3)	(41.4)	0.4	(4.7)	(3.6)	-29.3%	-1145.3%
Cash flow from operating activities	(10.4)	29.726	44.588	(51.6)	(10.8)	70.8%	-215.6%
RoIC (%)	-5.4%	8.8%	0.5%	-0.1%		534 bps	(63) bps
Revenue growth rate (%)		319.0%	105.1%	58.2%			
EBITDA growth rate (%)		-446.8%	-57.9%	98.7%			
EBITDA margin (%)	-7.15%	5.92%	1.2%	1.5%	6.3%	867 bps	31 bps
EBIT growth rate (%)		-400.3%	-82.1%	-148.2%			
EBIT margin (%)	-7.74%	5.5%	0.5%	-0.1%	4.9%	759 bps	(63) bps
Restated reported PAT growth rate (%)		211.3%	-101.1%	-1145.3%			
Restated reported PAT margin (%)	-389.9%	-289.6%	1.5%	-10.1%	5.3%		(1,164) bps
Inventory days	45.5	21.8	20.7	22.0	31.4	-21.5%	6.0%
Debtor days	35.3	17.6	20.6	24.5	30.7	-11.4%	18.8%
Payable days	-72.8	-40.6	-48.5	-44.9	-59.7	-14.9%	-7.5%
Fixed asset turnover ratio	108.7	21.8	5.5	7.5	9.4	-59.0%	34.9%
Total asset turnover ratio	0.6	1.5	0.9	1.5	1.6	36.6%	69.5%
Current ratio	7.3	3.0	2.9	2.3	3.4	-32.2%	-22.1%
Quick ratio	6.7	2.5	2.6	1.9	3.4	-34.9%	-28.4%
Total debt	594.2	1978.8	132.5	129.5	407.7	-39.8%	-2.2%
Net debt	443.5	1793.7	(293.7)	(198.6)	260.6	-176.5%	-32.4%
Debt to equity	(1.4)	(1.1)	0.2	0.2	1.1	-154.0%	13.9%
Net debt to EBITDA	(56.5)	65.9	(25.6)	(8.7)	2.1	-46.4%	-66.0%
Net debt to equity	(1.0)	(1.0)	(0.4)	(0.3)	0.7	-31.4%	-21.3%
RoE (%)	97.9%	75.5%	2.0%	-24.9%	-18.0%		(2,696) bps
RoA (%)	-236.5%	-440.2%	1.4%	-15.6%	-10.90%		(1,702) Bps
RoCE (%)	-153.6%	103.5%	1.1%	-0.6%	11.30%		(175) bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking

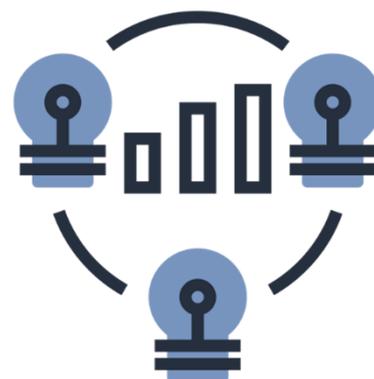


### Competitive strengths:

- Brand building capabilities and repeatable playbooks
- Consumer-centric product innovation
- Digital-first omnichannel distribution
- Data-driven contextualized marketing
- Ability to drive growth and profitability in a capital efficient manner
- Founder-led company with a strong professional management

### Business strategy:

- Expand distribution and brand awareness
- Incubate or acquire new engines of growth through product innovation, strengthening their Omni-channel strategy, and by expanding into new market
- Strengthen business efficiency drivers which is strengthening technology, improving margin through growing offline channels



### Risk and concerns:

- The dependence on third-party manufacturers for all the products
- Recorded loss is the past and any losses in the future may adversely impact the business
- The launch of new brands or products that prove to be unsuccessful could affect their growth plans
- Neglecting to recognize evolving consumer preferences and shifting trends in the BPC industry can negatively impact product demand
- Experiencing negative cash flow across all its operational, investment, and financial activities

## Financial statements:

## Consolidated profit and loss statement (Rs. cr)

	FY20	FY21	FY22	FY23	TTM	CAGR over FY20-FY23	Annual growth over FY22
<b>Revenue from operations</b>	<b>109.8</b>	<b>460.0</b>	<b>943.5</b>	<b>1,492.7</b>	<b>1,645.0</b>	<b>138.7%</b>	<b>58.2%</b>
Purchases of traded goods	(49.0)	(160.8)	(304.8)	(502.4)	(541.8)	117.2%	64.9%
Increase in inventories of traded goods	12.3	28.1	21.3	55.7	46.2	65.6%	161.1%
<b>Gross profit</b>	<b>73.0</b>	<b>327.3</b>	<b>660.0</b>	<b>1,046.0</b>	<b>1,149.3</b>	<b>142.9%</b>	<b>58.5%</b>
Employee benefits expense	(8.9)	(27.8)	(78.8)	(164.9)	(170.6)	<b>164.6%</b>	<b>109.1%</b>
Other expenses	(72.0)	(272.3)	(569.7)	(858.4)	(914.2)	128.5%	50.7%
<b>EBITDA</b>	<b>(7.8)</b>	<b>27.2</b>	<b>11.5</b>	<b>22.8</b>	<b>64.5</b>	-242.6%	98.7%
Depreciation and amortization expense	(0.6)	(1.7)	(6.9)	(25.0)	(26.6)	<b>238.1%</b>	<b>262.1%</b>
<b>EBIT</b>	<b>(8.5)</b>	<b>25.5</b>	<b>4.6</b>	<b>(2.2)</b>	<b>37.9</b>	-36.3%	-148.2%
Finance costs	(0.0)	(1.0)	(3.0)	(6.7)	(7.0)	414.2%	121.7%
Other income	4.4	12.1	20.9	22.5	30.8	72.6%	7.9%
Change in FV of pref shares	(423.9)	(1,361.2)					
<b>PBT and Exceptional Items</b>	<b>(428.0)</b>	<b>(1,324.6)</b>	<b>22.4</b>	<b>13.7</b>	<b>61.6</b>	<b>-131.7%</b>	<b>-39.1%</b>
<b>Impairment loss on goodwill &amp; other</b>	<b>0.0</b>			<b>(154.7)</b>	<b>(154.7)</b>		
<b>PBT</b>	<b>(428.0)</b>	<b>(1,324.6)</b>	<b>22.4</b>	<b>(141.0)</b>	<b>(93.1)</b>	<b>-30.9%</b>	<b>-728.5%</b>
Tax expenses	0.0	(7.6)	(8.0)	(9.93)	(21.7)		24.1%
<b>Reported PAT</b>	<b>(428.0)</b>	<b>(1,332.2)</b>	<b>14.4</b>	<b>(151.0)</b>	<b>(114.7)</b>	-29.3%	-1145.3%

## Consolidated balance sheet statement (Rs. cr)

	FY20	FY21	FY22	FY23	TTM	CAGR over FY20-FY23	Annual growth over FY22
Equity share capital	0.01	0.01	0.01	136.3	136.3	2088.9%	1048638%
Instruments entirely in the nature of equity	0.0	0.0	1,792.9	1,792.9	1,792.9		
Other equity	(437.2)	(1,765.2)	(1,087.3)	(1,323.4)	(1,323.4)	44.7%	21.7%
Non-controlling interest	0.0	0.0	0.0	0.0	0.0		
Non-current borrowings	592.8	1,954.0	0.0	0.0	0.0	-100.0%	
Non-current lease liabilities	0.4	18.6	49.8	73.9	73.9	490.0%	48.5%
Other non-current financial liabilities	0.0	0.0	59.9	0.0	0.0		-100.0%
Non-current provisions	0.3	1.0	3.6	6.1	6.1	165.5%	70.5%
Net deferred tax liabilities	0.0	1.4	8.6	1.4	1.4		-83.5%
Trade payables	21.9	80.3	170.4	196.7	196.7	107.9%	15.5%
Current borrowings	0.0	0.0	3.6	3.6	3.6		0.6%
Current lease liabilities	0.0	1.7	6.2	14.6	14.6	773.1%	134.4%
Other current financial liabilities	1.1	4.5	13.0	37.3	37.3	226.6%	188.2%
Current provisions	0.3	0.9	2.4	4.0	4.0	150.4%	68.9%
Net current tax liabilities	0.0	0.0	0.0	3.9	3.9		
Other current liabilities	1.5	5.3	12.1	18.9	18.9	133.1%	56.4%
<b>Total liabilities</b>	<b>181.01</b>	<b>302.6</b>	<b>1,035.0</b>	<b>966.4</b>	<b>966.4</b>	<b>74.8%</b>	<b>-6.6%</b>
Property, plant and equipment	0.4	1.1	4.4	13.4	13.4	218.6%	207.1%
Other Intangible assets	0.0	0.0	110.7	103.7	103.7		-6.4%
Capital work-in-progress	0.0	0.0	0.0	0.0	0.0		
Intangible assets under development	0.0	0.0	1.9	0.0	0.0		
Right-of-use assets	0.6	20.0	53.2	82.6	82.6	418.1%	55.2%
Goodwill	0.0	0.0	173.3	52.8	52.8		-69.5%
Other non-current financial assets	0.3	6.1	84.6	79.0	79.0	532.6%	-6.6%
Net income tax assets	0.1	0.2	4.9	4.1	4.1	315.4%	-15.9%
Other non-current assets	0.0	0.0	0.0	0.4	0.4		
Inventories	13.7	41.3	65.9	113.9	113.9	102.7%	73.0%
Trade receivables	10.6	33.8	72.8	127.7	127.7	129.2%	75.5%
Current investments	124.3	164.4	338.5	260.0	260.0	27.9%	-23.2%
Cash & cash equivalents	26.4	20.8	87.7	68.1	68.1	37.1%	-22.4%
Other current financial assets	0.8	0.4	4.6	26.5	26.5	223.3%	471.8%
Other current assets	3.8	14.5	32.6	34.2	34.2	107.5%	5.0%
<b>Total assets</b>	<b>181.0</b>	<b>302.6</b>	<b>1,035.0</b>	<b>966.4</b>	<b>966.4</b>	<b>74.8%</b>	<b>-6.6%</b>

Note: Pre-IPO financials; Source: Choice Equity Broking

## Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)							
	FY20	FY21	FY22	FY23	TTM	CAGR over FY20 - 23	Annual growth over FY22
Cash flow before working capital changes	(7.1)	32.4	32.7	65.7	105.7		-32.0%
Working capital changes	3.3	(3.7)	(21.3)	104.8	97.7	216.6%	35.8%
<b>Cash flow from operating activities</b>	<b>(10.4)</b>	<b>29.7</b>	<b>44.6</b>	<b>(51.6)</b>	<b>(10.8)</b>	<b>14.9%</b>	<b>-63.7%</b>
Purchase of fixed assets and CWIP	(0.5)	(1.0)	(1.4)	(11.7)	(12.7)	37.7%	79.7%
<b>Cash flow from investing activities</b>	<b>(116.9)</b>	<b>(20.6)</b>	<b>(499.8)</b>	<b>42.9</b>	<b>10.3</b>	<b>48.2%</b>	<b>82.7%</b>
<b>Cash flow from financing activities</b>	<b>128.7</b>	<b>(1.3)</b>	<b>480.8</b>	<b>(14.1)</b>	<b>(14.5)</b>	<b>49.3%</b>	<b>679.2%</b>
<b>Net cash flow</b>	<b>1.4</b>	<b>7.8</b>	<b>25.6</b>	<b>(22.7)</b>	<b>(14.9)</b>		
Opening balance of cash	0.5	1.9	9.8	30.4	4.7	96.1%	211.5%
Bank overdraft on date of acquisition		0.0	(5.0)	(3.0)			
<b>Closing balance of cash</b>	<b>1.9</b>	<b>9.8</b>	<b>30.4</b>	<b>4.7</b>	<b>(10.2)</b>	<b>34.4%</b>	<b>-84.7%</b>

Consolidated financial ratios					
Particulars	FY20	FY21	FY22	FY23	TTM
<b>Profitability ratios</b>					
Revenue growth rate (%)			319.0%	105.1%	58.2%
Gross profit growth rate (%)			348.3%	101.7%	58.5%
Gross profit margin (%)	66.5%	71.2%	70.0%	70.1%	69.9%
EBITDA growth rate (%)			-446.8%	-57.9%	98.7%
EBITDA margin (%)	-7.1%	5.9%	1.2%	1.5%	3.9%
EBIT growth rate (%)			-400.3%	-82.1%	-148.2%
EBIT margin (%)	-7.7%	5.5%	0.5%	-0.1%	2.3%
Restated reported PAT growth rate (%)			211.2%	-101.1%	-1145.3%
Restated reported PAT margin (%)	-389.9%	-289.6%	1.5%	-10.1%	-7.0%
<b>Turnover ratios</b>					
Inventory receivable turnover ratio	8.0	16.7	17.6	16.6	11.6
Trade receivable turnover ratio	10.4	20.7	17.7	14.9	11.9
Accounts payable turnover ratio	5.0	9.0	7.5	8.1	6.1
Fixed asset turnover ratio	108.7	21.8	5.5	7.5	9.4
Total asset turnover ratio	0.6	1.5	0.9	1.5	1.6
<b>Return ratios</b>					
RoIC (%)	-5.4%	8.8%	0.5%	-0.1%	
RoE (%)	97.9%	75.5%	2.0%	-24.9%	-18.0%
RoA (%)	-236.5%	-440.2%	1.4%	-15.6%	-10.9%
RoCE (%)	-153.6%	103.5%	1.1%	-0.6%	11.3%
<b>Per Share data</b>					
Restated adjusted EPS (Rs.)	(13.3)	(41.4)	0.4	(4.7)	(3.6)
BVPS (Rs.)	(13.6)	(54.9)	21.9	18.8	19.8
Operating cash flow per share (Rs.)	(0.3)	0.9	1.4	(1.6)	(0.3)

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

## IPO rating rationale

**Subscribe:** An IPO with strong growth prospects and valuation comfort.

**Subscribe with Caution:** Relatively better growth prospects but with valuation discomfort.

**Avoid:** Concerns on both fundamentals and demanded valuation.

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