

# All About



Sector - Personal Care / Consumer

Issue Opens - October 31, 2023 to November 2, 2023

**Price Band**  
₹308 to ₹324

**Face Value**  
₹10

**Lot Size**  
46 Shares

**Issue Size**  
₹1,701.00 Cr

**Issue Type**  
Book Built

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# Important Events



**Issue Size**

**53,098,811 shares (₹1,701.00 Cr)**

**Fresh Issue**

**₹365.00 Cr**

**Offer for Sale**

**41,248,162 shares**

**Basis of Allotment**

**Tuesday, November 7, 2023**

**Initiation of Refunds**

**Wednesday, November 8, 2023**

**Credit of Shares to Demat**

**Thursday, November 9, 2023**

**Honasa Consumer LTD, IPO**

**Friday, November 10, 2023**

## Promoters

- **Varun Alagh ( Director and Chief Executive Officer)**
- **Ghazal Alagh (Director)**
- **Mukesh Alagh (Relative of KMP)**

**Promoters collectively hold 37.45% (Pre Issue) of the Equity Share.**

# About the Company

Honasa Consumer Limited is India's largest digital-first beauty and personal care (BPC) company, focusing on creating goods that meet specific consumer demands. Mamaearth, its flagship brand, is based around offering safe-to-use, natural products and has emerged as India's fastest-growing BPC brand. Honasa has added five new brands to its portfolio: The Derma Co., Aqualogica, Ayuga, BBlunt, and Dr. Sheth's, which encompass baby care, face care, body care, hair care, color cosmetics, and fragrances. Honasa's success may be attributed to the company's consumer-centric approach, innovation engine, digital-first omnichannel distribution, and technology-driven marketing methods.

## Product Portfolio

Their products portfolio includes products in the baby care, face care, body care, hair care, color cosmetics and fragrances segments. This product portfolio is supplemented by their services businesses across its content and community management platform, Momspresso, and professional salons chain, BBlunt Salons.

**mamaearth**<sup>®</sup>  
goodness inside

THE  
**derma**co<sup>™</sup>  
SKINCARE BY SCIENTISTS

Aqualogica

**BBLUNT**  
Salons • Products • Expertise

**+DR. SHETH'S**  
- for indian skin -

AYUGA

 Momspresso

## Objects of the offer

The Company proposes to utilize the Net Proceeds towards the funding of the following objects:

- Advertisement expenses towards enhancing the awareness and visibility of their brands.
- Capital expenditure to be incurred by the Company for setting up new EBOs.
- Investment in their Subsidiary, BBlunt for setting up new salons.
- Sale of 4,12,48,162 shares by shareholders and promoters

# Track Record Of Financial Performance



## Profit & Loss A/C

Particulars	Q1FY24	FY23	FY22	FY21
Revenue from Operations	4645	14928	9435	4599.9
Other Income	126.1	225.2	208.8	121.1
<b>Total Income</b>	<b>4771</b>	<b>15153</b>	<b>9644</b>	<b>4721</b>
<b>Total Expenditure</b>	<b>4352</b>	<b>14700</b>	<b>9320</b>	<b>17940.2</b>
COGS	1619	5024.2	3048	1607.8
Increase of inventory	-273.3	-556.9	-213	-280.7
Change in fair valuation of preference shares	0	0	0	13612.4
Employee Benefits Expenses	445.1	1648.8	788.5	277.6
Other Expenses	2561	8583.7	5697	2723.2
<b>EBIDT</b>	<b>419.2</b>	<b>452.8</b>	<b>323.4</b>	<b>-13219</b>
Interest	14.8	66.6	30.1	9.8
<b>EBDT</b>	<b>404.5</b>	<b>386.2</b>	<b>293.3</b>	<b>-13229</b>
Depreciation and amortization	64.9	249.6	69	17.1
<b>EBT</b>	<b>339.5</b>	<b>136.6</b>	<b>224.4</b>	<b>-13246</b>
Impairment loss on goodwill and other intangible assets	0	-1547	0	0
Tax	92.4	99.3	80	76.1
Current Tax	83.7	171.8	64.1	61.9
Deferred Tax	8.7	-72.5	15.9	14.2
<b>PAT</b>	<b>247.2</b>	<b>-1510</b>	<b>144.4</b>	<b>-13322</b>
EPS ( Rs.)	0.9	-4.7	0.5	-98.4
Face Value	10	10	10	10
OPM %	6.3	1.5	1.2	-290
PATM %	5.3	-10.1	1.5	-289.6

# Balance sheet

PARTICULARS	FY 2020	FY 2021	FY 2022
<i>Equity and Liabilities</i>			
Share Capital	0.01	0.01	1,792.95
Total Reserves	-437.18	-1,765.16	-1,080.81
Borrowings	592.76	1,954	0
Other N/C liabilities	0.68	20.96	49.56
Current liabilities	24.74	92.82	190.24
<b>Total Liabilities</b>	<b>181.01</b>	<b>302.64</b>	<b>951.94</b>
<i>Assets</i>			
Net Block	1.01	21.09	97.75
Capital WIP	0	0	0
Intangible WIP	0	0	1.88
Investments	0	0	202.19
Loans & Advances	0.37	0.89	4.7
Other N/C Assets	0	5.33	75.12
Current Assets	179.63	275.34	570.3
<b>Total Assets</b>	<b>181.01</b>	<b>302.64</b>	<b>951.94</b>

# Cash Flow Statement

PARTICULARS	FY 2020	FY 2021	FY 2022
Profit from operations	-428.03	-1,324.61	27.8
Adjustment	420.97	1,356.97	9.3
Changes in Assets & Liabilities	-3.3	3.65	24.34
Tax Paid	0	-6.29	-9.41
Operating Cash Flow	-10.36	29.73	52.03
Investing Cash Flow	-116.92	-20.61	-518.16
Financing Cash Flow	128.69	-1.28	481
<b>Net Cash Flow</b>	<b>1.41</b>	<b>7.84</b>	<b>14.87</b>

# Strengths



- The organization possesses brand-building capabilities as well as repeatable playbooks.
- Capability to introduce new brands at a reasonable cost.
- Product innovation centered on the consumer.
- Omnichannel distribution based on digital first.
- Contextualized data-driven marketing.
- Capability to drive growth and profitability while remaining capital-efficient.
- Company led by its founder, with strong professional management.

# Risks

- Consumer preferences can change.
- Earn significant revenue from a limited number of products and brands.
- The company has made losses in the past.
- Acquired subsidiaries have also reported losses in the past.
- It incurs significant advertising costs that contribute to growth in operating revenue.
- Reliance on celebrities and social media influencers as part of our marketing strategy.
- Negative cash flow in the past.
- The company faces stiff competition that could lead to a decrease in market share.



# Valuation and Outlook



The issue's price range, in terms of valuation, is INR 308-324 per share. A P/E ratio of Honasa consumer LTD is -ve is based on a price range above INR 324 and FY23 EPS of INR -4.66 with an industry average of 53.63X

Name of the Company	Total Income	FV	Basic EPS	NAV	EV/S*	P/B*	RONW
Honasa Consumer Limited	1492.75	10	-4.66	19.27	6.76	16.81	-23.57%
Hindustan Unilever Limited	60580	1	43.07	215.02	9.77	11.6	20.08%
Colgate Palmolive (India) Limited	5226.2	1	38.5	63.11	10.68	32.11	61.01%
Procter & Gamble Hygiene	<b>3917.9</b>	<b>10</b>	<b>208.91</b>	<b>291.44</b>	<b>14.13</b>	<b>58.33</b>	<b>71.68%</b>
Dabur India Limited	11529.9	1	9.64	53.29	8.1	9.84	18.02%
Marico LTD	9764	1	10.08	30.59	7.15	17.58	33.42%
Godrej Consumer Products Limited	13315.97	1	16.65	134.88	7.41	7.32	12.34%
Emami Limited	3405.73	1	14.5	52.43	6.42	9.63	27.13%
Bajaj Consumer Care Limited	960.87	1	9.48	55.1	2.98	4.36	17.63%
Gillette India Limited	2477.05	10	109.15	303.47	8.12	20.56	35.97%

*P/E & P/B ratio based on closing market price as on October 27, 2023,*

*At the upper price band of IPO, financial details consolidated audited results as on FY23.*

The modern business Honasa Consumer is well-known for Mamaearth, its flagship brand. The company's portfolio of six brands includes a wide variety of products. The organization uses contextualized, data-driven marketing and has the ability to establish brands. Nonetheless, the company's financial results have been erratic, and it has declared losses in the most recent fiscal year. Its purchased subsidiaries have also suffered losses. Furthermore, the company does not own any patents covering the formulas for its products; instead, it depends on other parties to manufacture its goods.

Over the FY21-23 period, the revenue CAGR was around 80.14%. For the year that concluded in FY23, the company's EBITDA margin was 1.52%, and its PAT margin was negative. For the quarter that ended on June 30, 2023, the company's EBITDA margin was 6.31%, and its PAT margin was 5.32%. For Q1FY24 (₹0.83), the company is requesting a PE multiple of 97.59x annualizing diluted EPS. Taking into account every aspect, possibility, and Risk, we have an impartial opinion of the business.

We, therefore, recommend a **"Avoid"** rating for the issue.

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