

Honasa Consumer

13 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Honasa Consumer Ltd. Q1 FY27 earnings conference call hosted by JM Financial. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Pooja Kubadia from JM Financial. Thank you, and over to you, ma'am.

Pooja Kubadia – JM Financial: Hello. Good evening, everyone. Welcome to the Q1 FY27 earnings conference call of Honasa Consumer Ltd. Today, we have with us Mr. Varun Alagh, Co-founder, Chairman and CEO; Ms. Ghazal Alagh, Co-founder and Chief Innovation Officer; and Mr. Ramanpreet Sohi, Chief Financial Officer. We will start the conference with prepared remarks from the management, after which we will open the floor for questions and answers. Over to you, Mr. Varun.

Varun Alagh – Co-founder, Chairman & CEO: Hello, everyone. Welcome to the quarterly call for Honasa Consumer Ltd. for Q1 FY27. We have our team, Raman, Ghazal, and our team {? [unclear] ?}, but I will take you through the performance update quickly, and then we will open the floor for questions and answers. Moving forward.

Starting with the section on the future of Indian beauty and personal care, or BPC, this time the theme that we have captured is fragrances as a category. Fragrance is a very interesting category globally as we speak. Fragrance is the largest delta driver as a category in beauty and personal care. It is also one of the largest categories and, especially, a category that has premiumized very effectively over the last couple of decades. Currently, if you look at India, it is one of the fastest-growing categories among beauty and personal care. Current penetration for fragrances in India is just 3% versus 11% globally, which is why, if you look at the BPC market share, in India it is just 3% market share versus 11% for the US, while penetration differs.

It is also a category that is moving toward e-commerce. Seven years ago, one of the things being highlighted was that this category was very much about experiences and hence might not move to e-commerce. However, we have seen a strong move toward e-commerce because trial packs have come into this category, as well as because consumers' understanding of notes has grown. If you look at the Indian market, we have also seen a very strong transition from deodorants to fragrances. We believe that over the next decade, this is going to be a very interesting category for BPC players to participate in, which is why, in our 5-year journey, we had talked about this being one of the categories that Honasa Consumer Ltd. would be interested in unlocking as a Horizon 2 category.

Moving from the future to the present, our financial snapshot for Q1, I am glad to announce that this has been a great quarter for the organization. The team has done brilliantly well in delivering 32% growth, with EBITDA of almost 110 crores and PAT of 90 crores. This has also been driven by volume, with 30.5% volume growth, and we continue to have negative working capital and generated almost 83 crores of cash this quarter. It is a quarter that has seen significant improvement in our EBITDA profile over the same quarter last year.

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As we have mentioned in the past, and continue to maintain, the 2 large buckets through which we see our business improving its EBITDA profile are A&P, which improves with a higher mix of profitable B2B channels, the growth momentum of our core brands, and our younger brands becoming more profitable. While all of this happens, absolute A&P spends still continue to grow, which is helping deliver strong growth for the company. The model that we have talked about is clearly continuing to play out consistently for the company.

The second bucket that we have talked about is operating leverage. As we scale, we also see OPEX leverage coming in. In this quarter, we have seen almost 300–350 basis points because of mix impact and approximately 100 basis points because of operating leverage. There is also a 50-basis-point impact because of seasonality within this quarter for us. Q1 is the summer quarter, and some of our core categories, such as face wash and sunscreen, are also high-margin categories. This quarter is usually a relatively healthier quarter, so that is also reflected here.

Thirdly, there is a non-recurring, one-time OPEX benefit that we have seen within this quarter. All in all, the commitment that we have made from a 5-year perspective is that we will continue to expand EBITDA margin by 100–150 basis points each year to reach a 15% EBITDA margin in 5 years. This is something that we are moving toward and something that we remain committed to. Of course, it will vary by quarter, but we have seen good movement as we have grown in this quarter.

This is a slide that we have shown in the past 3 quarters as well, after the Flipkart settlement process came in. This is actually the last quarter in which we will share this, because from next quarter onward, the settlement base will become clean, and our reported growth and like-to-like growth will become the same. Currently, there is a slight difference because of the settlement issue, but we have explained this in the past as well, and we continue to see this. From next quarter onward, this should effectively become one.

The healthy aspect is our ability to deliver this growth on the back of the stated strategy. The stated strategy was that we would invest sharply in a few focus categories, and those focus categories would help us drive strong growth. We have seen that focus categories have grown by more than 35%, and we have also seen growth coming across channels. Our e-commerce channels have grown by more than 20%. In general trade and modern trade, all the work that we have put into redesigning our distribution system and hiring the right kind of GTM teams has really helped us in terms of on-ground GT growth, which is now at more than 40% for secondary growth. In parallel, the strong brand strength and traction that we have been developing are showcased in modern trade off-takes, where we have more than 40% growth in terms of off-takes. The contribution of focus categories has now also increased to almost 85% in Q1 FY27.

Mamaearth, our core brand, is another area of focus for us. We want to make sure that our core continues to grow strongly. This is where the large-brand playbook that we have built has been tested, and clearly, every quarter, we have demonstrated that it is becoming better. In line with that, Mamaearth has accelerated to high-teens growth in Q1 FY27, driven by focus categories. In fact, even within focus categories, this has been driven by the hero SKUs that we have been focusing on.

Rice Water has become our number-one face wash now. Ubtan is also growing in strong double digits. Rosemary shampoo is growing in strong double digits and has become a 100-crore-plus ARR ingredient now. Sun care also grew very strongly this season for Mamaearth. Continuously, the

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areas that we are focusing on are also where our growth is coming from, and that gives us confidence that this is an input-driven growth model. As long as we keep those inputs intact, we will continue to do well.

Of course, this growth would not come if consumer love and support for the brand did not exist. We have worked strongly on product enhancement and communication relevance, and that is now visible in the growth in brand searches. It is visible in the increase in our share amongst handles, and it is visible in our Kantar Brand Power Score, which is at its highest ever. All in all, consumer love is visible both in output metrics such as revenue and market share, and in input metrics that are measured through consumer tracking.

Apart from this, the core is growing strongly, but the new is also growing stronger. I think that is the headline for us: both parts of the business are now growing strongly. Young brands continue their strong growth at more than 40%. Aqualogica, Dr. Sheth's, The Derma Co., and BBlunt all have their own niches, their own categories, and their own TGs that they are addressing. We are using them to take a higher share of BPC as a category and executing well, which is visible in the growth outcome.

Management: Specifically, the good news is that we now have the second 1,000-crore brand within our portfolio. This is a very heartening moment and piece of news for us because we have been able to take our second brand to this level. This gives us more confidence that, in the future, we will be able to build more 1,000-crore brands within the company.

The brand has recorded its highest-ever brand searches. The Derma Co. has also seen strong traction offline and in modern trade, which is now visible in Nielsen shares. Face cleansers have become a relevant category, with a run rate of more than 200 crores now. The EBITDA profile continues to improve as the brand grows. It has now entered the teens EBITDA club, which is a healthy development that we continue to see for the brand.

BTM Ventures, which we acquired in January, continues to do well. It reached an ARR of 150 crores in the last quarter. Since we acquired it, we have grown it by almost 100%. We have also been able to expand the brand's franchise to Maharashtra, open a new category, and unlock new channels. This was the basis of our acquisition growth model, and we have actually been able to deliver on it.

This again shows that the company has the capability to undertake inorganic acquisitions and scale them faster. In the long term, this will continue to be a growth driver for Honasa Consumer Ltd.

We have seen strong growth in both general trade and modern trade, again in an area where we have focused strongly. We improved our distribution model, improved our execution, obtained higher-quality distributors, reduced our EOH, and all of that is visible in healthy secondary sales growth, which is coming in the mid-twenties. As I said, brand strength is visible in modern trade growth as well.

This has come through share gains. We gained almost 350 basis points of share in face wash and 160 basis points of share in shampoos. All in all, this has been very healthy execution by the offline team, leading to outstanding results.

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The e-commerce channel is growing strongly. We have a strong focus, and we continue to focus on 3 areas. We continue to build our focus categories, which have grown by more than 25% in e-commerce. We continue to focus on gaining share in quick commerce. We also continue to focus strongly on taking share in Tier 2 and beyond markets through channels that are strong in those markets. This is visible in our overall growth.

Our innovation capabilities continue to strengthen our portfolio across brands wherever we see opportunities to serve consumers better through newer ingredients, newer science, and newer formats. The company continues to innovate and bring products that consumers love, and we will continue to do that. Innovation has been one of our strong advantages, and we will make sure that it continues to remain so.

I talked about fragrance at the beginning of this presentation, and one of the reasons was that we have finally entered this category. We have talked about this category multiple times in the past and said that we like the category because we have been working on it for almost 1.5 years to ensure that we have a differentiated product proposition with which we can enter this category.

We have finally launched the brand called {? Ficken ?}. It is India's first elixir-based brand, which is the highest-dosed and strongest form of perfume that we have brought to India. Given our temperatures, our sweat profile, and our external environment, one of the key needs for Indians is perfumes that last longer. That is what we have optimized this for.

The perfumes are clinically tested for a 12-hour long stay. The design with which we have launched is patented by Honasa Consumer Ltd. It is also a first-to-world design that we have brought to fragrances for our collectible packs. We are very confident that this brand is going to be {? Ficken ?} amazing as we scale it.

With that, we come to the last section. As we grow, our community contributions also continue to grow. Our brands continue to plant more trees, teach more children, provide more certifications to women in salons, provide more fresh water, and conduct more health checkups. We will continue to have purposeful growth as a company. With that, I have come to the end. Thank you so much for listening in. We would be happy to answer your questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Participants viewing the webcast may enter their text questions below the screen. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. Our first question comes from the line of Vivek M with Jefferies. Please go ahead.

Vivek M - Jefferies: Hi, Varun and team. Good evening. I have 2 questions. First, I know you are a very young company with young brands, but when we look purely at year-on-year comparisons as we head into the rest of the year, the comparisons start to get higher. On that revenue base, what is your expectation for growth from a 9-month perspective?

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Varun Alagh: Hi, Vivek. As we have said, from a 5-year view, we have a high-teens agenda. We will make sure that we deliver that CAGR over the next 5 years. If you divide that over the years, there will be years in which we will do better than that in terms of our overall growth profile, and there will be years in which we will be approximately at that CAGR in terms of our growth profile.

I think this is going to be a year in which we will be better than that CAGR on the growth profile. The attempt will always be to make sure that we continue to grow faster. Wherever we can reinvest to grow faster, we will do so, and that is what we are doing. However, we remain committed to our 5-year call on where we want to reach, which we recently communicated at our Investor Day.

Vivek M – Jefferies: Sure. As a follow-up, Varun, on the Mamaearth side, how do you think the trajectory will be for the rest of the year? You have done an exceptional job this quarter, and I think Mamaearth has also done very well over the last few quarters. What do you think the trajectory will be, and how will it progress for the rest of the year?

Varun Alagh: Vivek, you might find my answer boring again, but as we have said, from a 5-year perspective, Mamaearth will be a double-digit CAGR growth story. We remain committed to that story and will make sure that we deliver it.

It is usually never an average journey over the next 5 years. There will be years in which we will do better in terms of our growth profile, and there will be years in which we will be approximately at the level that we have indicated. This year, again, even for Mamaearth, it is looking and feeling like it will be better than the planned CAGR profile. The inputs that we are implementing and the distribution gains that we are obtaining are actually helping us reach the goal that we want to achieve.

Vivek M – Jefferies: Understood. My second question is on your point in the presentation about gaining share on quick-commerce platforms. There are 2 parts to this. First, what level of data do the platforms share with you when you say you are gaining share? Is it at the category level or at the overall level? Second, when we look at any of the QC apps, it appears that the number of brands is expanding every day, literally on a daily basis. How are you still able to gain market share, given that there is traditional FMCG from which market share can be gained, but you have also been ahead in this game? How are you ensuring this? If you could answer both parts, please.

Varun Alagh: We engage with the QC teams and obtain an understanding of category-level shares. For example, we track Honasa Consumer Ltd.'s share in face wash and sunscreen. Of course, this is not third-party-audited data like AC Nielsen, which is why we would not share it publicly. This is data that we receive because of the relationship between us, the customer, and the partner, and we track that data.

The data is at the category level, and we look at Honasa Consumer Ltd.'s share in every category and how we are gaining share. That addresses the first question.

Regarding the second question, compared with e-commerce, quick commerce is, in our view, especially in our categories, a further branded-purchase play. This means that if, for any category, we see 50–60% of sales in e-commerce coming from branded searches, in quick commerce the percentage is higher.

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Hence, we believe that people buying through quick commerce are sufficiently evolved to know the brands they want to buy, especially in our categories, and they search for those brands. Quick commerce is able to fulfill that purchase in just 10 minutes.

For us, building the brand strongly in consumers' minds, measured through our brand tracking and through the searches that we receive, is the strength that is visible in our ability to gain share in quick commerce as well. As long as our brands continue to become stronger, they will also continue to gain share in quick commerce.

We believe that, in the long term, Pareto is what will thrive on quick commerce as a format because, ultimately, it is not an unlimited physical-space or digital-space play, which is what e-commerce would be. It is actually a constrained physical-space play. Over time, the channels will need to focus on the best velocity per square foot, and brands that perform better will continue to do even better over time. That is what we believe.

Vivek M – Jefferies: Sure. I understand the long-term point, but at this stage, you are gaining share. Compliments to you and your team, and I wish you all the best.

Varun Alagh: Thank you.

Operator: Thank you. Our next question comes from the line of Vidisha Sheth with Ambit Capital. Please go ahead.

Vidisha Sheth – Ambit Capital: My first question is on the emerging younger-brand portfolio, excluding The Derma Co. The organic brands and even the inorganic ones, such as BBlunt, Aqualogica, and Dr. Sheth's, have found it somewhat challenging to scale beyond the 180–200 crore ARR level. With BTM also reaching a similar level of 150 crore ARR, what initiatives are you undertaking to scale all these brands to the next level, perhaps to a 500-crore ARR?

Varun Alagh: I think the playbook is fairly similar to the playbook that has worked for Mamaearth and The Derma Co. It is about finding a differentiated proposition in a category, doubling down on that proposition, and actually gaining share within that category with that proposition.

Different brands go through their own different journeys. Mamaearth has gone through its own journey, and The Derma Co. has gone through its own journey. Over time, we need to keep reflecting and contextualizing them against the consumer and how the consumer is evolving.

Each of these brands, including the younger brands, as they grow, is also recognizing which part of the category portfolio and which part of the consumer-brand mix represents the best right to win. Once that is recognized, we invest more heavily in that area and, over time, the brand starts to grow much stronger because of the emergence of that clarity.

Each of the brands is on that journey. We recently completed a packaging and proposition refresh for Aqualogica to make it far more relevant for Gen Z. It is the first brand whose claims were tested on Gen Z, and that has shown very good results in terms of the growth we are seeing for the brand. Similarly, there are other actions planned around BBlunt and Dr. Sheth's over the next 6–9 months, and you will see those brands becoming sharper.

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Management: In the case of {? Dr. Sheth's ?}, we had clearly identified some underlying low-hanging fruits, such as expansion onto marketplaces and expansion into other geographies, which we deployed quickly to grow the brand. For each brand, a different strategy has been crafted, and we test that strategy. Whenever we see green shoots, we double down on it. That is the basic framework that we would like to use.

Vidisha Sheth – Ambit Capital: My second question is on margins. Given that you are already at a 12.5% normalized EBITDA margin and there could be front-ending of the 15% aspiration, from a long-term basis, how should we think about the balance between growth investment and margin expansion? At what point would you prioritize reinvesting in the younger brands, or in brands that are fading in terms of their growth profile, to achieve that incremental growth?

Management: The plan that we shared as part of our Investor Day assumes prioritization of growth over margins, and the commitment that we have already made takes into account the new categories and new brands that we want to build.

Even with that, we know that our core will continue to grow, and the core will continue to become more profitable. This will allow us to invest in some of the new categories or new brands that we want to build while still being able to deliver the goals that we have committed to.

The plan that we have shared already assumes that we are going to build young brands into larger franchises and enter new categories. It takes all of that into account.

Vidisha Sheth – Ambit Capital: Thank you. I will get back in the queue.

Operator: Thank you. Our next question comes from the line of Aditya Soman with CLSA. Please go ahead.

Aditya Soman – CLSA: Hi, good evening, and thank you for the opportunity. Thank you for the clarification on the margins in the slide. Just to be sure, is it correct to view this as approximately 300–350 basis points of organic margin improvement, with another 100–150 basis points being seasonal, which may not recur from Q2 onward?

Management: From a yearly perspective, as we have said, while we are stating that we will improve by 500 basis points over 5 years, dividing that by the average gives 100 basis points. However, there will be years in which we will do better than that, and this is clearly a year in which we will do better than that, at least by more than 150 basis points. We see ourselves delivering 150–200 basis points over last year in this year. Broadly, that is what we believe should be expected from a yearly perspective as well.

Aditya Soman – CLSA: Thank you, that is clear. Secondly, you have had very strong growth in general trade and modern retail. In the past, we had an issue involving inventory build-up. I see that your slide calls out that primary and secondary growth are similar, but how confident are you that you will not see any issue of the kind we saw earlier?

Management: We are extremely confident. We are now tracking every distributor's inventory, and our collections are at their highest-ever levels. Tracking cash is the best way to ensure that we are tracking the health of a distribution system. We do that very clearly.

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Our distribution system is now operating with less than 30 days of inventory, and with our wide investment in a wide assortment, that is actually very tight to operate with. However, we have been able to achieve it.

All of those factors are positive. Even if you look at retail STRs, our retail STRs are also relatively healthier than those of the categories in which we operate. From all of these angles, we are continuously tracking this, and we are extremely confident that this is now being built on a fairly healthy distribution system.

Aditya Soman – CLSA: Thank you very much. That was very clear and very impressive.

Operator: Thank you. Our next question comes from the line of Jay Doshi with Kotak. Please go ahead.

Jay Doshi – Kotak Securities: Hi, thank you. I have a couple of questions. First, regarding the retail outreach of 3 lakh, is this for Mamaearth as well as The Derma Co.? If not, where is The Derma Co. in its offline scale-up journey? Also, could you provide some color on the 1,000-crore ARR? What is the approximate split between online and offline at this point for The Derma Co.?

That is question number one. The second question is about the Nutrimar acquisition. How do you intend to build the nutraceuticals business on that asset? Also, what should we approximately expect in that space over the next 12 months?

Management: On the first question, Jay, the 3 lakh is the universe that we are reaching according to AC Nielsen. It is largely an intersection of the universe, but Mamaearth is largely driving that expansion in terms of distribution.

The Derma Co. is relatively new to this journey. It entered offline approximately 1 year ago but has seen very good traction offline, especially in modern trade and now in general trade as well. In general trade, we are already present in close to 50,000 outlets.

From a contribution perspective, our latest contribution is still 80% online, with 20% coming from offline, comprising GT and MT, for The Derma Co. That is how we are seeing the mix develop.

On your second question, Honasa Health is the subsidiary that we have created. We are thinking very strategically about this entire space and category. We believe nutrition and wellness will be a decade-long opportunity, like beauty and personal care. Over the next 10 years, we will create brands that stand for different niches and different kinds of benefits, appealing to different life stages in that space.

That is why we have chosen to create a separate company around it. Within that, we will develop different propositions. {? Plix ?} is one proposition that we announced, where we are still completing the condition-precedent process and the diligence process. Once that is completed, we will be able to discuss its integration.

Outside of that, we also continue to consider potential organic propositions that we can shape over time to address the nutrition and wellness category, which we believe is a multidecade opportunity in India.

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Jay Doshi – Kotak Securities: Is it fair to assume that you will probably acquire some more brands in this space over time as you build the nutrition and wellness portfolio, or will it be organic from this point onward?

Management: As we have always mentioned, Jay, our priority is to find things that we can do organically. In this case as well, the priority will be to build the R&D capability to develop things organically. We have already hired the right kind of capabilities to be able to pursue that organically.

However, if we come across good inorganic opportunities where we are buying not only great brands but also strengthening our capability in this space as an organization, we will continue to look for such opportunities.

Jay Doshi – Kotak Securities: Sure, thank you very much. I will get back in the queue.

Operator: Thank you. The next question is from the line of Umang Shah with Banyan Tree Advisors PMS. Please go ahead.

Umang Shah – Banyan Tree Advisors PMS: Thank you for taking my question. It has been a great performance. My question is: why has the fragrance segment not been successfully developed by any of the large players in India? What have been the challenges?

The second part is that, if I remember correctly, we entered fragrances through Mamaearth sometime back and then discontinued it. What were the learnings from that experience?

Management: Let me answer these 2 questions, starting with the second question, which will probably answer the first as well.

There is a certain world in which Mamaearth operates as a brand, and there are certain categories in which, as a brand, it has the right to win. When we conducted our research, we felt that fragrance was a category into which the brand could extend. However, based on the early consumer feedback, we were not satisfied with the product-market fit that we achieved, so we shut it down. These are experiments that we continue to undertake.

Under Mamaearth, we have not identified fragrance as a core strategy. In fact, none of the brands has identified it as a core focus category because we realized that fragrance brands would need to be fragrance-first if they want to win in the fine-fragrance market in the long term.

Once you win in the fine-fragrance market, your ability to extend into other fragrant categories, such as body washes, body lotion, and body care, becomes relevant. Multiple examples exist globally of brands that have been able to do this. However, starting with fragrance as the core is essential to winning in the fine-fragrance market. That is what we learned from that experiment.

That is why we have chosen to launch specific brands targeted at gender-specific fragrances and build brands in that manner. {? Staze ?} is where we are starting this journey.

It also took us time to build our product capabilities internally. We have clearly learned that, to succeed in any category, our own strong R&D capabilities and understanding of the science of notes and layering, as well as how to extend the life of fragrances on the skin, are critical. That is the

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time we spent over the last 2 years after shutting down the category in Mamaearth and building these capabilities internally.

If you look at the Indian landscape, you probably will not come across FMCG companies that have developed fragrances because there were no pure-play BPC companies in existence. However, if you look at pure-play BPC companies globally, such as L'Oréal and Estée Lauder, fragrances are one of their largest business areas.

That is why I believe any pure-play FMCG company will need to have a strong fragrance play over time. It not only gives them entry into a relevant category but also builds internal capabilities to develop fragrances successfully in other categories. That is how we are shaping up.

Umang Shah – Banyan Tree Advisors PMS: Understood. That is very useful. My second question is on our e-commerce growth, which was 20%. Can you break it down between our own website, quick commerce, and other e-commerce?

Management: We usually do not provide breakdowns of the different channels.

Umang Shah – Banyan Tree Advisors PMS: Understood. Not a problem. Thank you very much. All the best.

Operator: Thank you. Ladies and gentlemen, to ask a question, you may press star and one on your touchtone telephone. Participants viewing the webcast may enter their questions in the "Ask a Question" field on the screen. Our next question comes from the line of Nitin Shaktel with Green Capital Single Family Office. Please go ahead.

Nitin Shaktel – Green Capital Single Family Office: Hi, good evening. This is Nitin Shaktel from Green Capital Single Family Office. Congratulations to Varun, Ghazal, and Ramanpreet on a stunning performance in a difficult quarter.

My question is related to my conversations as an investor with many large FMCG companies in personal care. They have indicated a huge impact on their bottom lines from the cost of packaging, the cost of crude-oil derivative products, and the cost of certain logistics, which has increased over the last quarter and is showing up in their results.

I do not see that impact happening at Honasa Consumer Ltd. I would like to understand specifically what the company has done to offset costs this quarter because it seems very impressive that you have probably had an increase of {? thirty ?}

Management: ...{? 40 crores ?} rather than 80 or more than that in the cost of raw materials.

Raman: Hi, Nitin. Raman here. Let me take this one. As you rightly pointed out, crude oil prices have been on an inflationary trend given the West Asia war. Like other personal care companies, we have also seen our pricing index for packaging materials specifically increase.

Given that we were able to do a good job with inventory management in Q1, we did not see the implication of that in our financials, especially on the gross-margin side. The real impact of it will be in Q2. However, given that we took calibrated price increases toward the end of Q1, we will be able

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to offset any such inflationary impact from a gross-margin perspective.

That is how we have been able to manage it. We do not see any impact on our gross-margin performance specifically from this. Hopefully, as we move into the second half of the year, some of these factors will reverse their inflationary trend, and we will probably see some benefits coming into the P&L.

Nitin Shaktel – Green Capital Single Family Office: That is clear. Thank you very much. My second question is about new categories that you are looking at, such as nutraceuticals and fragrances. Are you also looking at certain micro-trends within the larger category?

For example, there is a trend of looksmaxxing for men, and within men's hair care, hair-fiber brands such as Toppik are generating significant global annual revenue. Would you also look into niche micro-categories, spending, and product development within the larger category? Is that interesting for the brand? I wanted to understand your approach to innovation in product development.

Ghazal: Hello. Thank you for that question. We do keep looking at all of these trends. The team is aware of them, and we discuss them internally.

However, we have also aligned on a focus-category strategy for the company. There is a lot of weight given to what we want to build next and where we can create an impact, rather than simply adopting trends.

Through that evaluation, while we continue to be very focused on our core categories, there is also a lot of experimentation across brands. You will see brands such as BBlunt trying new trends, including the hair-fiber trend. However, unless an initiative is proven, we do not invest significant amounts in it.

Nitin Shaktel – Green Capital Single Family Office: Understood. It has been a very impressive turnaround and extremely strong performance despite a difficult quarter. I am sure your third-party suppliers are being squeezed by the company, but the company is doing a great job on the bottom line, especially in terms of raw-material costs. All the best for the year.

Operator: Thank you. Our next question comes from the line of Nithin with HDFC Securities. Please go ahead.

Nithin – HDFC Securities: Thank you for taking my question. My first question pertains to general trade. We have seen consistent growth here, and I wanted to understand how the growth is progressing with our existing distributors whom we have not replaced.

This is in the context of whether the growth is being driven by new distributors fixing issues in newer regions. I wanted to understand the like-to-like growth for the Mamaearth brand, or at the offline level, where you have existing distributors.

Management: Most of this growth is actually from our existing geographies. Whether it is an existing distributor or a new distributor does not matter; what matters is the same geography that we are discussing.

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As part of the new project, we have further narrowed our direct distribution from approximately 160 cities to a focus on 100 cities. All of the growth that you see is coming on the back of that focused distribution strategy. Within those geographies, of course, we are expanding to more stores with our distribution partners, but the growth is coming from the same geographies.

Nithin – HDFC Securities: Would you be able to comment on how this general-trade growth is developing for a specific brand such as Mamaearth?

Management: General-trade growth for Mamaearth will also be more than the average growth that we have, which is 120%. It is one of the drivers of the Mamaearth brand.

Nithin – HDFC Securities: That is encouraging to note. My second question pertains to your younger brands. If I adjust for the male-grooming business, how would the growth look? Also, could you provide some information on the performance of Aqualogica and its current ARR?

Management: If you exclude the BTM Ventures acquisition, the young brands are still growing at more than 30%. We do not provide further disclosures for all the brands, as otherwise we would get into very detailed and competitively sensitive information.

However, as I said, Aqualogica is doing very well for us, especially after the restage and relaunch that we completed in Q1. We are very confident that we will be able to continue to scale that brand and make it our next major portfolio bet.

Nithin – HDFC Securities: Thank you. I wanted to follow up on this. Could you highlight the proposition that we have for Aqualogica and how the consumer cohort and demand are evolving in that space? I am not asking specifically about the brand, but about the space overall.

Management: Aqualogica is a brand targeted at Gen Z. Gen Z is already becoming almost a 45% buying cohort in BPC categories, especially in e-commerce channels. That is where the brand is completely focused and will continue to focus.

We are therefore very confident that, given the sharpness of the brand and the relevance of that target group as a buying cohort in the long term, that is what we are building the brand around.

Nithin – HDFC Securities: Sure, thank you very much, and all the very best.

Operator: Thank you. Our next question is from the line of Jay Doshi with Kotak. Please go ahead.

Jay Doshi – Kotak Securities: Thank you for the follow-up opportunity. My first question is on Mamaearth. Is the growth well balanced across online and offline channels, or is it largely driven by the offline channel?

Management: Jay, both are strong double digits.

Jay Doshi – Kotak Securities: Thank you. Secondly, could you talk a little about Rosemary shampoo and Rice Water face wash? These are products that have been around for a while. Are there any other new products that have probably not crossed 50-crore ARR but that you believe can drive the next leg of growth for Mamaearth? Has the early success of any such products given you confidence that they could become 50-crore or 100-crore ARR products? Is there anything

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launched under Mamaearth in the last 6 or 9 months that has been successful?

Management: Firstly, Jay, we believe that the Rice franchise itself can become a 500-crore franchise. Rosemary as a shampoo franchise can itself become a 250-crore franchise in the next 3–4 years.

Given the segments and categories in which they operate, these franchises themselves have a long way to go in terms of the market share they can gain. Both remain at single-digit market shares as franchises, so there is significant further headroom.

From the perspective of new products, the 3–4 areas I would mention include moisturizers. We are trying to build moisturizers within Mamaearth, and they are now reaching the stage of being close to a 50-crore ARR business. We are very confident about how we will execute that in winter.

Sunscreens, particularly Vitamin C and Glow Sunscreen, performed very well this summer. That is another candidate to become the next 100-crore product.

We have also opened newer segments within our core categories of face wash and shampoo. Although these are younger products, we are very confident that, in the medium term, they will also become 100-crore franchises over the next 2–3 years.

One is acne, where we are focusing on building Tea Tree face wash. The second is dandruff, where we are focusing on building Lemon anti-dandruff shampoo.

There are multiple segments such as these that we are confident can become the next engines of growth. However, the core also continues to have a long way to go in terms of how large it can become.

Jay Doshi – Kotak Securities: Understood. My next question is for Raman. This quarter's EBITDA is 110 crores, and excluding the one-time component, it is close to 100 crores. In the past, we have seen Q2 being similar to Q1 or slightly lower, while second-half quarterly EBITDA generally tends to be much higher.

In that context, the guidance you have given, both in terms of margins and probably growth or EBITDA growth, seems a little too conservative. What am I missing? Are you seeing any risks, or is there any phasing of A&P spends that you are expecting during the year? Can you explain the margin guidance in more detail?

Raman: Jay, adjusting for the one-time, non-recurring component, the Q1 numbers are approximately 12%. As we discussed earlier, there is clearly a seasonal leverage component as part of this.

As we move ahead, typically in Q2, the Q1 seasonality and the summer-category seasonality go away, and sequentially the scale declines somewhat.

Having said that, as we have said in the past, our focus is growth first. The mindset is clearly growth first. Therefore, if there are opportunities where we need to reinvest and target growth, that is how we will approach the rest of the year.

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Our focus is to ensure that growth continues and remains sustainable. Regarding the margin profile, we are looking at a 4–5–year ambition, and as Varun said, we are targeting 100–150 basis points from a margin perspective.

If there is anything in which we need to reinvest to fuel growth and make the business more sustainable from a long-term perspective, we will continue to do so. That is how we will approach the rest of the year.

Jay Doshi – Kotak Securities: Thank you very much. Congratulations on the good performance, and I wish you the best for the year.

Raman: Thank you.

Operator: Thank you. Participants wishing to ask a question may press star and one at this time. Those watching the webcast may enter their text questions in the “Ask a Question” field below the screen.

Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Management: Thank you very much, everyone, for dialing in. We look forward to speaking to you again with the next quarter’s results. Thank you.

Operator: Thank you. On behalf of Honasa Consumer Ltd., that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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