

IPO Details	
Opening Date	Oct 31, 2023
Closing Date	Nov 02, 2023
Stock Exchange	BSE, NSE
Lot Size	46 Shares
Issue Price	₹ 308 to ₹ 324 per share
Issue Size	Aggregating up to 1,701 Cr.
Fresh Issue Offer for Sale	Aggregating up to 365 Cr Aggregating up to 1,336 Cr.
Application Amount	Min. Inv. - ₹ 14,904 (46 shares) Max. Inv. - ₹ 1,93,752 (598 shares)

IPO Objective	
Advertisement expenses towards enhancing awareness and visibility.	
Capital Expenditure.	
Investment in the company's Subsidiary	
General Corporate Purposes and Inorganic Acquisition.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,170,02,850	37.41%
Public	19,34,76,377	62.59%

Promoter of the Company	
1	Varun Alagh
2	Ghazal Alagh

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

Company Background	
<ul style="list-style-type: none"> Honasa Consumer Limited was originally incorporated in the year 2016 and has its registered office in New Delhi. The company is the largest digital-first beauty and personal care “BPC” company in India. The company have 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. The portfolio of brands includes baby care, hair care, face care, body care, colour cosmetics and fragrances segments. As of 30th June 2023, the Company had 993 employees on its payroll. 	

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 10,060	₹ 10,425

Financial Summary (In Lacs)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Jun-23
Total Assets	30,263	1,03,501	96,641	1,04,802.70
Net Assets	-1,76,514	70,562	60,590	63,826
Total Borrowings	1,95,399	358	360	679
Total Revenue	47,210	96,434	1,51,526	47,709.70
Profit After Tax	-1,33,221	1,444	-1,173	2,471

Tentative Timeline	
Opening Date	Oct 31, 2023
Closing Date	Nov 02, 2023
Basis of Allotment	Nov 07, 2023
Initiation of Refunds	Nov 08, 2023
Credit of Shares to Demat	Nov 09, 2023
Listing Date	Nov 10, 2023

Company Background and Analysis

The Company was originally incorporated in the year 2016. The company is the largest digital-first beauty and personal care “BPC” company in India. Since 2016, the company have 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. The portfolio of brands includes baby care, hair care, face care, body care, color cosmetics and fragrances segments.

The company’s brands are as follows –

1. Mamaearth – Established in 2016, Mamaearth is the flagship brand that focuses on developing toxin-free beauty products made with natural ingredients.
2. The Derma Co. - launched The Derma Co. in 2020 to provide solutions for skin and hair conditions through a range of active ingredient-based products. The brand is focused on making these solutions easily accessible to consumers across digital and retail touchpoints.
3. Aqualogica - Launched in November 2021, Aqualogica is a specialized skin care brand that leverages the science of hydration to introduce products suited to Indian skin types.
4. Ayuga - Launched in December 2021, Ayuga aims to make the traditional wisdom of Ayurveda relevant for Indian millennials by curating products in easy-to-use, modern formats that can easily fit into a consumer’s daily skin and hair care regime.
5. BBlunt – The company acquired BBlunt in March 2022 with the objective of extending its portfolio to specialized professional hair care and styling segments. BBlunt seeks to replicate a salon-like experience for consumers at home by offering a wide range of products including shampoos, conditioners, hair serums, hair colour, heat protection mist, and hair sprays.
6. Dr Sheth’s - Acquired in April 2022 and operating through Subsidiary, Fusion Cosmeceutics Private Limited, which became wholly owned by the company in December 2022, Dr Sheth’s offers specialized skincare solutions crafted with a combination of natural and active ingredients.
7. BBlunt Salons - acquired BBlunt Salons along with the BBlunt product business in March 2022. Bhabani Blunt Hairdressing Private Limited, through BBlunt Salons, the company offers hair care, grooming and styling services for women and men across 10 leased outlets in Mumbai, Bangalore and Kolkata

The company’s network are as follows –

1. Omni-Channel Distribution Network – The company have established an omnichannel distribution network across online and offline channels. Through this network, they have been able to make the products available pan-India across 715 districts in India, during the three months period that ended June 30, 2023.
2. Online Channel – The online channel comprises of direct-to-consumer channel which includes the brand-specific websites, mobile websites and mobile applications and e-commerce marketplaces.
3. Offline Channel – The offline channel comprises of the retail footprint across general trade outlets and modern trade outlets, Mamaearth Exclusive Brand Outlets (“EBOs”) and BBlunt salons

Revenue Bifurcation for the financial year ended 2021, 2022, 2023, and the period ended June 30, 2023, are as follows –

(Amount in Lakhs)

Particulars	FY 2020-2021		FY 2021-2022		FY 2022-2023		Period ended June 30, 2023.	
	Amount	%	Amount	%	Amount	%	Amount	%
Sale of products	4,599.90	100	9,318.74	98.77	14,255.12	95.5	4,527.94	97.483
Sale of services	0.00	0	115.91	1.229	672.36	4.504	116.93	2.5174
Total	4,599.90	100.00	9,434.65	100.00	14,927.48	100.00	4,644.87	100.00

To conclude, the company was incorporated in the year 2016. The company is the largest digital-first beauty and personal care “BPC” company in India. The company generates the majority of its revenue through the sale of products. The company is raising total gross proceeds of Rs. 1,701 cr.

Business Strategies

1. Expand distribution and brand awareness –

The company intends to focus on increasing sales from the outlets in the medium term by developing relevant consumer and retailer loyalty and engagement programs. Additionally, the company intends to continue expanding the store footprint with a focus on adding new high-value retail outlets across both existing and new cities and towns in India.

2. Incubate or acquire new engines of growth –

- i) **Launch new brands and continue to drive product innovations across existing brands-** Launch or acquire new brands, Innovative product launches in existing categories, Enter new categories, new age innovation.
- ii) **Develop new channels and strengthen the omnichannel strategy –** The company intends to open new Mama Erath EBOs across a mix of mall stores and high-street outlets in India.
- iii) **Selectively expand into new markets-** The company intends to opportunistically expand their presence in identified priority markets such as the United Arab Emirates, Nepal, and Bangladesh, both organically and through strategic acquisitions

3. Strengthen business efficiency drivers –

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



Competitive Scenario and Peer Mapping

Competition

The company faces significant competition in this Industry. The company faces competition from a number of competitors, some of which are larger and have substantially greater resources than the company. The company has a fairly low barrier to entry, these new entrants could potentially heighten the competitive landscape. The bargaining power with the suppliers is moderate and the bargaining power with the customers is high in the sector in which the company operates.

Peer Analysis

As per the offer document the company does not have any listed peer companies.

Industry Overview

Exhibit 1: Retail Market in India (US\$ billion)

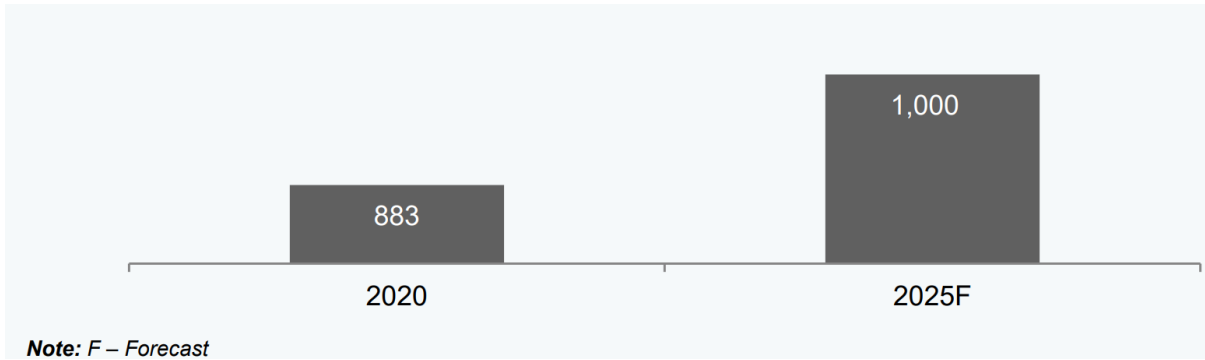
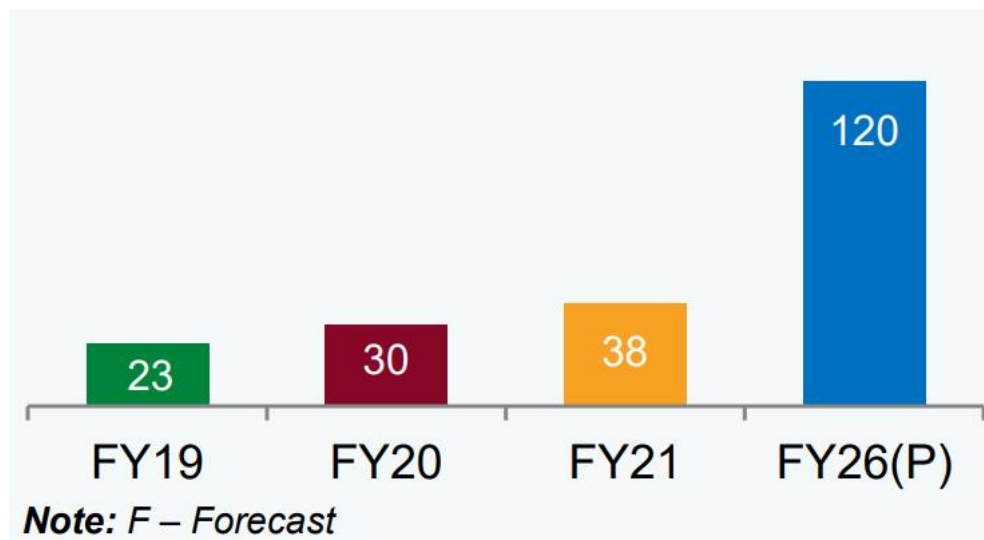


Exhibit 2: Indian E-commerce Market (US\$ billion)



(Source: ibef.org)

India Retail -

Retail is one of the major drivers of the Indian economy. It accounted for 28% of the GDP in 2022, and almost half of the private consumption. While the GDP is expected to grow at approximately 9% annually till 2027, retail is expected to grow faster, at 10% annually, to become a more than US\$1.5 trillion market by 2027.

India's retail market is still underpenetrated. India's per capita retail spend was US\$628 in 2022 compared to US\$4,630 for China (roughly 7 times that of India) and US\$21,030 for the USA (roughly 33 times that of India). Hence, India's retail market has been growing much faster than that of the large economies and is expected to do the same going forward. Disregarding the market distortions due to COVID-19 pandemic, India's historical growth of 11% annually between 2016-19 has been much higher than that of the USA and the UK, as both grew at around 3% annually, and that of China, which grew 7-9% annually.

India's retail market has been largely unorganised. The unorganised market characterised by the prevalence of the kiranas - shops run by individual, local businessmen which house multiple categories of products including grocery, BPC, home care, packaged foods and many others. These entities have been operating since a long time but have shortcomings like low product variety, inability to assess shift in consumer needs, to name a few. While these mediums make for approximately 80% of the retail market, there have been rapid shifts to organised channels like modern trade outlets (shopping malls/ marts, multi-brand outlets, exclusive brand outlets) and online (marketplaces and Direct-to-consumer ("DTC")).

Online retail (alternatively known as eTailing) in India is already a US\$55 billion market as of 2022 and is growing fast. However, the story of online penetration of Indian retail is fairly nascent. With around 6% online penetration of retail as of 2022, India lags major economies like China (31%), the USA (15%), Indonesia (16%) and the UK (27%). As the market grows, by 2027, eTailing is likely to be US\$169 billion, translating to approximately 12% of the retail market. Specific categories like BPC are better suited for rapid online penetration - from 16% penetration as of 2022 to 34% by 2027.

Over the past few years, 'Digital-first brands' have emerged, and they are likely to be a core driver of growth in e-tailing in India. We define Digital-first brands as brands which make at least 60% of their gross merchandise value ("GMV") from online channels. Online channels include marketplaces and/or the brands' own online platforms. Digital-first players have emerged fairly recently, yet have scaled very fast. For context, Digital-first drove about 14% of the eTailing market 4 years ago. As of 2022, they drove 23% of the market and they are likely to drive 40-45% of the market by 2027. This is impressive, given vintage and brand recall of some of the traditional brands.

With the ability to launch and sell products at significantly lower costs through online channels, digital-first brands can scale at a much faster pace than can legacy brands, which incur significant costs. Moreover, owing to the wide reach offered by eTailing marketplaces, digital-first brands get immediate access to national markets. New-age third-party logistics companies also enable these brands to develop hassle-free sourcing/delivery routes. Owing to this hyper-growth and scalability allowed by the nature of their operations, digital-first brands attract significant investor attention. Going forward, within the context of eTailing, Digital-first brands are likely to grow twice as fast as the offline-first brands.

(Source: prospectus)



Key Managerial Personnel

Varun Alagh, aged 39, is one of the Promoters, Chairman, Chief Executive Officer, and Whole-Time Director of the company. He holds a bachelor's degree in engineering (electrical) and a post-graduate diploma in business management. He has been associated with the company since its incorporation.

Ghazal Alagh, aged 35, is one of the Promoters, a Whole-time Director, and the Chief Innovation Officer of the company. She holds a bachelor's degree in computer applications and a certification in software engineering. She has been associated with the company since its incorporation.

Ishaan Mittal, aged 35, is the Non-Executive Director of the company. He holds a bachelor's degree in technology in mechanical engineering and a master's degree in business administration. He has been associated with the company since January 3, 2020.

Vivek Gambhir, aged 54, is the Independent Director of the company. He holds a bachelor's degree in arts a bachelor's degree in science, and a master's degree in business administration. He has been associated with the company since March 24, 2021.

Subramaniam Somasundaram, aged 62, is the Independent Director of the company. He holds a bachelor's degree in commerce and is a chartered accountant and cost accountant. Previously, he was the chief financial officer for Titan Company Limited for a decade.

Namita Gupta, aged 45, is the Independent Director of the company. She holds a master's degree in technology in mathematics and computing. She has been associated with the Company as a director since June 8, 2022.

To conclude, the company has 2 promoters, and they have been associated with the company since its incorporation thus having decent experience in the industry in which the company operates. The Directors of the company have good knowledge and experience in different fields which helps in the overall growth of the company.

Financial Snapshot

Profit and Loss Statement				(In Lacs.)
Particulars	FY 21	FY 22	FY 23	Jun-23
Revenue from Operations	45,999.00	94,346.50	1,49,274.80	46,448.70
Other Income	1,211.10	2,088.00	2,252.00	1,261.00
Total Income	47,210.10	96,434.50	1,51,526.80	47,709.70
Expenses				
Purchase of stock-in-trade of natural gas	16,077.70	30,476.80	50,242.30	16,189.40
Changes in inventories of finished goods, work-in-process and Stock-in-Trade	-2,807.10	-2,132.90	-5,569.00	-2,732.60
Employee benefits expense	2,775.90	7,884.60	16,488.00	4,450.60
Finance Costs	97.50	300.50	666.30	147.50
Depreciation and Amortization expense	171.20	689.50	2,496.40	649.20
Other expenses	27,231.50	56,972.10	85,837.10	25,610.30
Change in fair valuation of preference shares	1,36,124.30	-	-	-
Total Expenses	1,79,671.00	94,190.60	1,50,161.10	44,314.40
Earnings Before Interest, Taxes, Depreciation & Amortization	-1,33,403.30	1,145.90	729.43	2,931.00
EBITDA Margin	-290.01%	1.21%	0.49%	6.31%
Profit before exceptional and extraordinary items and tax	-1,32,460.90	2,243.90	1,365.70	3,395.30
Exceptional items				
Impairment loss on goodwill and other intangible assets.	-	-	-1,546.97	-
Profit/(Loss) before tax	-1,32,460.90	2,243.90	-181.27	3,395.30
Tax Expense				
Corporate Tax	618.90	641.10	1,717.80	836.70
Deferred tax (net)	141.70	158.50	-725.20	87.10
Total Tax Expense	760.60	799.60	992.60	923.80
Profit/(Loss) for the year	-1,33,221.50	1,444.30	-1,173.87	2,471.50
Net Profit Margin	-282.19%	1.50%	-0.77%	5.18%

Balance Sheet				(In Lacs.)
Particulars	FY 21	FY 22	FY 23	Jun-23
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	112.60	437.10	1,342.50	1,317.70
Capital work-in-progress	-	-	-	-
Good will	-	17,329.00	5,277.50	5,277.50
other Intangible Assets	-	11,072.80	10,367.20	10,318.70
Right of Use Asset	1,996.00	5,321.40	8,259.10	5,795.20
Intangible assets under development	-	188.30	-	-
Financial Assets	-	-	-	-
(i) Investments	-	-	-	-
(ii) Loans	-	-	-	-
(i)Other financial assets	606.10	8,461.60	7,900.00	10,140.60
Deferred tax asset (net)	-	-	-	51.80
Other Non-Current Assets	-	-	42.70	12.00
Income tax assets (net)	15.20	486.10	408.70	376.60
Total Non-Current assets	2,729.90	43,296.30	33,597.70	33,290.10
Current Assets				
Inventories	4,134.70	6,585.20	11,392.70	14,135.70
Financial Assets	-	-	-	-

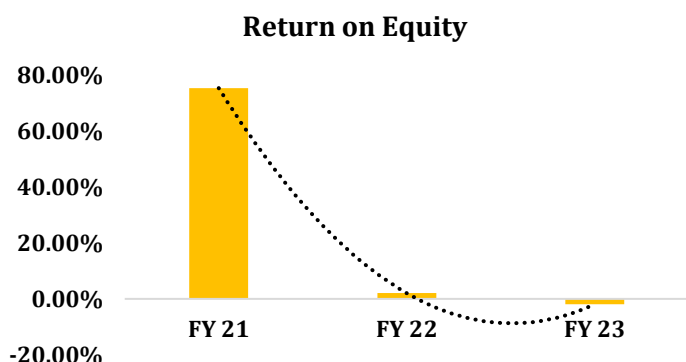
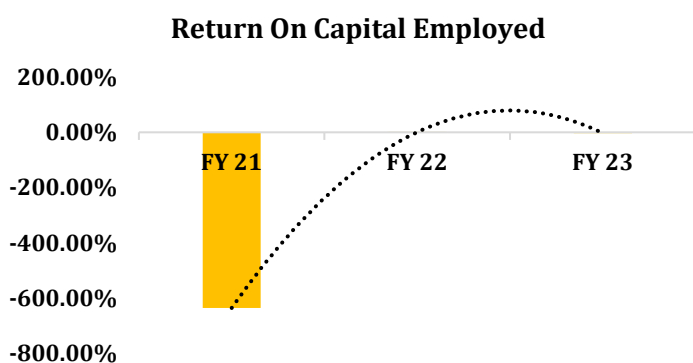
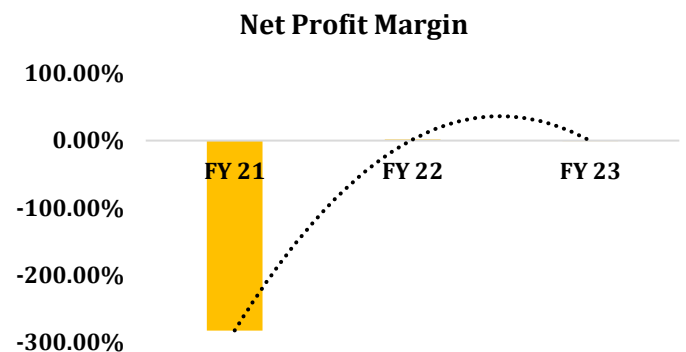
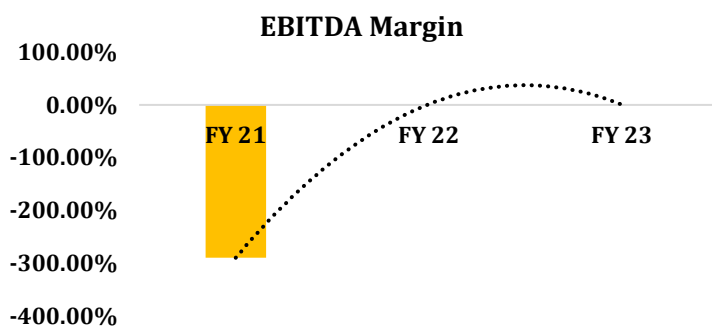
Balance Sheet					(In Lacs.)
(i) Investments	16,442.60	33,850.90	26,003.80	28,177.40	
(ii) Trade Receivables	3,384.30	7,278.60	12,770.40	13,855.80	
(iii) Cash and Cash Equivalents	975.90	3,374.50	825.50	1,100.80	
(iv) Other Bank Balances	1,099.50	5,394.00	5,980.20	6,596.20	
(v) Others	44.80	463.20	2,648.50	2,758.10	
Other current assets	1,452.20	3,258.50	3,422.70	4,888.60	
Total Current assets	27,534.00	60,204.90	63,043.80	71,512.60	
Total Assets	30,263.90	1,03,501.20	96,641.50	1,04,802.70	
EQUITY AND LIABILITIES					
Equity					
Share Capital	1.30	1.30	13,633.60	13,633.60	
Instruments entirely in the nature of equity	-	1,79,293.60	1,79,293.60	1,79,293.60	
Other Equity	-1,76,515.60	-1,08,732.50	-1,32,337.10	-1,29,100.90	
Total equity attributable to equity holders of the company	-1,76,514.30	70,562.40	60,590.10	63,826.30	
Non-controlling interests (NCI)	-	-	-	-	
Total Equity	-1,76,514.30	70,562.40	60,590.10	63,826.30	
Liabilities					
Non-current liabilities					
Financial Liabilities					
(i) Borrowings	1,95,399.90	-	-	-	
(ii) Lease liabilities	1,858.80	4,979.60	7,393.80	4,702.20	
(iii) Others	-	5,988.10	-	-	
Long term provisions	95.50	355.40	606.10	594.70	
Deferred tax liability	142.00	856.00	141.00	268.70	
Total Non-current liabilities	1,97,496.20	12,179.10	8,140.90	5,565.60	
Current liabilities					
Financial Liabilities					
(i) Borrowings	-	358.60	360.90	679.00	
(ii) Trade Payables					
total outstanding dues of micro-enterprises and small enterprises	1,212.70	349.90	865.90	1,108.30	
total outstanding dues of creditors other than micro-enterprises and small enterprises	6,821.50	16,685.30	18,801.30	25,792.50	
(iii) Lease Liabilities	174.30	624.70	1,464.30	1,413.10	
(iv) Others	451.30	1,295.30	3,733.30	2,829.60	
Other current liabilities	527.60	1,207.00	1,887.60	2,535.00	
Short-Term Provisions	94.60	238.90	403.40	502.90	
Liabilities for current tax (Net)	-	-	393.80	550.40	
Total Current liabilities	9,282.00	20,759.70	27,910.50	35,410.80	
Total Liabilities	2,06,778.20	32,938.80	36,051.40	40,976.40	
Total Equity and Liabilities	30,263.90	1,03,501.20	96,641.50	1,04,802.70	

Cash Flow Statement					(In Lacs.)
Particulars	FY 21	FY 22	FY 23	Jun-23	
Net Cash Flow from Operating Activities	2,972.60	4,458.80	-5,155.40	4,866.20	
Net Cash Flow from Investing Activities	-2,060.60	-49,975.70	4,286.30	-4,271.00	
Net Cash Flow from Financing Activities	-127.70	48,079.70	-1,405.60	-638.00	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Jun-23
Per Share Data				
Diluted EPS	-98.35	0.52	-4.66	3.16
BV per share	-54.76	21.93	18.83	33.33
Operating Ratios				
EBITDA Margins	-290%	1.21%	0.49%	6.31%
PAT Margins	-282%	1.50%	-0.77%	5.32%
Inventory days	32.81	25.48	27.86	27.69
Debtor days	26.85	28.16	31.23	27.15
Creditor days	182.39	204.02	142.88	151.21
Return Ratios				
RoCE	-637%	1%	-3%	9%
RoE	-	2%	-2%	9%
Valuation Ratios (x)				
EV/EBITDA	-0.13	58.95	82.43	21.73
Market Cap / Sales	22.66	11.05	6.98	22.44
P/E	-	623.08	-	102.60
Price to Book Value	-5.91	14.77	17.21	9.72
Solvency Ratios				
Debt / Equity	0.00	0.09	0.01	0.00
Current Ratio	2.97	2.90	2.26	2.02
Quick Ratio	2.52	2.58	1.85	1.62
Asset Turnover	1.52	0.91	1.54	0.44
Interest Coverage Ratio	-	1.52	-	15.47

*Ratio sheet for June-23 is annualized

Financial Charts





Key Risk Factors

1. The company have contingent liabilities of Rs. 2,108.2 Lakhs and the financial condition could be adversely affected if these contingent liabilities materialize.
2. There is outstanding litigation pending against the company and Subsidiaries of Rs. 30,387.1 lakhs which, if determined adversely, could affect the business, results of operations, cash flows and financial condition.
3. The company have experienced negative cash flows from operating activities in the past specifically for the FY ended 2021, and 2023 which if continued may affect the operations, and financial condition of the company.
4. For the Financial Years 2021, 2022 and 2023, and the three months period ended June 30, 2022, and June 30, 2023, the advertisement expense as a percentage of revenue from operations was 38.68%, 41.49%, 35.52%, 41.33% and 34.99%, respectively.

Track Record of Lead Manager

The lead manager to the issue is Kotak Mahindra Capital Limit, JM Financials Limited, J.P. Morgan India Private Limited, and Citigroup Global Markets India Private Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Managers in recent times –

Kotak Mahindra Capital Company Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	JSW Infrastructure Limited	2,800	119.00	October 03, 2023	170.0
2.	Signatureglobal (India) Limited	730	385.00	September 27, 2023	565.0

The company has had 26 mandates in the past three years.

JM Financial Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	JSW Infrastructure Limited	2,800	119.00	October 03, 2023	170.0
2.	Zaggle Prepaid Ocean Services Limited	563.38	164.00	September 22, 2023	209.0

The company has had 37 mandates in the past three years.

J.P. Morgan India Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	TVS Supply Chain Solutions Limited	880.0	197.00	August 23, 2023	213.0
2.	Nexus Select Trust Limited	3,200	100.00	May 19, 2023	127.0

The company has had 11 mandates in the past three years.

Citigroup Global Markets India Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	R R Kabel Limited	1,964	1,035.00	September 20, 2023	1,356.0
2.	Concord Biotech Limited	1,551	741.00	August 18, 2023	1,149.0

The company has had 10 mandates in the past three years.

*CMP for the above-mentioned companies is taken as of 31st October 2023.

As per the offer document, the above-mentioned mandates for all the Lead Managers, have opened at premiums except Zaggle Prepaid Ocean Services Limited opened at par on the listing day.



Recommendation

The company has been in the industry since 2016 and has decent experience in the industry. The company has negative operating cashflows for FY 2023 and negative Net Profit for FY 2021, and 2023 which does not look good. The company faces competition, and the management outlook of the company is good.

The P/E on an annualized and post-IPO basis is 102.60 times which seems to be highly priced by looking at the performance of the company.

The company saw a huge loss for FY 2021 and has acquired companies after FY 2021. The company also had negative operating cashflows and Net profit for FY 2023 which raises high concerns. The company has an almost nil D/E ratio which shows the company is not utilising its debt opportunity. The financial performance of the company is very poor which also raises concerns about sustainability. The company is highly valued which does not add relief to the investors. Thus, we recommend **AVOID** to this IPO.



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