

IPO NOTE

Issue Details

Price Band: ₹ 308 to ₹ 324
Employee Discount: ₹ 30/share
Issue Opens on: October 31, 2023
Issue Closes on: November 2, 2023
Lot Size: 46 Shares & in Multiples thereafter

Issue Highlights

Issue Size:	₹ 1,701.44 Cr.
No of Shares:	53,098,811
Face Value:	₹ 10

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	365.00
Offer for Sale	1,336.44
Total	1,701.44

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	75	1,275.33
HNI	15	255.07
Retail	10	170.04
Employee	-	1.00
Total	100	1,701.44

Listing

BSE & NSE

Lead Managers

- Kotak Mahindra Capital Company Ltd.
- JM Financial Ltd.
- Citigroup Global Markets India Pvt. Ltd.
- J.P. Morgan India Pvt. Ltd.

Registrar

KFin Technologies Ltd.

ANALYST

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COMPANY OVERVIEW

Since inception, Honasa Consumer Ltd. ("Honasa") have worked with the primary objective of developing products that address beauty and personal care problems faced by consumers. It is the largest digital-first beauty and personal care ("BPC") company in India in terms of revenue from operations for the Financial Year 2023. Their flagship brand, Mamaearth, is built to service a core customer need for safe-to-use, natural products, and focuses on developing toxin-free beauty products made with natural ingredients. According to the RedSeer Report, as of the Financial Year 2023, Mamaearth has emerged as the fastest growing BPC brand in India to reach an annual revenue of ₹ 10 billion (in the preceding 12 months) within 6 years of launch.

After launching Mamaearth in 2016, Honasa have added five new brands to the portfolio, namely The Derma Co., Aqualogica, Ayuga, BBlunt and Dr. Sheth's, and have built a 'House of Brands' architecture. As of June 30, 2023, its portfolio of brands with differentiated value propositions includes products in the baby care, face care, body care, hair care, color cosmetics and fragrances segments.

The company make their products available to the customers through omni-channel distribution networks across both online and offline touchpoints. As of June 30, 2023, Honasa's brand agnostic, integrated supply chain comprises of 13 warehouses spread across 7 districts in India. Of these 13 warehouses, 3 warehouses are directly managed by them while management of the remaining warehouses is outsourced to third-party partners.

HIGHLIGHTS

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

OBJECTS OF THE ISSUE

1. Advertisement expenses towards enhancing the awareness and visibility of their brands (₹ 182 Cr.)
2. Capital expenditure to be incurred by the Company for setting up new EBOs (₹ 20.6 Cr.)
3. Investment in the Subsidiary, Bhabani Blunt Hairdressing Private Limited ("BBlunt") for setting up new salons (₹ 26 Cr.); and
4. General corporate purposes and unidentified inorganic acquisition

The Company will not receive any proceeds from the Offer for Sale up-to 41,248,162 shares by the selling shareholders.

OUR VIEW

Honasa Consumer Ltd. (HCL) is the largest digital-first beauty and personal care ("BPC") company in India in terms of revenue from operations for the Financial Year 2023. Their flagship brand, Mamaearth, is built to service a core customer need for safe-to-use, natural products, and focuses on developing toxin-free beauty products (as defined below) made with natural ingredients. Moreover, the market for BPC products in India is expected to grow from approximately \$20 billion in 2022 to approximately \$33 billion in 2027 at a CAGR of approximately 11%.

The company boasts strong capabilities of building/acquiring successful brands. The company sees immense potential in the BPC sector as more and more women are joining the workforce. As Pre-COVID work from office resumes the demand for BPC products is expected to shape up positively. However, the company has seen negative EBITDA and PAT in the past years under consideration. The advertisement expenses form a huge part of its revenue. The company is currently expecting to utilise approximately ₹ 186 Cr. for advertising expenses from the IPO proceeds. It is keen to observe if with such heavy advertisement expense, the company will be able to sustain its growth levels and thereby affect the profitability.

The revenue CAGR for the period FY21-23 stood at about 80.14%. The company operated on an EBITDA margin of 1.52% and a negative PAT margin of for year ended FY23 and EBITDA margins of 6.31% and PAT Margin of 5.32% for quarter ended 30 June,2023. The company is asking for a PE multiple of 97.59x annualizing diluted EPS for Q1FY24 (₹ 0.83). **Looking at all the factors, risks and opportunities we are neutral on the company. The investors may observe a few upcoming quarters for consistent profitability and may apply for the issue with a medium to long-term view.**

Brief Financials

PARTICULARS	As at June 30, 2023	₹ in Million		
		FY '23	FY '22	FY '21
Total Income	4,770.97	15,152.68	9,643.45	4,721.01
Total Expenditure	4,431.44	15,016.11	9,419.06	17,967.10
EBITDA	293.10	227.64	114.59	(13,340.33)
Profit before Tax	339.53	(1,410.40)	224.39	(13,246.09)
Profit after Tax	247.15	(1,509.66)	144.43	(13,322.15)
E.P.S. (Diluted)	0.83*	(4.66)	0.52	(98.35)
RONW (%)	(1.33)*	(23.57)	2.23	-

* Not Annualised

PRICE CHART (@ ₹ 324) (Retail Category)

LOT SIZE	Amount
46	14,904
92	29,808
138	44,712
184	59,616
230	74,520
276	89,424
322	104,328
368	119,232
414	134,136
460	149,040
506	163,944
552	178,848
598	193,752

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Between ₹ 2 to ₹ 10 Lakhs (Minimum Shares)	644	208,656
Between ₹ 2 to ₹ 10 Lakhs (Maximum Shares)	3,082	998,568
Above ₹ 10 Lakhs	3,128	1,013,472

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	7/11/2023
Initiation of refunds/unblocking ASBA Fund	8/11/2023
Credit of Equity Shares to demat accounts of Allottees	9/11/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	10/11/2023

For more details, please refer RHP:

[\(SEBI | Honasa Consumer Limited - RHP\)](#)

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