BUY

Honasa Consumer

Strengthening offline foundation crucial

Emkay
Your success is our success

Consumer Goods ▸ Company Update ▸ **May 1, 2024**

TARGET PRICE (Rs): 500

Offline channels, which bring ~1/3rd of revenue for Honasa, are likely to be a big driver of growth going ahead (better margin channel). Our ground checks suggest: i) a sustained shift from Super Stockists (SS) to Distributors, ii) arrest of churn in sales team, and c) a better sense of product freshness. Honasa has onboarded the Botree distributor management system, which provides better visibility on secondary sales; its 4 regional warehouses help maintain product freshness. With *Mamaearth* driving half of its revenue from offline, incremental thrust can be seen in other brands to get into offline networks. We see that the SS-to-direct distribution shift will largely be in place for top-tier markets by Q4FY25, after which, there will be accelerated GT network expansion. We maintain BUY with Mar-25E TP of Rs500/sh, based on 6x EV/Sales.

Honasa Consumer: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	9,435	14,927	19,292	23,566	28,286
EBITDA	115	228	1,318	2,258	3,220
Adj. PAT	157	119	1,014	1,611	2,293
Adj. EPS (Rs)	0.5	0.4	3.2	5.0	7.1
EBITDA margin (%)	1.2	1.5	6.8	9.6	11.4
EBITDA growth (%)	(57.9)	98.6	478.9	71.3	42.6
Adj. EPS growth (%)	0.0	(28.0)	713.0	58.9	42.3
RoE (%)	(3.0)	1.8	12.1	14.0	17.0
RoIC (%)	2.1	(0.2)	26.2	48.3	74.2
P/E (x)	800.7	1,112.3	136.8	86.1	60.5
EV/EBITDA (x)	1,065.7	570.3	100.1	58.1	40.3
P/B (x)	17.8	21.8	12.9	11.2	9.5
FCFF yield (%)	0.3	(0.5)	1.0	1.5	1.9

Source: Company, Emkay Research

Actions in place to strengthen offline channel foundation

Honasa began its offline journey during Covid-19, when *Mamaearth* brand was clocking ARR of Rs4bn and distribution was from a centralized location (given the online sales concentration) in Haryana. Access to tier 1 distributors was limited then, and so it had to associate with super stockists (SS). Now, with *Mamaearth* brands being a household name (with FY23 revenue at ~Rs12bn), adoption with tier 1 distributors is easier. In the first leg (in the top 8 cities), Honasa has largely shifted from super stockists to direct distributors. Amid the ~177k outlet reach, the company covers ~45k outlets directly with ~100 distributors. For FY25, we see the focus extending to the top 20 cities. In the long run, SS will cover tier 2+ cities. To have better visibility of sales and streamline the process of returns and claims, the company has tied up with Botree (DMS) in Q2FY24, which has gradually onboarded distributors. We believe that improved DMS will help the company chart offline journeys better, compared with the past. Company aspires to expand the outlet reach to ~500k in the next four years, where we see the bulk of additions in the second half, as the company addresses front-end issues in the first half.

Offline to be the main driver for *Mamaearth* going forward

Honasa has been aggressive on the offline channel for the *Mamaearth* brand, where consumer repeats further boost supply chain morale. Its focus on Beauty outlets has been yielding strong throughput per outlet, which also helps in onboarding new users and upselling existing consumers. As the company scales down discounting in the D2C platform, offline beauty outlets would be key for new consumer additions. We see a 18% revenue CAGR from offline channels, and GT store additions to accelerate from FY26.

Company with execution command valuation premium; Maintain BUY

We still like the management's prowess of defining consumer trends in the Indian beauty and personal care space, where it continues to corner market share. As the *Mamaearth* brand charts its offline journey, we see a playbook in place for newer D2C brands.

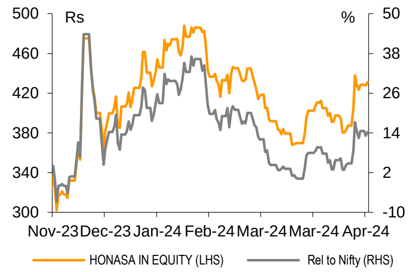
Target Price – 12M	Mar-25
Change in TP (%)	**-**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	16.0
CMP (30-Apr-24) (Rs)	431.2

Stock Data	**HONASA**
52-week High (Rs)	511
52-week Low (Rs)	256
Shares outstanding (mn)	324.2
Market-cap (Rs bn)	140
Market-cap (USD mn)	1,676
Net-debt, FY24E (Rs mn)	-6,791
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	301.1
ADTV-3M (USD mn)	3.6
Free float (%)	49.5
Nifty-50	22,605
INR/USD	83.4
Shareholding, Mar-24	
Promoters (%)	35.1
FPIs/MFs (%)	12.2/15.9

Price Performance

(%)	1M	3M	12M
Absolute	7.2	(7.9)	-
Rel. to Nifty	5.8	(11.4)	-

1-Year share price trend (Rs)



Nitin Gupta
nitin.gupta@emkayglobal.com
+91 22 6612 1257

Soham Samanta
soham.samanta@emkayglobal.com
+91 22 6612 1262

Offline journey is key for *Mamaearth*

We see the *Mamaearth* brand journey ahead to be offline dependent, where the company has better margins and consumer engagement. We build around 18% CAGR over its offline channels, where the contribution from general trade is likely to see expansion to 30% from 26% by FY26E. Growth trend to possibly see acceleration, as the company accelerates new outlet addition from FY27, in our view. We build high-teen growth for the modern trade channel. EBOs will gain relevance, as the company charts its offline journey; we see a contribution of 3% to the Mamaearth brand by FY26E (~5% contribution to offline revenue of *Mamaearth*).

Exhibit 1: *Mamaearth's* brand growth journey to be offline dependent

(Rs mn)	FY23E	FY24E	FY25E	FY26E
Mamaearth	**11,680**	**12,800**	**14,336**	**15,913**
Revenue contribution	82%	68%	62%	58%
Growth	35%	10%	12%	11%
Offline	**5,166**	**5,979**	**7,099**	**8,435**
Growth	92%	16%	19%	19%
% of brand sales	44%	47%	50%	53%
MT and CSD	**1,900**	**2,120**	**2,618**	**3,162**
Growth		12%	24%	21%
% of brand sales	16%	17%	18%	20%
% of offline sales	37%	35%	37%	37%
MT outlets	8,000	8,500	10,000	11,500
Throughput per outlet	237,500	249,375	261,844	274,936
General trade	**3,091**	**3,635**	**4,156**	**4,848**
Growth		18%	14%	17%
% of brand sales	26%	28%	29%	30%
% of offline sales	60%	61%	59%	57%
Number of outlets	150,000	180,000	210,000	250,000
Throughput per outlets	20,605	20,193	19,789	19,393
EBOs	**175**	**225**	**325**	**425**
Growth		29%	44%	31%
% of brand sales	1%	2%	2%	3%
as a % of offline sales	3%	4%	5%	5%
Revenue per EBO	2.27	2.05	2.11	2.15
Count	77	110	154	198
Online	**6,514**	**6,821**	**7,237**	**7,478**
Growth	9%	5%	6%	3%
% of brand sales	56%	53%	50%	47%
D2C	**2,606**	**2,606**	**2,476**	**2,352**
Growth		0%	-5%	-5%
% of brand sales	22%	20%	17%	15%
% of online sales	40%	38%	34%	31%
Platform	**3,909**	**4,215**	**4,761**	**5,126**
Growth		8%	13%	8%
% of brand sales	33%	33%	33%	32%
% of online sales	60%	62%	66%	69%

Source: Emkay Research

Online growth to be platform-driven. We see a defocus on the D2C channel to bring sales decline

Online journey for *Mamaearth* to be slow, as thrust is on scaling down the D2C channel

D2C platform, positioned to tap new users, is gradually seeing a descale, as discounting needs to reduce. Discounting for high-selling SKU is limited (key for building offline sales), while it has been aggressive for new offerings. The company looks to maintain its market share in the online platforms. This will reflect in near term single-digit growth for the brand in the channel. As the D2C vertical is scaled down, we see online channel growth to be in the high-single digit.

Online remains relevant for newer brands

We continue to see other brands focusing on online channels, where they will have better visibility and consumer connections. It is only at a threshold sales level, that we expect brands to chart offline journeys. As with Mamaearth, Honasa has launched 'The Derma Co' in an offline channel, where the initial focus is on pharmacy and modern trade, as the brand reached Rs5bn ARR. We estimate that The Derma Co now has 5% revenue from the offline channel, where the thrust now would be to expand brand presence and leverage the playbook of *Mamaearth*. At an entity level, we see a gradual shift of revenue from online to offline.

Exhibit 2: Online channel salience at a group level to see gradual moderation

(Rs mn)	FY23E	FY24E	FY25E	FY26E
Offline sales for Honasa	**5,394**	**6,278**	**7,960**	**10,156**
Growth (%)	68.2%	19.9%	26.8%	27.6%
Contribution	38%	33%	35%	37%
- Mamaearth	**5,166**	**5,979**	**7,099**	**8,435**
- - Growth (%)	91.9%	15.8%	18.7%	18.8%
- - Contribution (%) to Offline sales	95.8%	95.2%	89.2%	83.1%
- Other brands	**228**	**299**	**860**	**1,721**
- - Growth (%)	618.9%	324.2%	188.0%	100.0%
- - Contribution (%) to Offline sales	4.2%	4.8%	10.8%	16.9%
Online sales for Honasa	**8,861**	**12,497**	**14,981**	**17,230**
Growth (%)	68.2%	38.6%	19.9%	15.0%
Contribution	62.2%	66.6%	65.3%	62.9%
- Mamaearth	**6,514**	**6,821**	**7,237**	**7,478**
- - Growth (%)	9.0%	4.7%	6.1%	3.3%
- - Contribution (%) to Online sales	73.5%	54.6%	48.3%	43.4%
- Other brands	**2,347**	**5,676**	**7,744**	**9,752**
- - Growth (%)	280.7%	126.6%	36.4%	25.9%
- - Contribution (%) to Online sales	26.5%	45.4%	51.7%	56.6%
Total Products sales	**14,255**	**18,775**	**22,941**	**27,386**
growth	53.0%	31.7%	22.2%	19.4%

Source: Emkay Research

Exhibit 3: Online channel sales contribution and expectations

(Rs mn)	FY23E	FY24E	FY25E	FY26E
D2C	**3,733**	**5,831**	**6,982**	**7,791**
Growth	25.2%	56.2%	19.7%	11.6%
Contribution	42.1%	46.7%	46.6%	45.2%
- Mamaearth	**2,606**	**2,606**	**2,476**	**2,352**
- - Growth (%)		0.0%	-5.0%	-5.0%
- - Contribution to online sales (%)	29.4%	20.9%	16.5%	13.6%
- Other brands	**1,128**	**3,225**	**4,506**	**5,439**
- - Growth (%)		186.0%	39.7%	20.7%
- - Contribution to online sales (%)	12.7%	25.8%	30.1%	31.6%
- - As a % of other brands sales (%)	48.1%	56.8%	58.2%	55.8%
3P market place	**5,128**	**6,666**	**7,999**	**9,439**
Growth	41.9%	30.0%	20.0%	18.0%
Contribution	57.9%	53.3%	53.4%	54.8%
- Mamaearth	**3,909**	**4,215**	**4,761**	**5,126**
- - Growth (%)		7.8%	13.0%	7.7%
- - Contribution to online sales (%)	44.1%	33.7%	31.8%	29.8%
- Other brands	**1,219**	**2,451**	**3,238**	**4,313**
- - Growth (%)		101.1%	32.1%	33.2%
- - Contribution to online sales (%)	13.8%	19.6%	21.6%	25.0%
- - As a % of other brands sales (%)	51.9%	43.2%	41.8%	44.2%
Total online sales	**8,861**	**12,497**	**14,981**	**17,230**
Growth (%)	34.4%	41.0%	19.9%	15.0%
As a % of overall sales (%)	62.2%	66.6%	65.3%	62.9%

Source: Emkay Research

Offline gains prominence for brand *Mamaearth*

Mamaearth brand reached 177k outlets as of Dec-24, with ~45k outlets reached directly. The company aspires to expand outlet coverage to 500k in the next four years

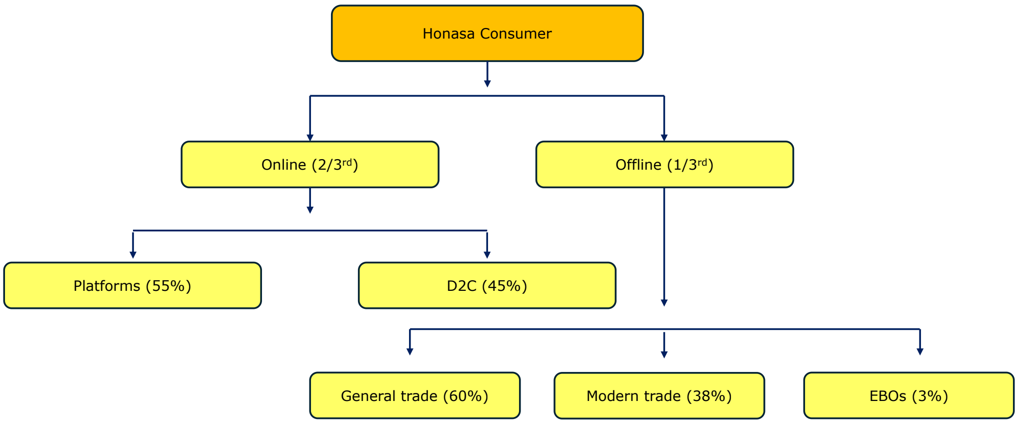
The offline journey starts with super stockists…

Honasa Consumer began its offline journey during Covid-19, where *Mamaearth* brand was clocking ARR of Rs4bn and the product distribution was from a centralized location (given the online concentration) in Pataudi (Haryana). Access to tier 1 distributors was limited (then), and so, it had to associate with super stockists (SS), where products connected with retail via redistributor stockists. Given the first-time thrust on offline, the company started with a healthy trade margin and higher credit days.

…with scale, distribution is shifting to direct distributors

Now with *Mamaearth* brands being a household name (with FY23 revenue at Rs12bn), adoption with tier 1 distributors is easier. In the first leg (in the top 8 cities), Honasa has largely shifted from super stockists to direct distributors. Also, the company has added four regional warehouses, in addition to expansion of the mother warehouse. Amid ~177k outlet reach, the company covers ~45k outlets directly with ~100 distributors. For FY25, we see the focus extending to the top 20 cities. In the long run, SS will cover tier 2+ cities.

Exhibit 4: Honasa's domestic revenue concentration



Source: Emkay Research

Actions in place to fix loose ends

For its general trade coverage, as the company shifts from Super Stockists' heavy distribution to direct distribution, it has faced initial teething issues, for which it has taken necessary actions.

Replacing super stockists with large FMCG distributors

With strong brand visibility and decent outlet presence, the company connects with distributors which are open for business. Healthy margins and company assurance on RoI are leading to distributor conversions. We assess that ~3/5th of the business is being managed by super stockists for the company (vs. 3/4th a year back). The company is looking to reduce dependence on super stockists to 1/4th by FY25-end, when super stockists will address demand in Tier 2+ towns.

Replacing unviable distributors

Some of Honasa's distributors are multi-band distributors, where they engage with competing brands. As the new brands offer higher margins in the quest to corner share, some distributors focus on newer brands. The company has identified such distributors, where growth has been muted. In the last year, Company has already churned 1/4th of its distributors. Additionally, it is evaluating existing and new distributors on their ability to scale and invest in the business. Distributors are being benchmarked to leading distributors of FMCG companies.

Unlike in the past, the company is entering new towns under the distributor model, where its journey has been smooth. For tier-2 markets, the super stockists remain key enablers.

We see that the improved DMS (Botree) will help Company chart offline journeys better, compared with the past.

DMS will help better track inventory

In the earlier DMS software, the company had restricted visibility of secondary sales, where it did not have any control over pricing and claims. As the company built scale, it started feeling the pinch of a lean distributor management system (DMS), where continuous credit and scale-up aspiration made for bunching up of inventory with select super stockists. The company tied up with Botree (distributor management system – DMS) in Q2FY24, which has gradually onboarded distributors.

Product freshness is under control with DMS

The company has gradually gained control of the inventory in the system. For its distributors, products are largely fresh, where they maintain inventory for 45 days. Botree will provide a sense of the distributor's inventory freshness. Super stockists remain a dark spot, where it is looking to shift business to direct distributors. The company has incubated 4 regional warehouses across India, which further enable offline distribution.

Strategy in place for offline markets

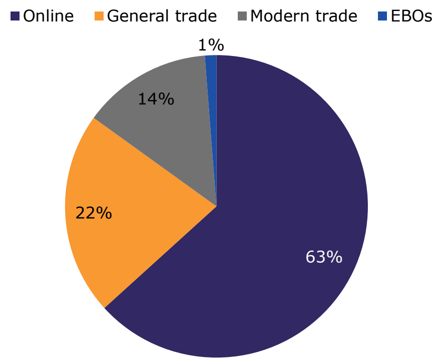
The company's strategy revolves around the top 50 towns, where it is doubling down on the top 10 towns (including metros), after which it will look at the next 40 towns. In the offline journey, the company is likely to keep its thrust on tier-1 towns in the first phase for the next 18 months, after which it will focus on the tier-2 markets. Tier-2+ markets represent ~25% of the company's offline revenue and are likely to remain so in FY25.

Exhibit 5: Assessing throughput per outlet

(Rs mn)	FY23E	As a % of sales
Honasa Consumer	**14,255**	
Online sales	9,019	63%
Offline sales	**5,236**	**37%**
- General trade	3,091	22%
- Modern trade	1,970	14%
- EBOs	175	1%
General trade operations		
General trade sales	**3,091**	
General trade GMV	**6,181**	
Outlets (nos.)	150,000	
Throughput per outlet per month (Rs)	3,434	
Direct general trade net sales	**1,200**	
Direct general trade GMV	**2,400**	
% of overall general trade	39%	
Outlets (nos.)	40,000	
% of overall general trade	27%	
Throughput per outlet per month (Rs)	5,000	
Top 1,000 outlets sales	**1,080**	
Outlets (nos.)	1,000	
Throughput per outlet per month (Rs)	90,000	
Balance direct sales	**1,320**	
Outlets (nos.)	39,000	
Throughput per month (Rs)	2,821	
Indirect general trade sales	**3,781**	
% of overall general trade	61%	
Outlets (nos.)	110,000	
% of overall general trade	73%	
Throughput per outlet per month (Rs)	2,865	

Source: Emkay Research; Note: We assumed sales at 50% of GMV, given the healthy trade margins offered by the company

Exhibit 6: Honasa Consumer's revenue contribution across channels



Source: Emkay Research

Exhibit 7: Assessing throughput per outlet for coverage universe (on MRP)

	FY23 sales (Rs bn)	Domestic sales (Rs bn)	Trade margin + Tax	GMV sales (Rs mn)	General trade share (%)	Overall outlet reach (mn)	Throughput per store (Rs/ month/outlet) - Overall	Direct retail sales (%)	Direct reach (mn outlets)	Throughput per store (Rs/outlet) - Direct
HUL	582	570	30%	814	75%	9.0	5,654	45%	3.00	7,633
ITC	191	191	30%	273	74%	7.0	2,401	41%	2.50	2,757
Nestle	168	161	30%	230	82%	5.2	3,022	55%	1.60	5,402
Britannia	160	151	30%	216	85%	6.3	2,424	52%	2.60	3,055
GCPL	132	75	30%	108	82%	6.0	1,225	50%	1.00	3,676
Dabur	114	82	30%	116	74%	7.9	909	45%	1.40	2,308
Marico	97	74	30%	105	85%	6.5	1,144	50%	1.70	2,188
Colgate	52	49	30%	70	63%	5.6	661	36%	1.00	1,332
Emami	34	28	30%	40	74%	4.9	502	43%	0.90	1,176
Honasa (GT sales)	14	14	50%	29	21%	0.2	3,434	41%	0.04	5,000
Bikaji	20	20	35%	30	85%	1.0	2,138	30%	0.23	2,789

Source: Emkay Research

Leakage from online under control

For Honasa, 1/3rd of its online revenue is from its own D2C platforms, where the company has control over product sales to an individual consumer (customer can order a maximum of 14 unit of an SKU at a time). Here, for a small retailer, it makes sense to source products from the D2C website, where the company runs BOGO (Buy one and get one) offers. But for large retailers, sourcing from the D2C platform does not make much sense, given the quantity limit. Also from a BOGO perspective, we notice that for hero SKUs (which have high offline salience) like Ubtan or onion range, the company limit discounting.

Amid e-commerce platforms, which generate ~2/3rd of online revenue, in vertical platforms like Amazon and Flipkart, the maximum cap for a product is set at 30; while Meesho allows only a unit per order. In a platform like Nykaa, Purplle, and Tira, where the platform operates on an inventory model, the maximum volume a consumer can place an order is capped at 2-5. Also, given that Honasa is a seller on most e-commerce platforms (except platforms with an inventory model), discounting has been limited.

Exhibit 8: *Mamaearth* Ubtan face wash – consumer price across different sourcing channels (discount measured on MRP)

SKU	100ml	150ml
MRP	Rs259	Rs375
Rs/ml	2.59	2.50
D2C website		
Normal - D2C website price (Rs/ml)^	1.97	1.90
Discount	-24.0%	-24.0%
E-commerce platforms		
Amazon (Rs/ml)	2.24	2.22
Discount	-13.5%	-11.2%
Flipkart (Rs/ml)	2.32	2.02
Discount	-10.4%	-19.2%
Nykaa (Rs/ml)	2.33	2.20
Discount	-10.0%	-12.0%
Tira (Rs/ml)	2.27	2.00
Discount	-12.4%	-20.0%
Meesho (Rs/ml)	2.13	
Discount	-17.8%	
Retail outlets		
Retailer price	2.07	2.00
Discount	-20.0%	-20.0%

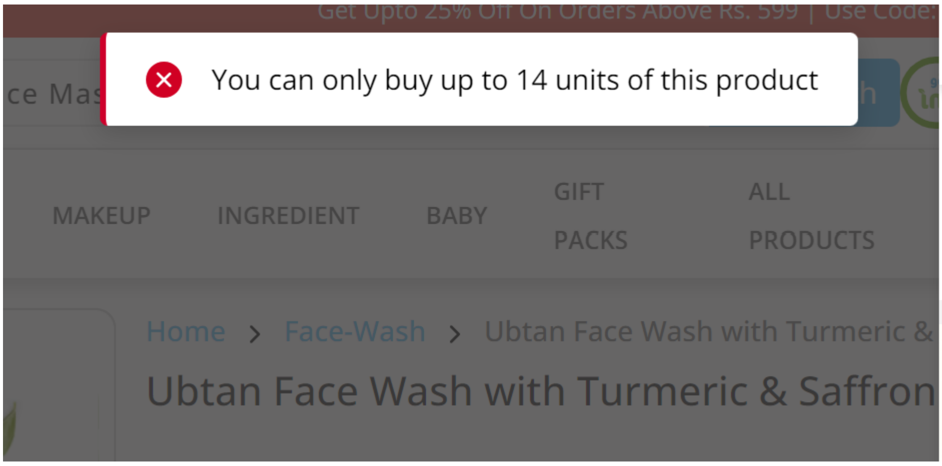
Source: Emkay Research; ^Note: In D2C platforms, for online payment orders, there is a discount of 5%

Retail sourcing/Case study: Our ground checks suggest that, historically, retail channel partners have leveraged occasional BOGO schemes active on the *Mamaearth* brand D2C channel. However, the company has gradually arrested leakage. Now, BOGO offers are restricted to new or slow-moving products. For high-selling SKUs, which have a good repeat offline, the company deviates from any aggressive discounting.

In select cases, it is noticed, that the company cancels consumer orders, as it gets a sense of retail procuring items (based on insights from the data and analytics team) through D2C platform.

On its own D2C channel, Mamaearth.com, Honasa has capped the limit at 14 units of an SKU

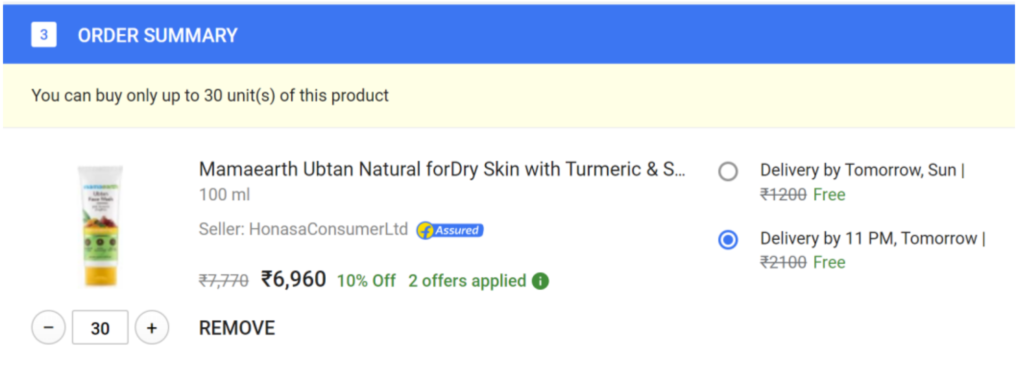
Exhibit 9: Mamaearth's D2C platform allows 14 units per order



Source: Company, Emkay Research

On Flipkart, Honasa has capped an SKU to 30 units

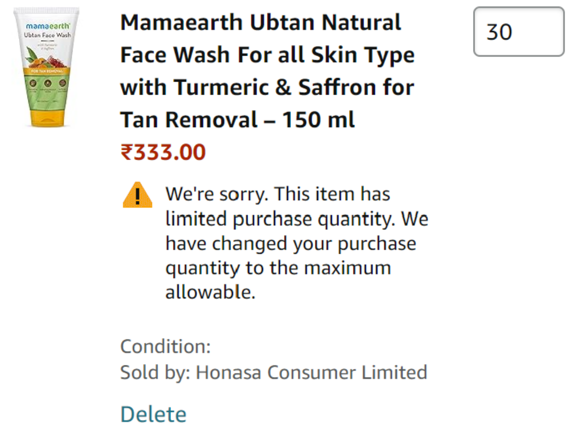
Exhibit 10: On Flipkart, the maximum order is capped at 30 units (the platform offers a 10% discount)



Source: Company, Emkay Research

On Amazon, Honasa has capped an SKU to 30 units

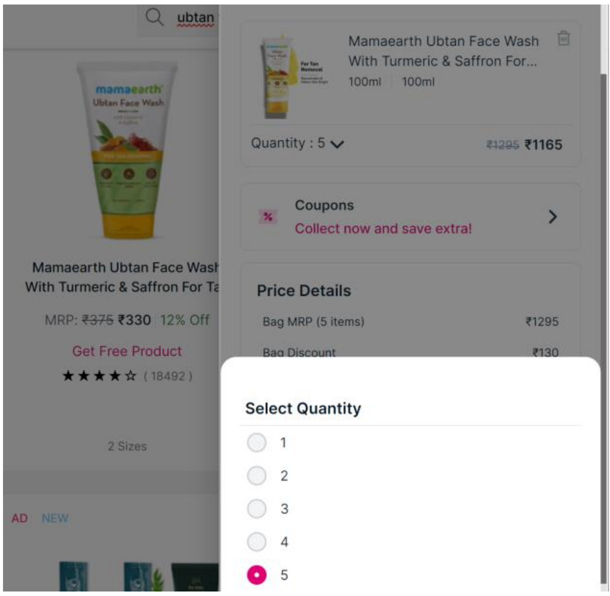
Exhibit 11: On Amazon, limit of maximum order is capped at 30 units (the platform offers an 11% discount)



Source: Company, Emkay Research

In a platform with an inventory model, Nykaa has capped units for a SKU at 5

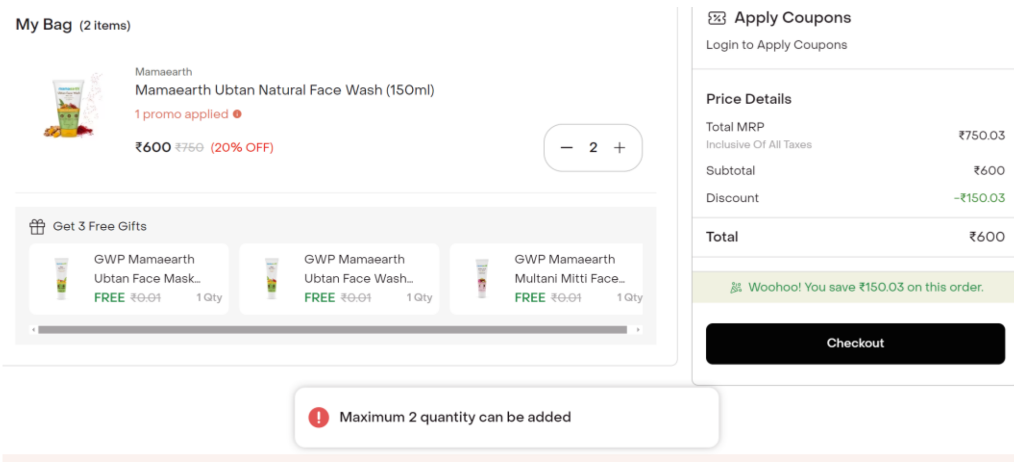
Exhibit 12: Nykaa allows 5 units per order (discount at ~12%)



Source: Company, Emkay Research

Tira capped the unit to 2 for an SKU

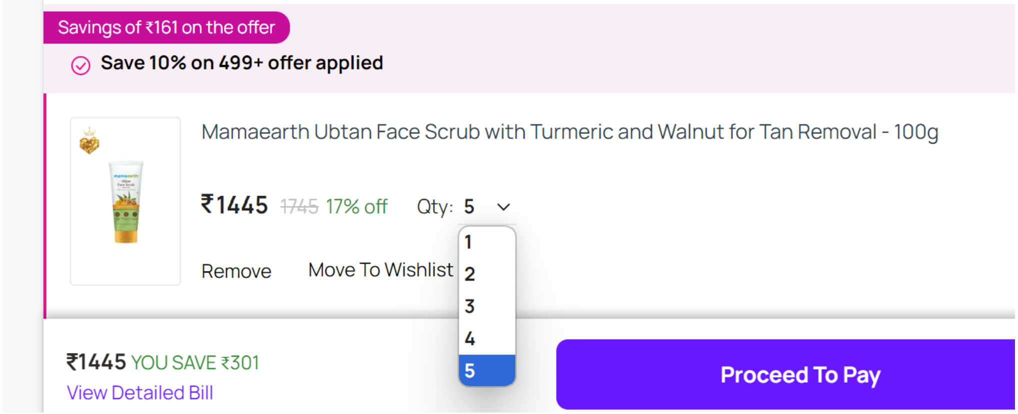
Exhibit 13: Tira allows 2 units per order (discount at ~20%)



Source: Company, Emkay Research

On Purplle, the maximum unit order is capped at 5

Exhibit 14: Purplle allows 5 units per order (platform offers ~17% discount)



Source: Company, Emkay Research

Distributor RoI and channel hygiene key for GT scale up

Honasa is focusing on the distributor's RoI, as it partners with its non-exclusive distributors, who are initially drawn to the company's large margin on offer and credit. Currently, Honasa's feet on the street are under company payroll, who in future will move to distributor payroll. Honasa is looking to ensure that its distributors are fairly compensated, while associated with the company.

We see this move to be crucial as many of the FMCG distributors have developed distrust with traditional FMCG companies, who continue to trim margins and are unable to address channel issues. If Honasa creates a rewarding scenario, distributors will associate with the brand. From the channel hygiene perspective, the company has identified hero SKUs (8-10), which are being pushed in general trade, wherein it will limit any discounting in the online channel.

Key offline risk - Trade credit monitoring is key ahead

We see a credit-driven scalable business as the key concern. With scale, the company should scale down its credit offering to the trade

In its offline journey, Honasa has been attracting trade partners with a healthy trade margin and higher credit terms. With scale, the company has optimized its distributor margin (from 10% to 8%) and retail margins (23% now from 25%) for the *Mamaearth* brand, while sustaining the credit days. Given that the bulk of business is managed by super stockists, credit is at ~45 days, while the same with distributors is at ~30 days. Although the company monitors the aging of receivables and limits billing as the credit period overshoots, we see a credit-driven scalable business as the key concern.

With scale, we believe the company should optimize credit days. Our experience with FMCG companies suggests that credit in the system slows down intensity, where trade looks to push for inventory procured on cash. Offering credit initially would be a strategy to drive product visibility, but sustained credit with scale would be seen negatively.

Company has maintained negative working capital in the business, which is a factor of minuscule receivable days in the online channel, where growth is healthy. In case offline grows at an accelerated pace, we fear for the working capital funding requirement in the business.

Other risks need preparedness

If counterfeits gain scale, it will be detrimental to sales and brand imagery

While we do not see counterfeits (demonstrate brand appeal, with high repeats) as a major issue for the Mamaearth brand as of now, we noticed select cases in some of the distributor checks. The company needs to be alert on this aspect, as any disruption from counterfeit will have a bearing on brand imagery and sales.

Lower margin for new brand may slow the scale up

Additionally, in select markets, we noticed that for newer brands, the company is offering lower retail margins. This could be on the back of the core Mamaearth brand's success, but amid rising competition, offering lower margins may have a bearing on the scalability of newer brands.

Exhibit 15: Key assumptions

	FY22	FY23	FY24E	FY25E	FY26E
Income statement					
Total income growth	105.1%	58.2%	29.2%	22.2%	20.0%
Offline growth	214.3%	91.9%	15.8%	18.7%	18.8%
Online growth	67.8%	9.0%	4.7%	6.1%	3.3%
Mamaearth growth	96.2%	34.7%	9.6%	12.0%	11.0%
Other brands growth	258.0%	397.3%	300.6%	44.0%	33.3%
Gross margin	70.0%	70.1%	69.3%	70.0%	70.0%
Advertisement	41.5%	35.5%	33.5%	32.7%	31.8%
EBITDA margin	3.2%	3.4%	7.1%	9.8%	11.7%
Adj PAT growth	1.5%	0.2%	5.5%	7.0%	8.3%
EPS (Rs/share)	0.5	-4.7	3.3	5.2	7.3
Balance Sheet					
ROE	2.2%	-23.6%	9.8%	13.3%	15.9%
ROCE	0.6%	-0.3%	9.1%	13.9%	17.4%
Inventory days	26	29	27	25	25
Receivable days	29	33	30	30	28
Payable days	67	50	60	65	65

Source: Company, Emkay Research

Honasa Consumer: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**9,435**	**14,927**	**19,292**	**23,566**	**28,286**
Revenue growth (%)	105.1	58.2	29.2	22.2	20.0
EBITDA	**115**	**228**	**1,318**	**2,258**	**3,220**
EBITDA growth (%)	(57.9)	98.6	478.9	71.3	42.6
Depreciation & Amortization	69	250	292	390	472
EBIT	**46**	**(22)**	**1,026**	**1,867**	**2,748**
EBIT growth (%)	(82.1)	(148.2)	0.0	82.0	47.2
Other operating income	0	0	0	0	0
Other income	209	225	420	400	450
Financial expense	30	67	85	90	100
PBT	**224**	**137**	**1,361**	**2,177**	**3,098**
Extraordinary items	0	(1,547)	0	0	0
Taxes	80	99	347	566	806
Minority interest	13	82	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	**157**	**(1,428)**	**1,014**	**1,611**	**2,293**
PAT growth (%)	0.0	(1,008.7)	0.0	58.9	42.3
Adjusted PAT	**157**	**119**	**1,014**	**1,611**	**2,293**
Diluted EPS (Rs)	**0.5**	**0.4**	**3.2**	**5.0**	**7.1**
Diluted EPS growth (%)	0.0	(28.0)	713.0	58.9	42.3
DPS (Rs)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Dividend payout (%)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
EBITDA margin (%)	1.2	1.5	6.8	9.6	11.4
EBIT margin (%)	0.5	(0.1)	5.3	7.9	9.7
Effective tax rate (%)	35.6	72.7	25.5	26.0	26.0
NOPLAT (pre-IndAS)	**29**	**(6)**	**764**	**1,382**	**2,034**
Shares outstanding (mn)	291.8	306.6	321.7	321.7	321.7

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	0	1,363	3,217	3,217	3,217
Reserves & Surplus	7,056	4,696	7,506	9,117	11,410
Net worth	**7,056**	**6,059**	**10,723**	**12,334**	**14,627**
Minority interests	0	0	0	0	0
Deferred tax liability (net)	86	14	14	57	22
Total debt	**596**	**922**	**1,143**	**1,388**	**1,529**
Total liabilities & equity	**7,738**	**6,995**	**11,880**	**13,779**	**16,178**
Net tangible fixed assets	565	692	1,372	1,682	1,904
Net intangible assets	2,870	1,833	1,833	1,833	1,833
Net ROU assets	0	0	0	0	0
Capital WIP	0	0	0	0	0
Goodwill	1,733	528	528	528	528
Investments [JV/Associates]	846	790	1,000	2,000	3,000
Cash & equivalents	**4,311**	**3,326**	**7,934**	**9,008**	**10,468**
Current assets (ex-cash)	1,759	3,023	3,600	4,191	4,785
Current Liab. & Prov.	2,612	2,669	3,859	4,935	5,812
NWC (ex-cash)	**(853)**	**354**	**(259)**	**(744)**	**(1,027)**
Total assets	**7,738**	**6,995**	**11,880**	**13,779**	**16,178**
Net debt	(3,714)	(2,404)	(6,791)	(7,620)	(8,939)
Capital employed	7,738	6,995	11,880	13,779	16,178
Invested capital	**2,581**	**2,879**	**2,946**	**2,771**	**2,710**
BVPS (Rs)	24.2	19.8	33.3	38.3	45.5
Net Debt/Equity (x)	(0.5)	(0.4)	(0.6)	(0.6)	(0.6)
Net Debt/EBITDA (x)	(32.4)	(10.6)	(5.2)	(3.4)	(2.8)
Interest coverage (x)	0.1	0.3	0.1	0.0	0.0
RoCE (%)	**5.2**	**2.8**	**15.3**	**17.7**	**21.4**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	224	137	1,361	2,177	3,098
Others (non-cash items)	0	0	0	0	0
Taxes paid	(95)	(125)	(347)	(566)	(806)
Change in NWC	222	(969)	613	485	283
Operating cash flow	**446**	**(516)**	**1,584**	**2,176**	**2,698**
Capital expenditure	(26)	(117)	(252)	(260)	(254)
Acquisition of business	(4,999)	790	(1,710)	(2,500)	(2,500)
Interest & dividend income	0	0	0	0	0
Investing cash flow	**(4,998)**	**429**	**(2,267)**	**(2,805)**	**(2,749)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	4,812	(130)	3,650	23	9
Payment of lease liabilities	0	0	0	0	0
Interest paid	(4)	(11)	(85)	(90)	(100)
Dividend paid (incl tax)	0	0	0	0	0
Others	0	0	221	264	98
Financing cash flow	**4,808**	**(141)**	**3,786**	**197**	**7**
Net chg in Cash	256	(227)	3,104	(432)	(45)
OCF	446	(516)	1,584	2,176	2,698
Adj. OCF (w/o NWC chg.)	224	453	971	1,692	2,415
FCFF	420	(633)	1,332	1,916	2,444
FCFE	390	(699)	1,247	1,826	2,344
OCF/EBITDA (%)	389.1	(226.5)	120.2	96.4	83.8
FCFE/PAT (%)	247.9	(588.3)	123.0	113.3	102.2
FCFF/NOPLAT (%)	**1,428.4**	**10,524.8**	**174.3**	**138.7**	**120.2**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	800.7	1,112.3	136.8	86.1	60.5
P/CE(x)	556.5	358.8	106.3	69.3	50.2
P/B (x)	17.8	21.8	12.9	11.2	9.5
EV/Sales (x)	12.9	8.7	6.8	5.6	4.6
EV/EBITDA (x)	1,065.7	570.3	100.1	58.1	40.3
EV/EBIT(x)	2,675.7	(5,898.3)	128.6	70.2	47.2
EV/IC (x)	47.3	45.1	44.8	47.3	47.9
FCFF yield (%)	0.3	(0.5)	1.0	1.5	1.9
FCFE yield (%)	0.3	(0.5)	0.9	1.3	1.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split					
Net profit margin (%)	1.7	0.8	5.3	6.8	8.1
Total asset turnover (x)	1.9	2.0	2.0	1.8	1.9
Assets/Equity (x)	(0.9)	1.1	1.1	1.1	1.1
RoE (%)	**(3.0)**	**1.8**	**12.1**	**14.0**	**17.0**
DuPont-RoIC					
NOPLAT margin (%)	0.3	0.0	4.0	5.9	7.2
IC turnover (x)	6.8	5.5	6.6	8.2	10.3
RoIC (%)	**2.1**	**(0.2)**	**26.2**	**48.3**	**74.2**
Operating metrics					
Core NWC days	(27.8)	(21.6)	(22.5)	(30.8)	(33.8)
Total NWC days	**(33.0)**	**8.7**	**(4.9)**	**(11.5)**	**(13.3)**
Fixed asset turnover	5.0	4.5	5.5	5.4	5.6
Opex-to-revenue (%)	68.7	68.5	62.4	60.4	58.6

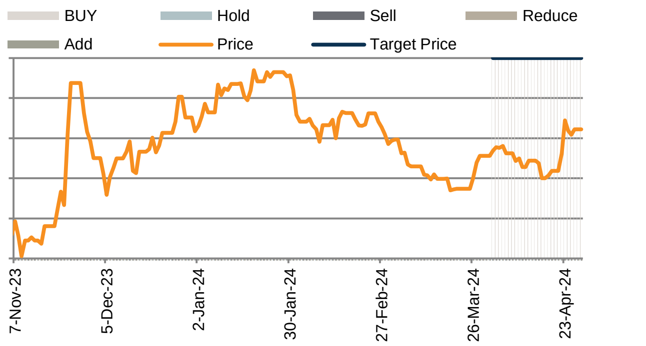
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
22-Apr-24	405	500	Buy	Nitin Gupta
15-Apr-24	395	500	Buy	Nitin Gupta
07-Apr-24	405	500	Buy	Nitin Gupta
01-Apr-24	407	500	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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SESHADRI
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DN: c=IN, o=Personal,
pseudonym=133421651129256467AME3LY655Z5MEZ,
2.5.4.20=1217a0ac22644d6a490a50ef35978ca2cbcf94e39548b678
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Date: 2024.05.01 16:11:40 +05'30'