



Date: 07th October 2023

To,

Honasa Consumer Limited

Plot no. 63, 4th floor

Sector - 44, Gurugram- 122 003

Haryana, India

Kotak Mahindra Capital Company Limited

27BKC, 1st Floor, Plot No. C -27

"G" Block, Bandra Kurla Complex

Bandra (East), Mumbai - 400 051

Citigroup Global Markets India Private Limited

First International Financial Centre (FIFC)

14th Floor, C-54 & 55, G-Block

Bandra Kurla Complex, Bandra East

Mumbai 400 051

J.P. Morgan India Private Limited

J.P. Morgan Tower,

Off CST Road, Kalina,

Santacruz East, Mumbai - 400098

JM Financial Limited

7th Floor, Cnergy

Appasaheb Marathe Marg, Prabhadevi

Mumbai - 400 025

(Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited, J.P. Morgan India Private Limited, JM Financial Limited and any other book running lead managers which may be appointed in relation to the Offer are collectively referred to as the **"Book Running Lead Managers"** or the **"BRLMs"**)

Ladies and Gentlemen,

Subject: Proposed initial public offering of equity shares ("Equity Shares") by Honasa Consumer Limited (the "Company") and such offering (the "Offer")

We understand from you that the Company is proposing to undertake the Offer, subject to market conditions and receipt of relevant approvals. In this connection, we further understand that you intend to use information from our report titled [**"Beauty and Personal Care Market in India"**] dated 7th October, 2023 (the **"Report"**) as specified under **Annexure A**, in the Offer Documents and other Offer-related materials in accordance with applicable laws and have requested us to provide our no-objection/ consent for such use of information forming part of the Report.



Pursuant to your request, we Redseer Management Consulting Private Limited ("**Redseer**"), hereby accord our no-objection and give our consent to the Company for: (i) the use of our name as the source of the information provided by us in our Report and as an independent research provider; and (ii) for reproducing, extracting or utilizing our Report (in its entirety or any portions thereof), being included in the red herring prospectus ("**RHP**") and the prospectus ("**Prospectus**") intended to be filed by the Company with the Securities and Exchange Board of India ("**SEBI**"), the stock exchange(s) where the Equity Shares are proposed to be listed ("**Stock Exchanges**"), the Registrar of Companies and National Capital Territory of Delhi and Haryana ("**ROC**") (including any addenda, corrigenda or international supplement(s) of the foregoing for distribution to investors outside India) (collectively, "**Offer Documents**"), and in other offer-related documents, such as roadshow/ investor presentations, research reports and any other marketing material, in each case relating to the Offer and in accordance with applicable law (collectively, together with the Offer Documents, the "**Offer Materials**"), or any other presentations prepared or published by the Company.

Further, we consent to (i) the engagement letter dated 7th July, 2022, addendum dated 11th August 2023 and 29th August 2023 between us and the Company as specified under **Annexure C** and (ii) the Report being hosted on the website of the Company, being made available to the public on such website and the weblink to the report being disclosed in the Offer Documents.

We also give our consent to include this letter and the Report as part of the section titled "*Material Contracts and Documents for Inspection*" of the Offer Materials, which will be available to the public for inspection, in accordance with applicable law.

For the sake of clarity, this consent letter does not provide the right to the Company to refer to us as an '*expert*' in any of the Offer Materials.

This letter does not impose any obligation on the Company to include in any Offer Materials all or any part of the information with respect to which consent for disclosure is being granted pursuant to this letter.

We further confirm that we have, where required, obtained requisite consent that may be required from any governmental authority or other person (including any entity) in relation to any information used by us in our Report.

We confirm that all information contained in the Report has been obtained by us from sources believed by us to be true and reliable and after exercise of due care and diligence by us, its accuracy, completeness, and underlying assumptions are subject to limitations like interpretations of market scenarios across sources, and data availability, amongst others. The Report is not a recommendation to invest/disinvest in any entity covered in the Report and the Report should not be construed as investment advice within the meaning of any law or regulation.

We confirm that we do not have any relation with the Company, its subsidiaries, promoters, directors or key managerial personnel, except insofar as we have been engaged by the Company as a service provider for the purpose of preparing the Report.

We also confirm that we are independent consultants with respect to the Company and its subsidiaries.

We confirm that we are not, and have not in the past, been engaged or interested in the formation, or promotion, or management, of the Company and as per our records, none of the Company, its directors, its promoter(s) or the BRLMs to the Offer, is a related party with respect to us, as per the definition of "related party" provided under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended, as on date of this letter.

We represent that our execution, delivery, and performance of this consent letter has been duly authorised by all necessary actions (corporate or otherwise).



We further confirm that we will not withdraw this consent until the date of the listing of the Equity Shares pursuant to the Offer.

We confirm that we will immediately communicate any changes in writing in the above information to the Company and the book running lead managers to the Offer ("**BRLMs**") until the date when the Equity Shares commence listing and trading on the Stock Exchanges. In the absence of any such communication from us, it may be assumed that there is no change to the above information until such commencement of listing and trading of the Equity Shares on the Stock Exchanges pursuant to the Offer.

We further confirm that the above information in relation to us is true and correct.

Please ensure that our disclaimer, as specified in **Annexure B**, is reproduced when the Report or any part thereof is used in any Offer Materials or any other presentations prepared or published by the Company. Further, please ensure that wherever information from the Report is used in the Offer Materials, (i) proper reference of the Report as the source of such information is cited along with; and (ii) the Company should ensure that the information is presented in the same context as that in the Report and should not be selectively extracted and used in a manner that distorts the views expressed by us in the Report.

This consent letter can be relied on by the Company, the BRLMs and the legal advisors to each of the Company and the BRLMs. We hereby consent to the submission and disclosure of this consent letter and the Report as may be necessary to the SEBI, the Stock Exchanges, the RoC and any other governmental or regulatory authorities as may be required under applicable law.

We agree to keep strictly confidential, the non-public information, your request and this consent relating to the Offer until such time that: (a) such disclosure by us is approved by the Company in writing; or (b) such disclosure is required under applicable law; or (c) such information is already available in the public domain, or comes into the public domain through no fault of ours.

All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Offer Materials.

Yours faithfully,

For **RedSeer Management Consulting Private Limited**

DocuSigned by:

Authorised Signatory

Name: Rohan Agarwal

Designation: Partner

CC:

Cyril Amarchand Mangaldas
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Annexure A

Disclaimer

Redseer has taken due care and caution in preparing the Report titled "Beauty and Personal Care Market in India" based on the information obtained from sources generally believed to be reliable. The market information in this Report is arrived at by employing an integrated research methodology which includes secondary and primary research.

and other relevant ecosystem participants, and consultations with market participants and experts. In addition to the primary research, quantitative market information is also derived based on data from trusted portals and industry publications. Therefore, the information is subject to limitations of, among others, secondary statistics and primary research, and accordingly, the findings do not purport to be exhaustive. Its accuracy, completeness and underlying assumptions are subject to limitations like interpretations of market scenarios across sources, data availability amongst others. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as investment advice within the meaning of any law or regulation. Forecasts, estimates and other forward-looking statements contained in this Report are inherently uncertain and could fluctuate due to changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Additionally, the COVID-19 pandemic and the ongoing macroeconomic events have significantly affected economic activities. Nothing in the Report is to be construed as Redseer providing or intending to provide any services in jurisdictions where Redseer does not have the necessary permission and/or registration to carry out its business activities in this regard. No part of this Report may be published/reproduced in any form without Redseer's prior written approval.



Summary of industry section:

India macroeconomic overview

India is the world's fifth largest economy and is expected to be an approx. US\$ 5 trillion economy by 2027, driven by robust private consumption. Consumption growth has been robust, outpacing the growth in GDP. This is driven by several factors, starting with rising national incomes. India's Gross National Income ("GNI") per capita has been growing faster than that of most other larger and comparable economies. Increasing income levels are translating into higher household consumption. The middle-class, a section which drives the bulk of the country's private consumption is rapidly becoming the most prominent segment of the population – expected to be 55% of the population by 2027.

Driven by better opportunities and standards of living, the middle-class population is increasingly migrating to urban areas. Urbanization is central to India's growth story as urban areas are the core drivers of consumption. As per Niti Aayog estimates, India's urban share of population is likely to be 50% by 2050 (from 36% as of 2022 as per World Bank estimates).

These growth drivers are expected to sustain as India is one of the youngest nations in the world, with a median age of 28 compared to 39 in China and 38 in the USA, based on United Nations Population Division estimates (2022). In 2022, India had the largest millennial and Generation Z (aged 9-40 years) population in the world, at approx. 770 million. Even as a proportion of the populations, they are 54% of India's population, significantly higher than that of other larger economies.

Retail in India

Sized at US\$ 891 billion as of 2022 and expected to grow at 10% annually till 2027 India's retail is a large yet fast growing market - poised to become a more than US\$ 1.5 trillion market by 2027. It is still underpenetrated, with per capita spend of US\$ 628 in 2022 compared to US\$ 4,630 for China. This under penetration indicates significant growth headroom. The market is significantly unorganised, with 82% of the market by value being driven by unorganised channels like Kiranas and street vendors. But the organised space is growing rapidly (3 times as fast as the unorganised channels). This shift towards organised channels, led by shifts in consumer behaviour where consumers are increasingly looking for more choices, more branded experiences and more convenience is the most prominent theme for the sector as we move forward. This shift is more pronounced in categories like BPC, with around half of the BPC market expected to be organised by 2027.

The shift of retail to organised channels has been turbocharged by rapid online penetration. By 2027, eTailing (otherwise referred to as online commerce or eCommerce) is likely to be US\$ 169 billion, translating to approx. 12% of the retail market. Specific categories like BPC are better suited for rapid online penetration (from 16% penetration as of 2022 to an expected 34% by 2027P). Digital-first brands are expected to grow faster than the broader eTailing market. These brands 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. With the growth of Digital-first brands, incumbents may not be best positioned to be protected from disruption led by rapid digital adoption. As consumers mature, they increasingly look for evolved use-cases for purchasing products, therefore whitespaces and opportunities keep emerging in the market. Positioning to best solve the consumer needs in an agile manner is where the digital-first players are likely to have the most success.

The Beauty and Personal Care market in India



The BPC products market in India is undergoing a fundamental re-industrialization owing to the convergence of technology, demographic dividend, and growing consumer aspirations. 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%, which is among the highest within the broader retail categories (and faster than other retail categories such as food and grocery, jewellery and watches, fashion, consumer electronics, home and living, and pharmacy and wellness) in India during this period. India's per capita spend on BPC products is currently one of the lowest in comparison to some of the other developing countries and is at the cusp of growth as GDP per capita has surpassed \$2,000, which is a critical inflection point as observed in other developing economies.

There are several consumer behaviour changes that are shaping the Indian BPC market. With increasing incomes and awareness, consumers are increasingly looking for masstige brands. These are the brands that provide higher quality at relatively affordable prices. Consumers are also becoming more brand conscious and are better targeted through social and/or digital marketing. They are more attracted to purpose-driven brands. This phenomenon is not limited to the metro cities, consumers in the tier 2+ cities are also rapidly showing similar preferences. Also, mirroring the BPC markets in the USA and China, evolved regimes in face care and makeup are becoming more prominent in India. Across product categories, consumers are looking for products which solve specific problems as opposed to generic ones.

BPC is one of those categories that lends itself well to digital penetration. The online BPC market, which is currently sized as US\$3 billion, is expected to grow at 29% annually to be around US\$ 11 billion by 2027, translating to an online penetration of 34%. Among the most significant trends driving the online BPC market forward is the disruption led by the digital-first brands, as they are better at catering to the rapidly changing consumer demands. The future of BPC products lies not only with large platform brands but also unique propositions and categories which solve for specific consumer need spaces.

Honasa understands evolving consumer preferences and industry whitespaces and are well positioned to benefit from the expected growth in the market.

Addressable market for BPC products and salon services

BPC products and salon services have an addressable market of US\$ 49-54 billion by 2027.

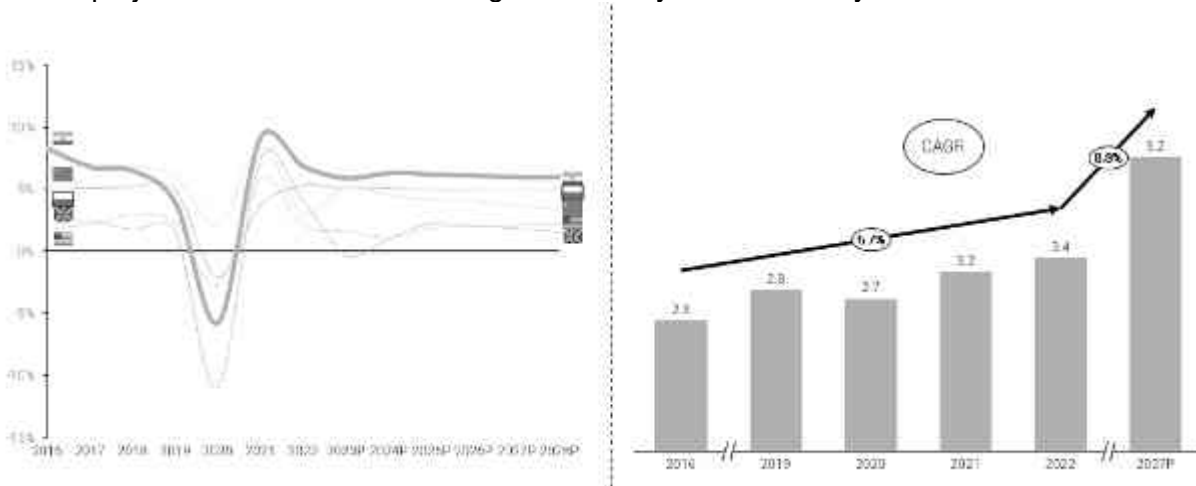
Detailed industry section:



Indian Economic Context

India is expected to be an approximately US\$ 5 trillion economy by 2027, driven by robust private consumption, rapid digitisation and several other tailwinds enabling businesses.

As per the International Monetary Fund (“IMF”) estimates, India’s nominal Gross Domestic Product (“GDP”) was US\$ 3.4 trillion in 2022. It is expected to grow at approximately 9% annually to be more than US\$ 5.2 trillion by 2027. This uniquely positions India as one of the larger yet fast growing economies. As of August 2022, India is the 5th largest economy in the world, in terms of nominal GDP. And according to forecasts made by the Centre for Economics and Business Research (“CEBR”) in their 2022 World Economic League Table, India is projected to become the 3rd largest economy in the world by 2031.



*Fig 1. LHS – Real GDP growth – global benchmarks (% growth, 2016-2028P)
RHS – GDP at current prices – India (US\$ trillion, 2016, 2019-22, 2027P)
Source(s): International Monetary Fund*

Private consumption is a significant driver of economic growth in India.

India’s share of domestic private consumption measured as Private Final Consumption Expenditure (“PFCE”) in its GDP was approximately 61% in FY23. India’s PFCE (FY 2018-23 CAGR of 10.4%) has grown faster than its GDP (9.7% CAGR in the same period). Looking ahead, there is significant growth headroom for PFCE, as its share in the GDP catches up with that of large economies such as the United States of America (“USA”) and the United Kingdom (“UK”). With GDP growing rapidly and PFCE’s contribution steadily increasing therein, India is expected to be the 3rd largest consumer market in the world by 2030, as per the World Economic Forum (“WEF”).

The outlook for consumption is bolstered by strong consumer confidence. As per an RBI Consumer Confidence Survey organised in March 2023, ‘households’ opinion about current and future spending remained in positive territory and was bolstered by a rise in both essential and discretionary spending’. This bodes well for consumer-facing businesses, as they are likely to witness sustained demand, with consumers purchasing more as well as shifting to higher quality and branded products.



Amongst the several tailwinds driving consumption, the most important ones are:

1. Rising incomes resulting in higher consumption.

Income growth is a significant driver of private consumption, and that is clearly visible in India. Here, we use Gross National Income (“GNI”) – defined as total amount of money earned by a nation's people and businesses - as a proxy to benchmark prosperity. As per World Bank estimates, India's GNI per capita has been growing faster than that of most other larger and comparable economies. Increasing income levels are translating into higher consumption from households.

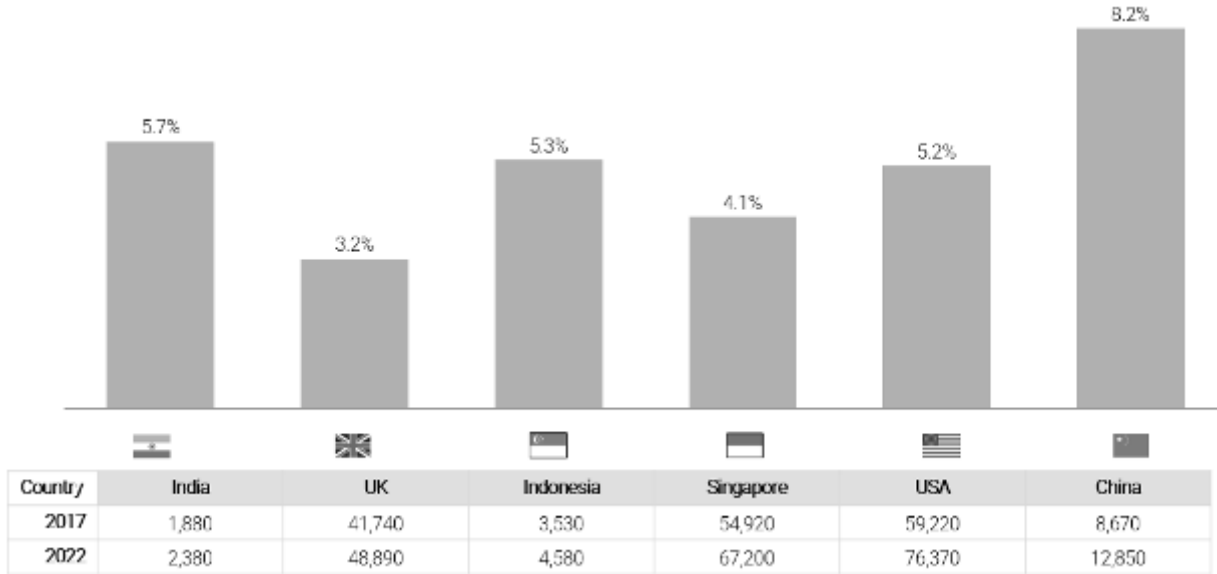


Fig 2. CAGR of GNI per capita- Global Benchmark, 2017-2022

Source(s): World Bank

2. Rising incomes leading to a large middle-class population, which is a key driver of private consumption.

With incomes rising, there is significant upward mobility, with lower-income households increasingly shifting towards middle-class. The per capita consumption expenditure of middle-class households is more than 3 times that of low-income households. The consumption pattern is relatively (in comparison with the lower income households) more skewed towards branded products and organised channels.

While middle-class is the largest chunk of the population, the number of high-income households is projected to grow the fastest, at 8% annually between 2022 and 2027. The middle-class and high-income households are projected to drive more than 90% of the private consumption by 2027, which will result in expanded addressable markets for branded players.

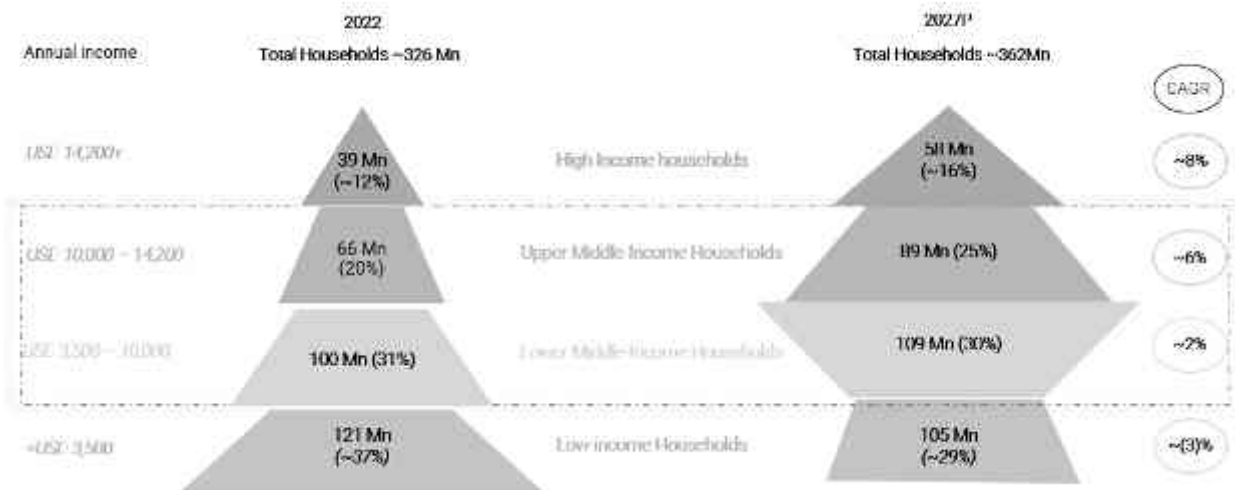


Fig 3. Number of households – segmented by income levels (Million, %, 2022, 2027P)

Source(s): Redseer research and analysis

3. Urbanization is among the most significant growth engines for India, and is directly correlated with higher incomes.

India has the second largest urban population (refers to people living in urban areas as defined by national census or statistical offices) in the world in absolute terms, at approximately 510 million in 2022, second only to China according to World Bank. Urbanisation is central to India's growth story as urban areas are the core drivers of consumption. This is because urban areas have higher concentration of relatively higher income individuals, particularly among millennials and generation Z. Given the higher concentration of demand in these cities, the supply is also more abundant and diverse in these cities. While India's urban population has been growing rapidly, there is a significant growth headroom. As per World Bank estimates, 36% of India's population resided in urban towns and settlements, compared to the US, which is at 83% and the world average of 57%, as of 2022. As per Niti Aayog estimates, India's urban share of population is likely to be 50% by 2050. This underscores the longevity of the trend of urbanisation in India, directly impacting economic growth and private consumption.

4. With migration to urban areas, there has been a shift towards nuclearisation, resulting in more households for businesses to reach.

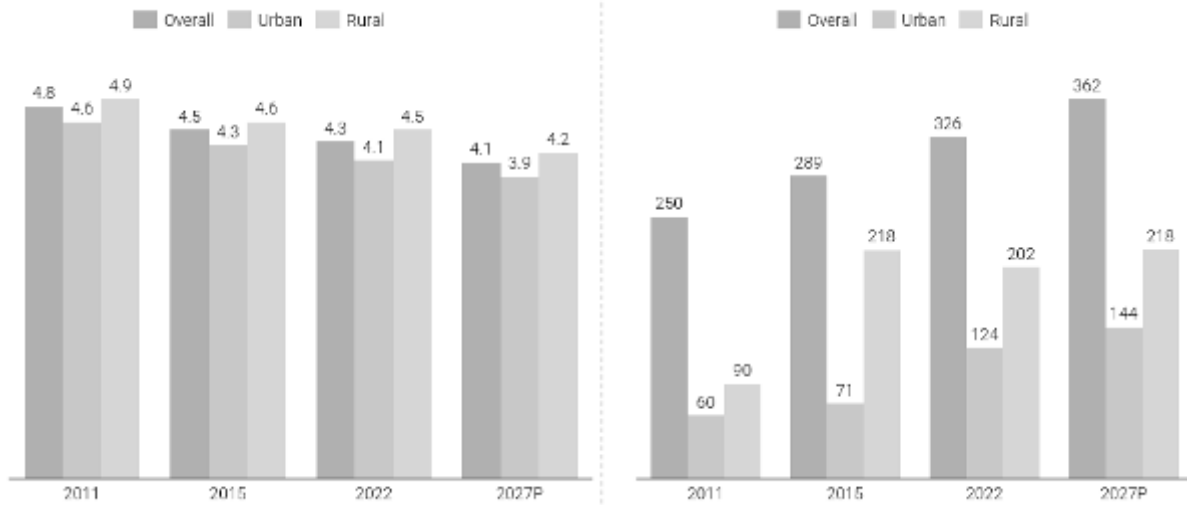


Fig 4. LHS: Average household size – India – Overall, Urban, Rural (#, 2011, 2015, 2022, 2027P)
RHS: Number of households (Million, 2011, 2015, 2022, 2027P)

Source(s): Redseer research and analysis

India's average household size has decreased from 4.5 in 2015 to 4.3 in 2022. A key driver of this trend is migration, as people move from joint families to form nuclear families in the cities.

This benefits consumer-driven businesses as they have higher numbers of households to reach and serve, directly impacting volumes. The number of households increased by 76 million between 2011 and 2022, and it is expected to increase by another approximately 36 million till 2027. Also, the young, aspirational populations, living away from their families, exercise freedom in experimenting with newer brands and products. This benefits new-age businesses which have differentiated value propositions and appeal to the needs and sensibilities of these younger consumers. Further, these populations influence the decision-making of their families in the smaller towns, leading to trickle down effects and easier propagation of the new-age value propositions.

5. **Due to trickle-down effects and secular migration into urban areas across city tiers, non-metros are witnessing high growth in retail.**

With urbanisation, nuclearisation and trickle-down effects – prosperity and consumption trends of the metro cities are gradually trickling down to non-metro cities. The most apparent manifestation of this is in the higher growth of retail in tier 1 and tier 2+ cities as compared to the metros.

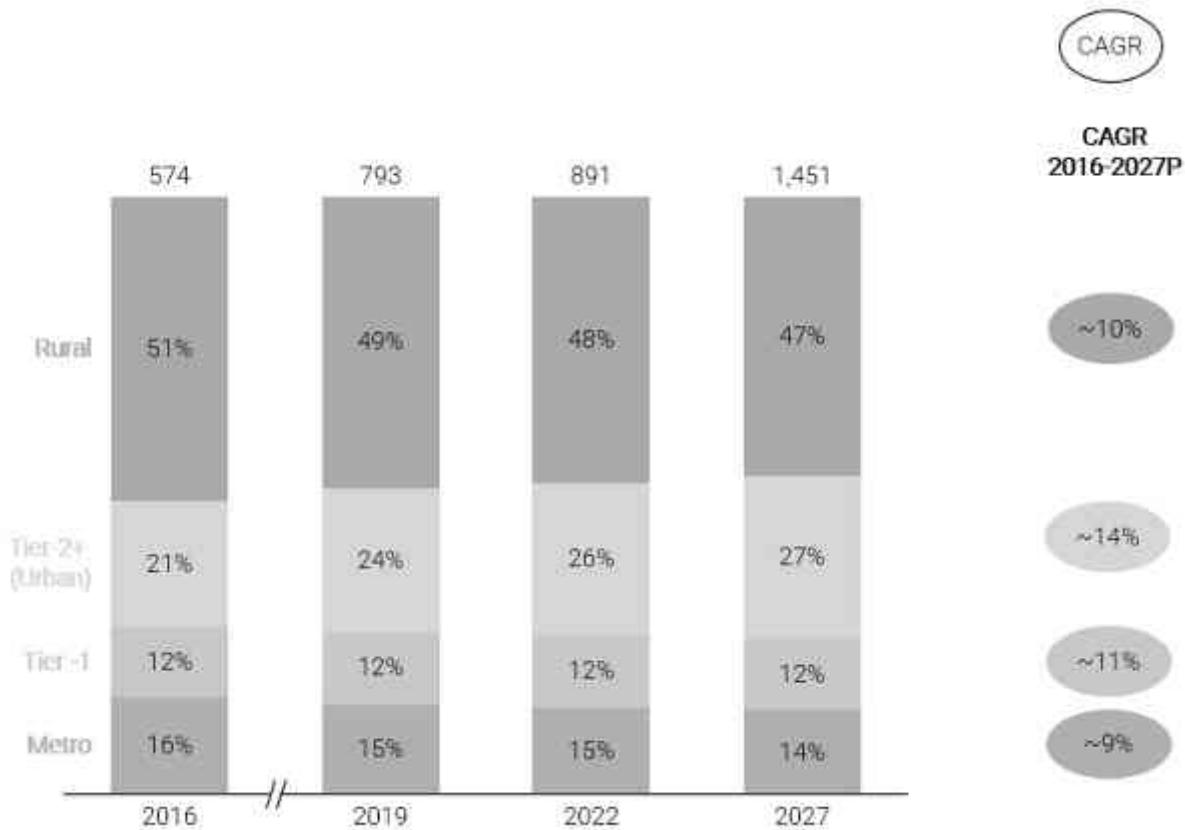


Fig 5. Retail market in India split by city-tiers (Market size in US\$ billion, Segments in %, 2016, 2019, 2022, 2027P)

Note(s): Metros are Delhi, Mumbai, Bangalore, Hyderabad, Chennai, Kolkata and Pune. Tier 1 cities are other Indian cities with populations of at least 1 million. Tier 2+ cities are rest of urban areas as classified by the Census, 2011. Rural are the areas not classified as urban by Census, 2011.

Source(s): Redseer research and analysis

This trend is likely to persist because it is a cycle. With demand growing fast in the non-metro cities, businesses are increasingly focussing there for growth. The government is also supporting with necessary infrastructure development projects. With enhanced focus on economic activities, the enabling ecosystem of distribution, labour, real estate, capital and entrepreneurs is also evolving, giving rise to more opportunities and higher incomes. This in turn, is propelling consumption, fuelling demand growth in these cities. Owing to the under-penetration of the Indian retail market, especially in the smaller towns, this cycle is likely to propel growth in the long term before saturation kick in.

6. **The growth headroom for the economy and sustainability of the tailwinds is bolstered by India's young population.**

India is one of the youngest nations in the world, with a median age of 28 compared to 39 in China and 38 in USA, based on United Nations Population Division estimates (2022). In 2022, India had the largest millennial and generation Z (aged 9-40 years) population in the world, at approximately 770 million. Even as a proportion of the population, they are 54% of India's population, significantly higher than that of other larger economies.

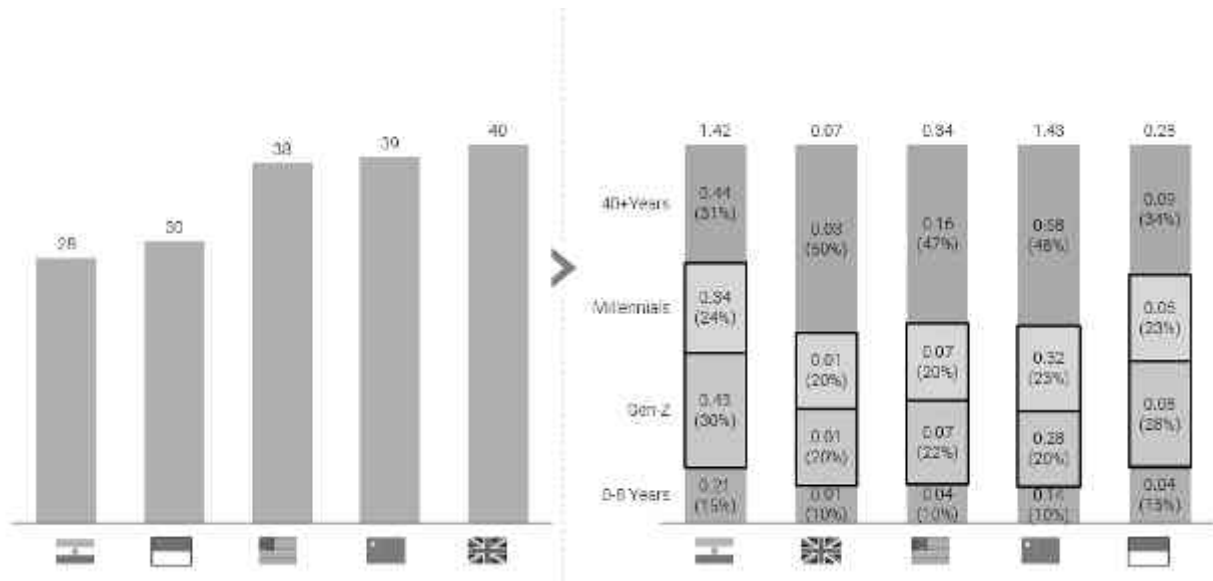


Fig 6. LHS – Median age of population – Global Benchmark (2022)

RHS – Population split by age group – Global Benchmark (Billion, %, 2022)

Note(s): 1. Anyone between the age group 26-40 years refers to Millennial 2. Anyone between the age group 9-25 refers to generation Z

Source(s): United Nations Population Division

India's millennials and generation Z are likely to become a major consumption pool and spend more than their predecessors. This underscores India's consumption tailwinds. Further, the millennials and generation Z will be more brand-aware and informed than India's previous generation of consumers. The younger populations are naturally pre-disposed to adopting new trends given their exposure to media and technology, which presents an opportunity for branded products and organized retail. This reinforces the growth potential of brands in India.

7. Further growth potential to be unlocked with increased participation of women in the labour force, particularly services.

Women tend to be the key decision-makers in households as far as most FMCG categories are concerned. This behaviour is prominent in households where women are educated and/or have their own income streams, leading to more social influence in their families. With increasing access to education and participation in the labour force, women are positively impacting consumption, especially in sectors like BPC. The trends around access to education and participation in labour force are playing out strongly in India.

Between 2005 and 2015, enrolment of girls in secondary education increased from 45% to 81% and surpassed the enrolment of boys in 2018-19. Higher education also witnessed an increase in women enrolment, with almost 20% of women pursuing higher education studies compared to 22% of men. Driven by access to education, women participation in the labour force, particularly in the service sector, has increased significantly. Work from home policies are providing higher flexibility to women and at the same time the number of women influencers is on the rise. The rate of women participation in the service sector has jumped to 28% in 2019, compared to 25% in 2016. However, there is significant growth headroom and value to be unlocked as India catches up to global economies like the UK, the USA, Indonesia and China.

As more women are educated and/or participate in the labour force, they are likely to have a disproportionately positive impact on the retail space generally and BPC particularly

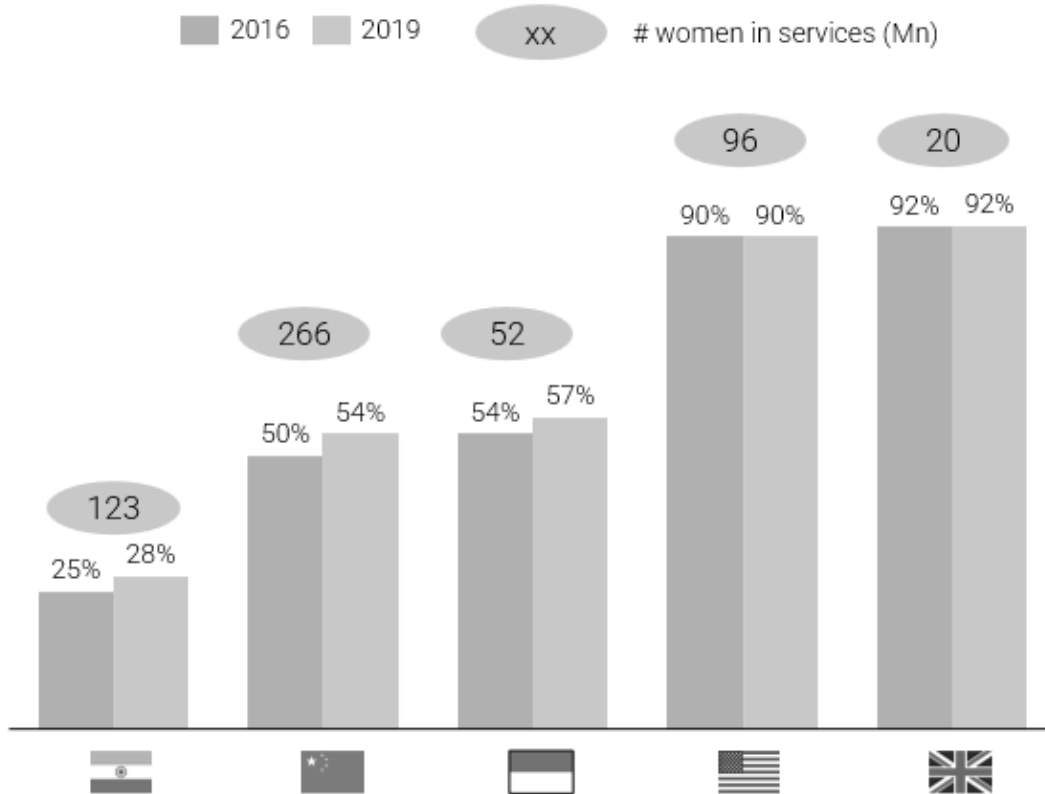


Fig 7. Women participation in service sector- Global benchmark(% , 2016, 2019)

Note(s): Women participation in service sector is calculated by dividing the number of women in service sectors by the total number of women in the workforce (aged 15+)

Source(s): World Bank

India Retail

Sized at US\$ 891 billion as of 2022 and expected to grow at 10% annually till 2027, India is a large yet fast growing retail market.

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.

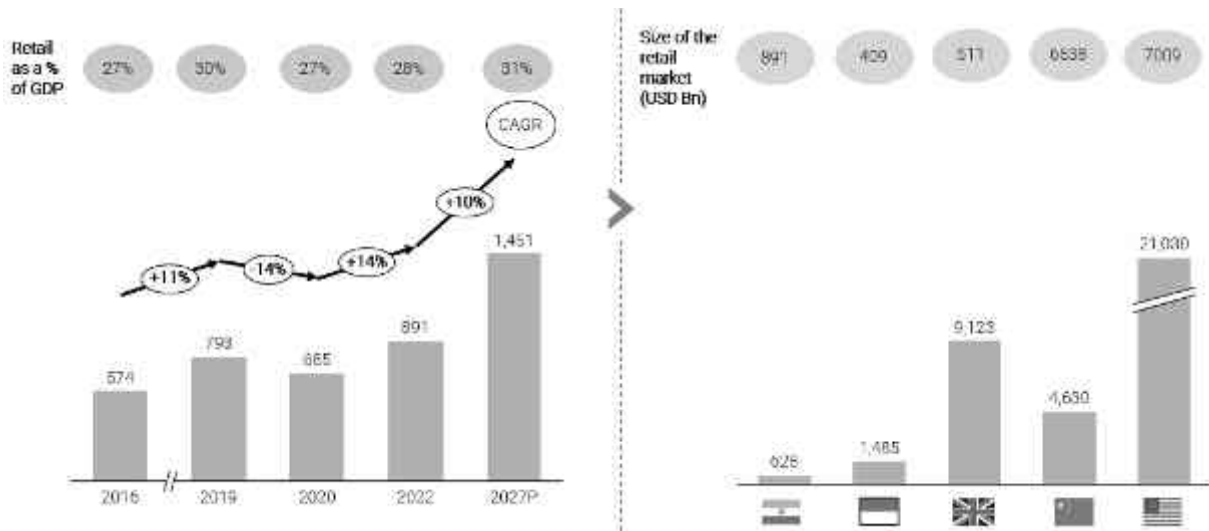


Fig 8. LHS – India retail market size in bars and retail market as a % of GDP in bubbles (US\$ billion, %, 2016, 2019, 2020, 2022, 2027P)
 RHS – Global benchmarks of retail spends per capita in bars (US\$, 2022) and size of the retail markets in bubbles (US\$ billion, 2022)
 Source(s): Redseer research and analysis

Among the most significant themes underpinning the growth of retail in India is the shift towards organised channels.

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")). This is led by shifts in consumer behaviour where consumers are increasingly looking for more choices, more branded experiences, and more convenience. Organised channels are better able to serve these needs, hence, they have been growing faster than the unorganised channels with sustained momentum. Going forward, the organised channels are likely to grow 3 times as fast as the unorganised channels.

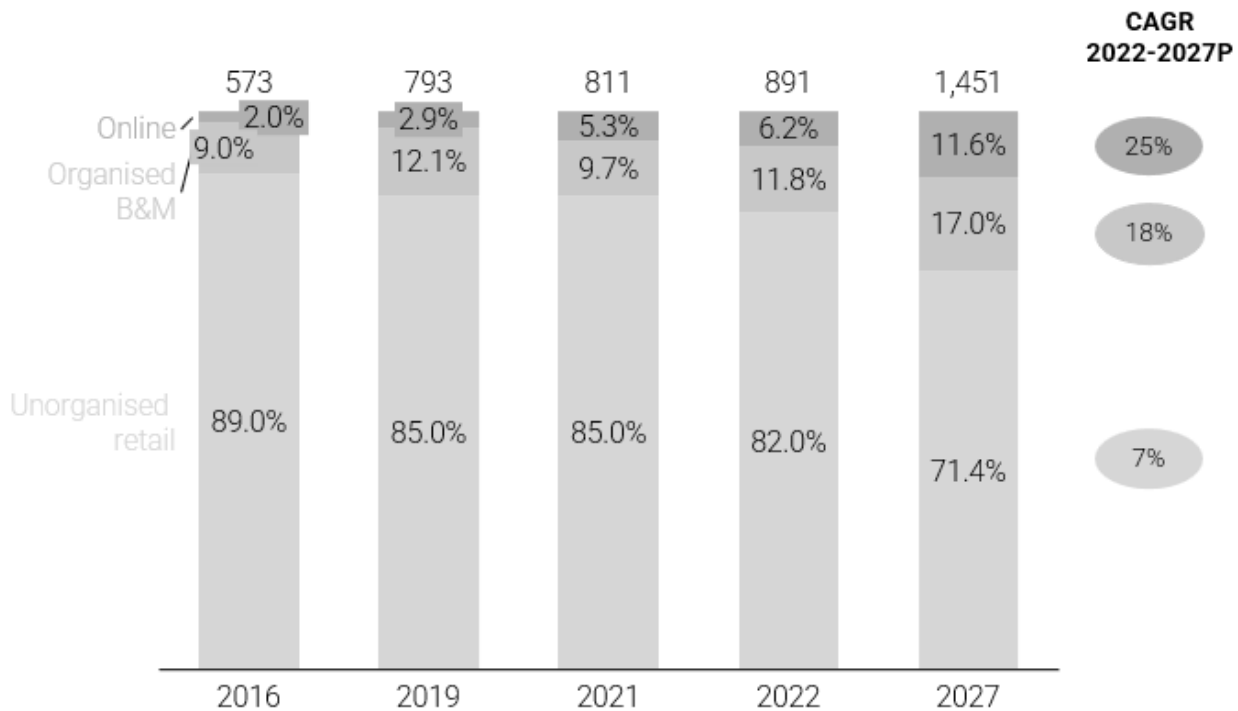


Fig 9. India's retail market split by channels (US\$ billion, 2016, 2019, 2022, 2027P)

Note(s): Unorganised offline is largely general trade channels; Organised B&M stands for organised brick and mortar stores, otherwise known as modern trade channels like shopping malls/ marts, multi-brand outlets, exclusive brand outlets; Online refers to marketplaces as well as own online platforms of brands

Source(s): Redseer research and analysis

The shift to organised channels is a fairly secular trend across most key retail categories, however it is more pronounced in categories like BPC, Apparels and Electronics which lend well to brand creation. The products in these categories are differentiated through brands and their design language is pervasive across various facets of the products. These categories already have much higher organised penetration already – more than 7-10x the organised penetration of grocery as of 2022. Going forward, these categories are likely to become overwhelmingly organised – more than half of the BPC market and more than 90% of the electronics market.

Category	2016	2022	2027P
Grocery	3%	5-6%	9%
Pharma & Wellness	10%	14-16%	25-30%
BPC	23%	42%	65%
Apparel	29%	56%	68%
Electronics	38%	60-62%	90%+

Fig 10. Share of organised (online and organised brick and mortar) in key retail categories (% of market by value, 2016, , 2022,, 2027P)

Source(s): Redseer research and analysis

The shift of retail to organised channels has been turbocharged by rapid online penetration.



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.

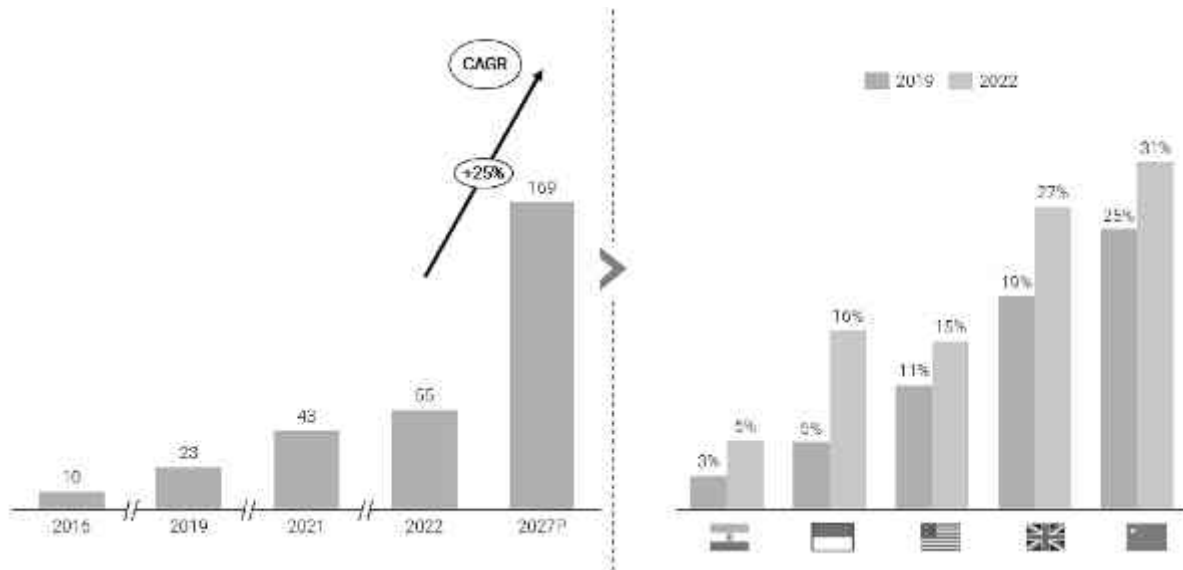


Fig 11. LHS - eTailing market size in India (US\$ billion, 2016, 2019, 2021, 2022, 2027P)
RHS - Online penetration of retail – Global benchmarks (% , 2019, 2022)
 Source(s): Redseer research and analysis

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.

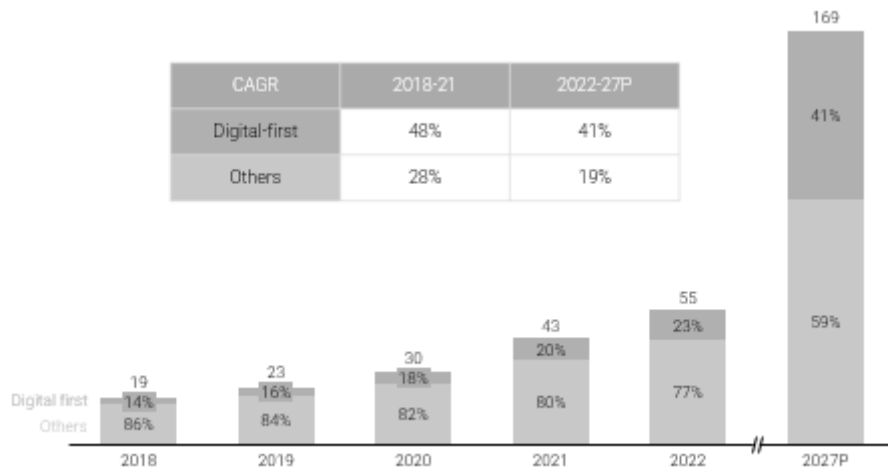


Fig 12. Indian eTailing market split by type of brands (% of eTailing market by value which is in US\$ billion, 2018-2022, 2027P)

Source(s): Redseer research and analysis

Even as retail witnesses rapid digital adoption by consumers and businesses, the incumbents may not be best positioned to be protected from disruption. As consumers mature, they increasingly look for evolved use-cases for purchasing products. Therefore, whitespaces and opportunities keep emerging in the market. Positioning to best solve the consumer needs in an agile manner is where the Digital-first players are likely to have the most success. The current environment is very conducive to the growth of Digital-first brands specifically. These players are leveraging the unlimited shelf space that the online channel provides to cater to wide ranges of consumer needs. They are innovating on the back of real-time access to consumer and value-chain data. With the availability of strong supply chain and software-as-a-service (“SaaS”) enablers, payment infrastructure players, and capital to build businesses, the number of such brands in India has ballooned. That is, from 450-550 brands in 2019 to between 1,800-2,300 brands as of 2022, which is a growth of 4 to 5 times.

Beauty and Personal Care in India

Beauty and Personal Care in India is an approximately US\$ 20 billion market and expected to grow at 11% annually to be approximately US\$ 33 billion by 2027.

Sized US\$ 20 billion, BPC in India is a large market (6th largest in the world). BPC is significantly underpenetrated in India. Traditionally, Indian households have spent lesser on BPC in comparison to other countries. For instance, in 2022, BPC spends per capita in China were around 3 times of that in India. Even compared to relatively smaller economy like Indonesia, India’s per capita BPC spends are lower, indicating massive growth headroom.

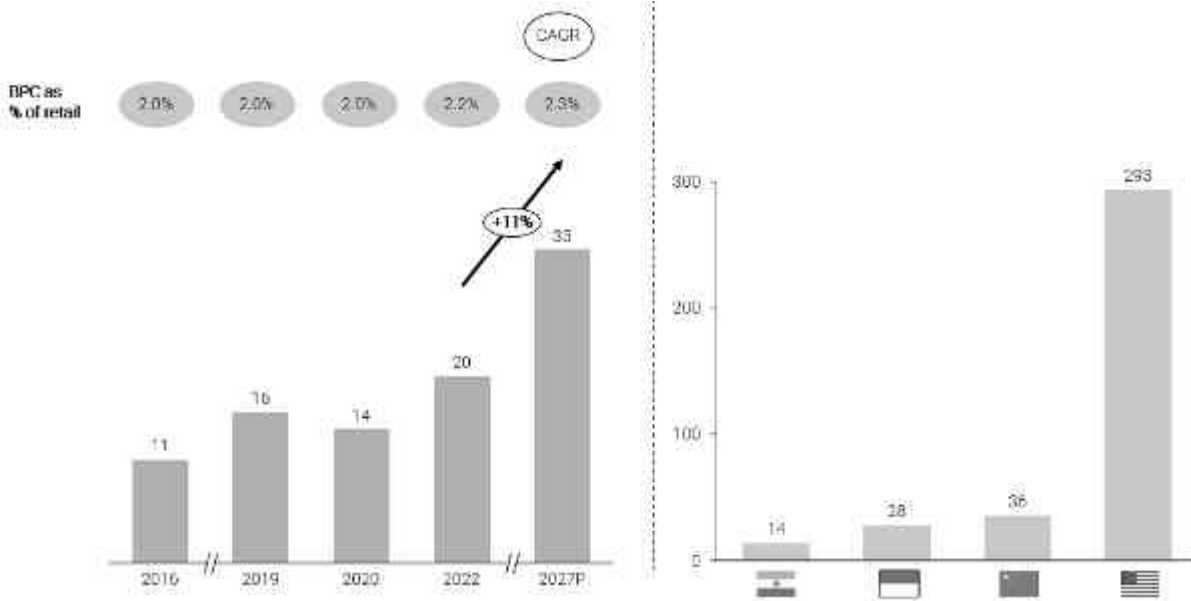
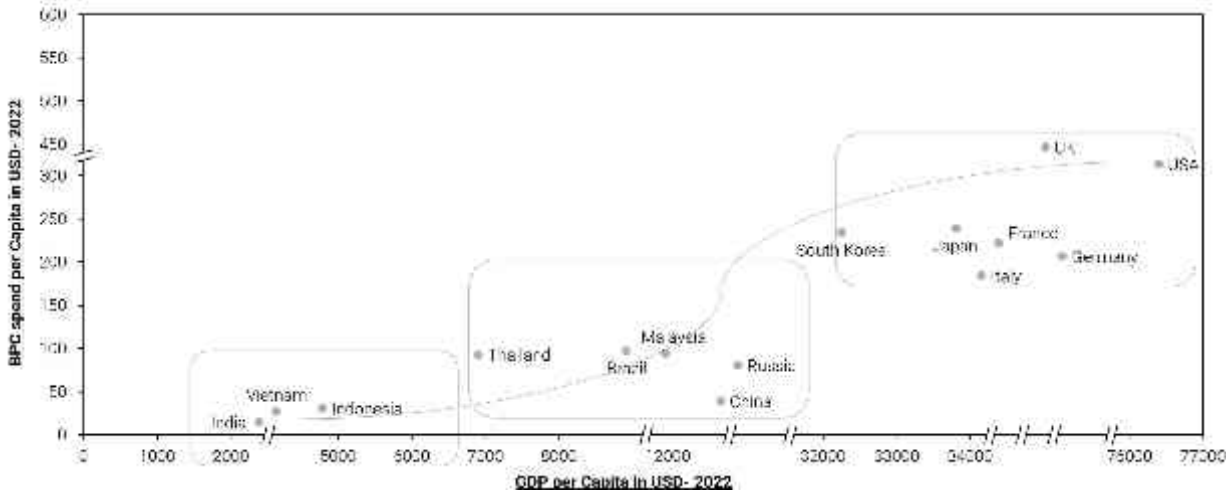


Fig 13. LHS – India BPC market size (US\$ billion, 2016, 2019, 2020, 2022, 2027P)
 RHS – BPC spends per capita – Global benchmarks (US\$, 2022)
 Source(s): Redseer research and analysis

The BPC products market in India is undergoing a fundamental re-industrialization owing to the convergence of technology, demographic dividend, and growing consumer aspirations. BPC is expected to grow faster than categories like food, grocery and consumer electronics. This makes BPC one of the most attractive retail categories in terms of growth. India’s per capita spend on BPC products is currently one of the lowest in comparison to some of the other developing countries and is at the cusp of growth as GDP per capita has crossed \$2,000, which is a critical inflection point as observed in other developing economies.





Reached GDP per capita of US\$ 2000 in (year) inflection	2006	2009
BPC per capita CAGR for 10 years post inflection	16%	10%
GDP per capita CAGR for 10 years post inflection	7%	3%
BPC market size growth post inflection	9x	3x

Fig 14. S-curve of BPC spends against GDP per capita -Global benchmarks (x-axis – GDP per capita; y-axis – BPC spends per capita, 2022)

Source(s): Redseer research and analysis, World Bank

BPC channel segmentation

The offline channel, which consists of unorganised channels such as general trade, and organised channels such as modern trade and salons, contributed to 84% of the BPC products market in India in 2022 in terms of revenues. Therefore, offline is the largest BPC channel. Also, due to lower customer acquisition costs, sale of BPC products through offline channels tends to be more profitable as compared to online channels.

Within offline, the organised channels are growing much faster than unorganised (general trade). However, online is the fastest growing BPC channel. Online has two types of channels – online marketplaces like the horizontal eTailing portals, beauty-focussed vertical marketplaces and DTC– own digital platforms of branded players. The online marketplaces channel is expected to grow at around 25% annually between 2022 and 2027. And DTC is expected to grow at more than 45% annually between 2022-27.

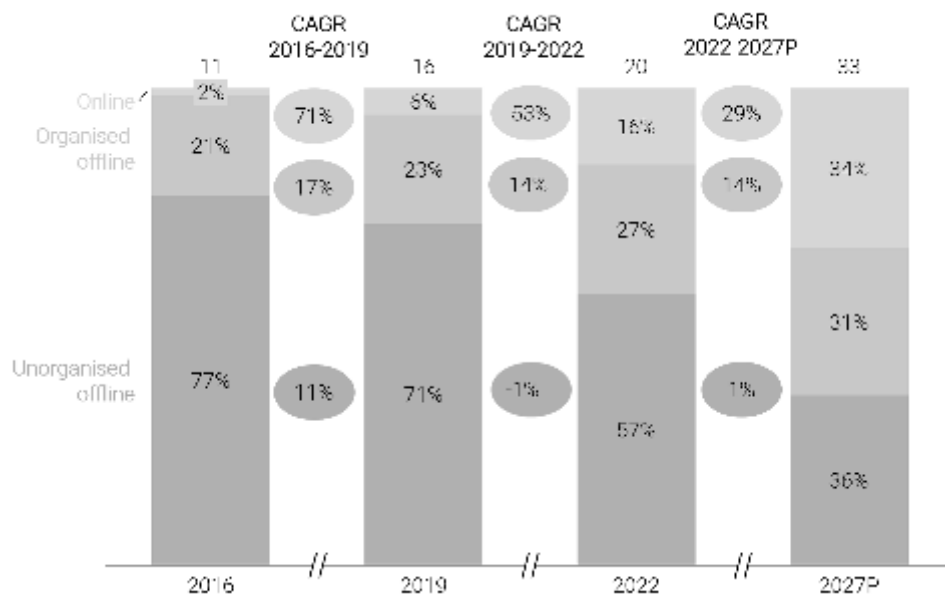


Fig 15. BPC market (value) segmented by channels (% of BPC market by value which is in US\$)



billion, 2016, 2019, 2022, 2027P)

Note(s): Unorganised offline is largely general trade channels; Organised offline stands for modern trade channels like shopping malls/ marts, multi-brand outlets, exclusive brand outlets; Online includes online marketplaces which are eTailing platforms that sell multiple brands and/or multiple product categories and online DTC which are own online platforms of brands: Segment shares are rounded off

Source(s): Redseer research and analysis

BPC sales in the online channel is nascent and is growing much faster than the broader BPC market. COVID further accelerated its adoption by encouraging trials, while superior consumer experience provided by online players has boosted consumer confidence, driving retention. On the supply side, online is attractive for players as it entails lower cost, infinite shelf space and instantaneous access to actionable data, to note a few of the efficiencies. As a result, even as offline channels witnessed de-growth post COVID (between 2019 and 2021), online channel grew approximately 60% annually in the same period. Online channel accounted for 2% of the India's BPC market in 2016 and grew rapidly to account for 16% of the BPC market in 2022. Going ahead, the compounded annual growth rate of the online channel is likely to be up to 27 times as much as that of the unorganised offline (general trade) channel and it is projected to account for 34% of the BPC market by 2027.

In India, traditional channels are generally not designed to offer a wide range of products to the tier 2+ cities. E-commerce can help penetrate this market – this is a large structural tailwind. Rising internet penetration and India's digital payment infrastructure should accelerate growth.

The online BPC market is under-penetrated. Compared to the USA and China, where online penetration of BPC is 20-25% and 35-40% respectively, the same for India is around 16%. Further, within Indian eTailing, categories like electronics have close to 50% online penetration. This further underscores the growth headroom for online BPC. With online retail mimicking China's trend of high online penetration and e-commerce players covering most of the pin-codes, brands have increased access to acquire new customers in tier-2+ cities. Therefore, online BPC is growing fast. It is currently sized as US\$ 3.1 billion and is expected to grow at 29% annually to be around US\$ 11.1 billion by 2027, translating to online penetration of 34%.

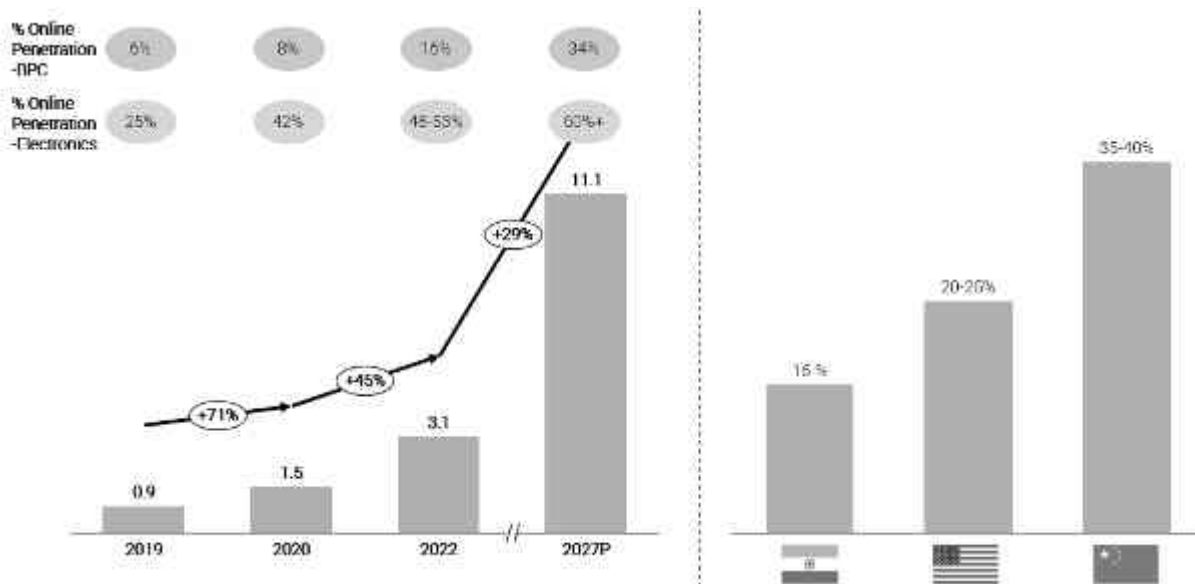


Fig 16. LHS – Indian online BPC market size (US\$ billion, 2019-20, 2022, 2027P)

RHS – Online penetration of BPC – Global benchmarks (% , 2022)

Source(s): Redseer research and analysis



Among the most significant trends driving the online BPC market forward is the disruption led by the Digital-first brands.

Within this online BPC market, Digital-first brands, through technology-led approaches, are changing the Indian BPC landscape. Contributing 26% of the online BPC market and sized at approx. US\$ 800 million as of 2022, Digital-first brands' revenues have grown at 91% annually between 2020 and 2022, which is almost twice as fast as the other BPC brands who sell products online. In the same period, the number of Digital-first BPC brands in India has doubled.

Digital-first BPC brands are democratising distribution by leveraging ecosystem partners like third-party logistics players. Through the support of these partners, Digital-first BPC brands can potentially reach 20,000 pin-codes as of 2022, as opposed to just about 3,000 in 2010. Beyond logistics, Digital-first also leverage enablers like SaaS and payments enablers to drive efficient value chains and seamless customer experience. Traditionally, BPC supply chains were either localised for unorganised players, or piggybacking on the larger retail supply chains of conglomerates. Enabled by ecosystem partners, Digital-first BPC players are much better equipped to serve the evolving consumer needs around personalisation and the required breadth of offerings.

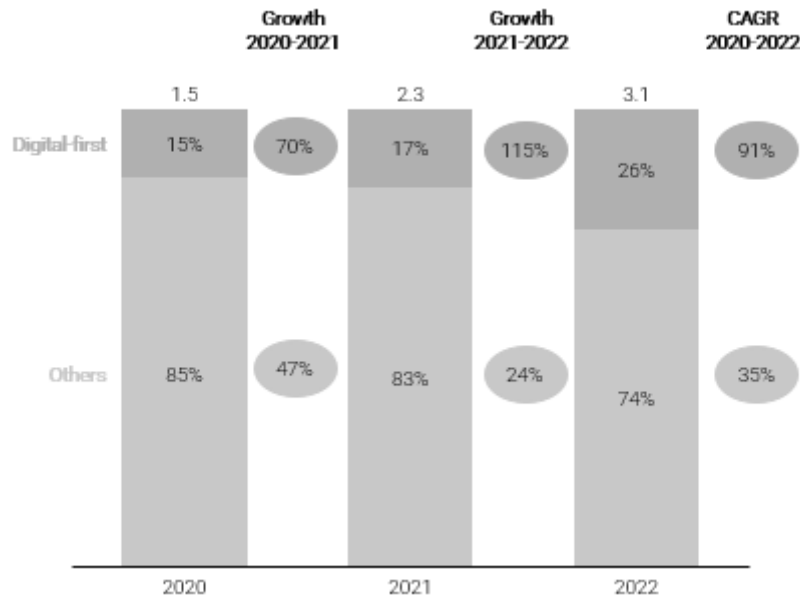


Fig 17. Online BPC market split by type of brands (Market size in US\$ billion, Splits in %, 2020-22)

Source(s): Redseer research and analysis

BPC growth drivers

There are significant trends which are shaping consumer demand in BPC in India. Some of the prominent ones are as below:

- i. **Premiumisation** – BPC products are generally classified into three price brands - mass, masstige and premium. Mass represents the class of products that are priced lower (the price levels varying across product categories) and are generally accessible to broader population from an affordability standpoint. The masstige segment, is priced at least 10-15% higher than the mass products while the



premium category is priced at least 20% higher than masstige. Despite its structural growth, the BPC market is still at an early stage of development and provides significant room for growth. More than 50% of the market is dominated by mass market products. However, masstige is the fastest growing price segment in BPC and is likely to continue being so, going forward. By 2027, this segment is expected to be the largest price segment within BPC. Growth in this segment is being driven by increased disposable incomes, rise in aspirational BPC buying towards more individualised products that solve for specific need-spaces, and demand for better quality products leading to willingness to pay more. While incumbent brands (both domestic and global) continue to dominate the mass category, new-age companies are increasingly focusing on the masstige price point and are introducing high quality products that address consumer's emerging needs and preferences.

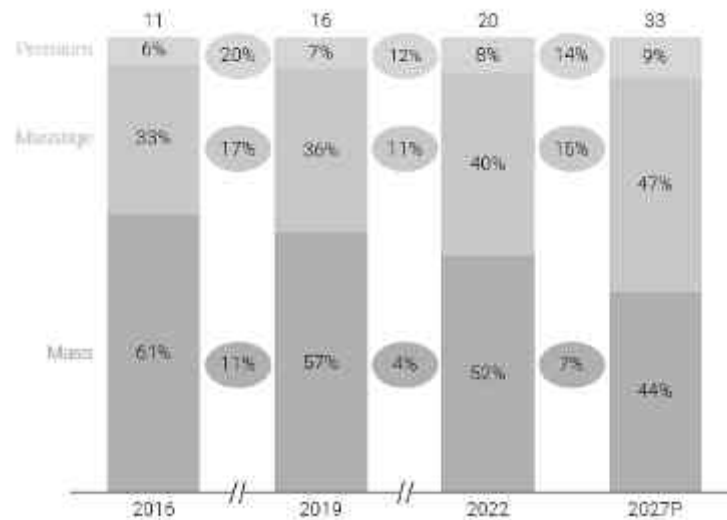


Fig 18. BPC market (value) segmented by premiumness (% of BPC market by value in US\$ billion, 2016, 2019, 2022, 2027P)

Source(s): Redseer research and analysis

- ii. Evolving category-mix, with a focus on face care and makeup – While hair care is the largest BPC category, growth is being led by categories like face care and makeup. This closely mirrors BPC segmentation in the USA and China, where face care and makeup contributes 39% and 70% to the respective BPC markets, compared to 26% in India. The trend is being driven by increasing awareness and demand for newer regimes. For instance, consumers are increasingly aware of extensive regimes that revolve around cleansing, exfoliating, treating, moisturising and protecting the face. With players investing on educating consumers about these regimes and related products to use, the demand for these categories has grown significantly.

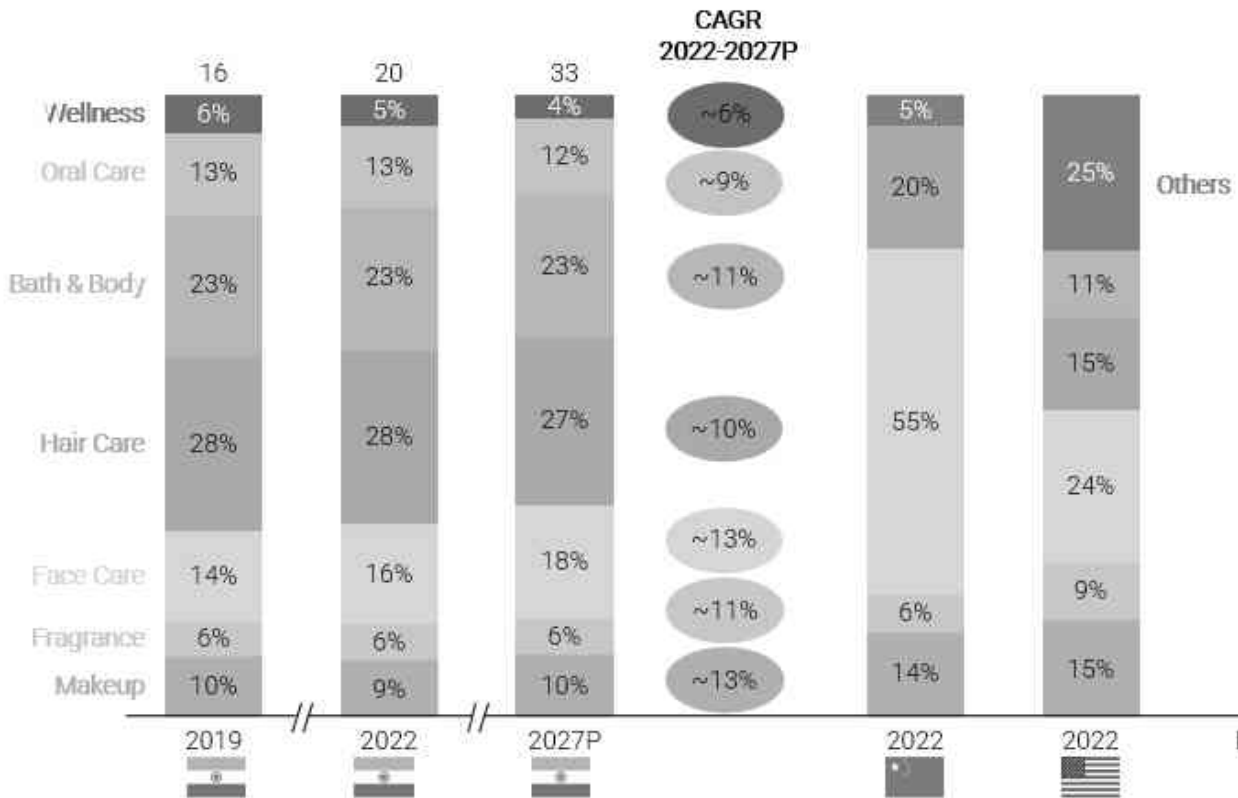


Fig 19. Category mix of BPC market by value which is in US\$ billion and segments in %–India (2019, 2022, 2027P) and the USA and China (2022)

Note(s): Others in USA and China include Wellness (Women hygiene, Sexual wellness and Hair supplements like Biotins), and Oral Care: For China, Bath & Body is subsumed under Face Care
 Source(s): Redseer research and analysis

Further, demand momentum for face care and makeup in the online channel is fairly strong. While makeup leads the online penetration across categories, face care has the second highest online penetration. The trend is likely to persist going ahead as well, with makeup and face care having 48-53% (2.6x of 2019) and up to 43-48% (5x of 2019) online penetrations respectively by 2027.

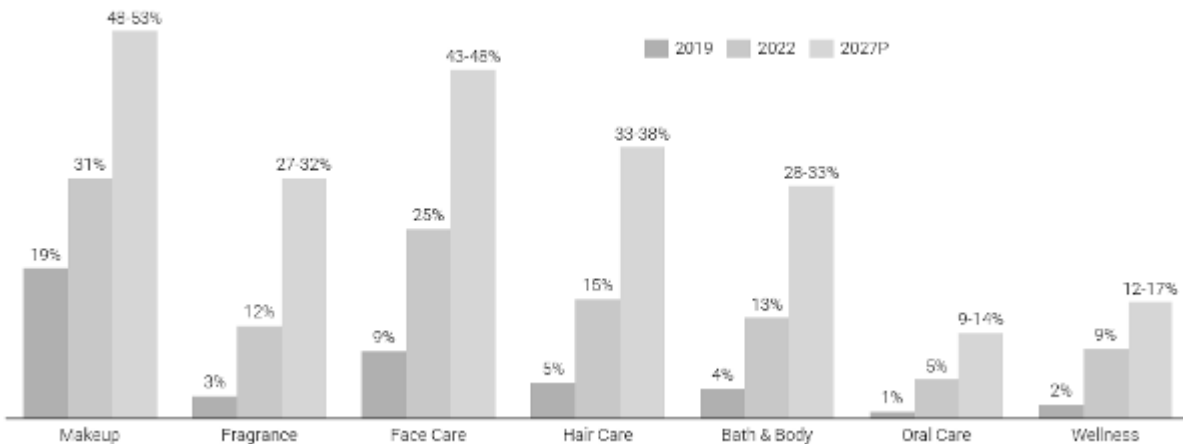




Fig 20. Online penetration (by value) across BPC categories (% of BPC category size, 2019, 2022, 2027P)

Source(s): Redseer research and analysis

- iii. Growth In BPC spends by millennials and generation-Z– The tastes, preferences, and habits of each millennial and/or generation-Z are different. So, there is no single definition of a millennial or a generation-Z consumer. These next-generation consumers aspire to express their individuality through in-trend beauty and personal care products, inspired by their friends, family, celebrities, and influencers on social media. They are well-versed digitally, spend more time online and are conscious of new lifestyle trends. They are capable of buying lifestyle products on a regular basis as their income grows and are central to the business strategy and growth plans of BPC players. The buying behaviour of these consumers is different from that of a traditional Indian shopper. They have a relatively sophisticated make-up and skin care regime. Consumers in the 25-35 years age group are the most active BPC buyers. And consumers in the 18-24 years age group are likely to try and explore new BPC categories.

India has the largest population base of generation Z and millennials in the world. Their prominence in the population is on an increasing trend. As of 2022, they constituted around half of India's workforce. By 2027, they are likely to constitute 60% or higher proportion of the workforce. As such, their contribution to consumption is likely to be significantly larger. This bodes well for the BPC space from the perspective of robustness of demand.

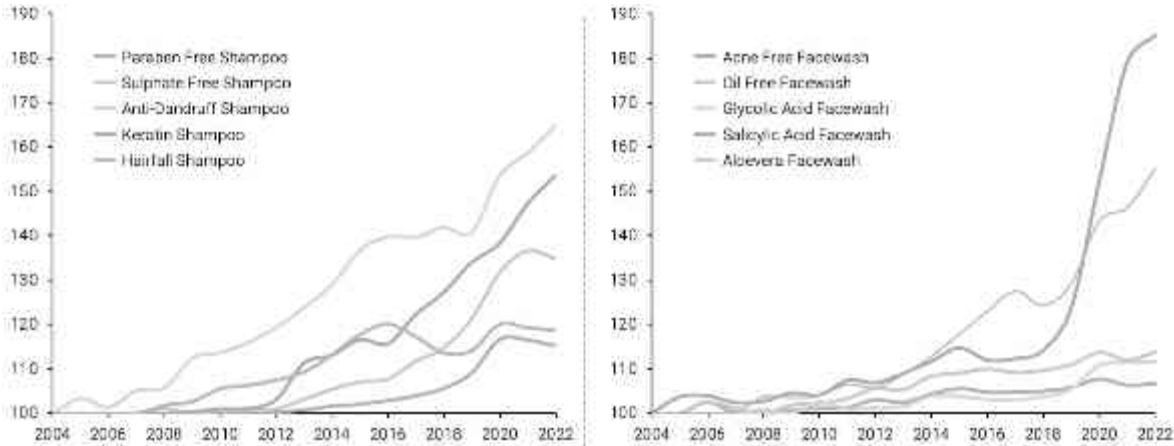
- iv. Increasing brand consciousness – Millennials in India are becoming increasingly conscious of their beauty and personal care needs and the brands they consume. With them increasingly driving the market, the demand for branded products has increased. These consumers like to use brands to communicate and project their self at a social level. Hence, they want brands which they can relate to, which have clear value propositions, and which communicate high standards. This is resulting in rapid growth of the organised channel.

However, traditional brands are facing significant challenges in incubating new brands propositions. Their innovation tends to focus more on brand extensions and global portfolio extensions. Due to top-down strategy, their strength in distribution measured by their reach or numeric distributors is holding back their ability to quickly launch new products. Traditional incumbents are not best equipped for rapid innovation and are slower in meeting the rapidly evolving needs of the consumers. These players have had relatively lesser number of brand launches in the last 5 years compared to some of the better performing digital-first brands.

- v. Emergence of new need spaces/ propositions in BPC – Millennials in India are becoming increasingly conscious of their beauty and personal care needs and the brands they consume. They are also more acutely oriented towards new-age innovations that cater to their specific needs and preferences, as compared to mass market propositions that cater to more mainstream or functional need spaces. With this change in consumer behaviour, brands, especially the new-age ones are coming up with more need-based and targeted offerings. In line with the changing customer dynamic, it is likely that the future of BPC products lies not only with large platform brands but also with new-age propositions and categories which cater to specific consumer need-spaces. For instance, searches for hair care products which have safer ingredients and do not negatively affect the hair, such as Paraben-free, Sulphate-free shampoos have increased dramatically. Similarly, when it comes to facere, searches for oil control and anti-acne products have also increased rapidly. The demand for products with active, natural, and/or hydration based ingredients, which are consumer-



driven differentiated ingredient positioning has increased significantly in comparison to that for functional products. The active ingredients proposition was relatively nascent in India about three years back in 2020. However, over the last three years, the market has grown exponentially with consumers becoming increasingly aware about the benefits of skincare products with scientific ingredients.



*Fig 21. LHS - Google search trends for specified terms – Haircare (2004-2022, 2004 indexed to hundred)
RHS - Google search trends for specified terms – Facecare (2004-2022, 2004 indexed to hundred)
Source(s): Google search trends, Redseer analysis*

The speed of innovation required to meet the rapidly evolving consumer needs and staying at the top of their minds is mission-critical for businesses. Hence, the ability to innovate rapidly and churn out products quickly has become a differentiator for players.

- vi. Higher prominence of digital/social media marketing – While serving the emerging needs is a significant opportunity, choosing the right marketing strategy to drive awareness and adoption is important. This is where digital marketing comes in. Millennials are most influenced by other millennials, with word of mouth and voices of key opinion leaders and influencers emerging as key sources of driving brand awareness and consideration. Also, the millennials respond better to content that is meaningful and contextualized to their specific needs and preferences as compared to traditional content formats that are based on brand or product pitches. As a result, mass marketing to this generation will be less effective, as they seek more genuine feedback from family and influencers.

Digital media also serves as an excellent platform for educating consumers on new products and their propositions. It has also disrupted the pattern in discovery and purchase decisions, with consumers spending more time online and depending more on feedback from people they can relate to and/or trust as opposed to celebrities. As a result, there has been a surge in digital marketing spends by businesses.

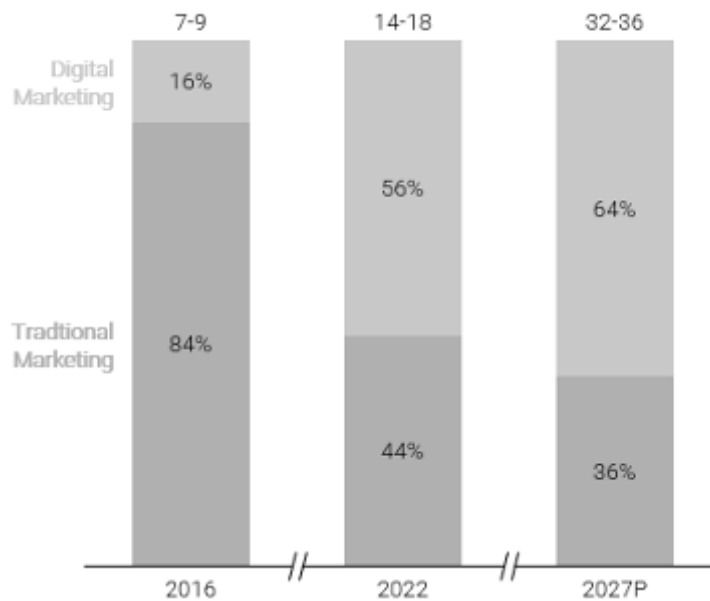


Fig 22. Marketing spends in India split by channels (US\$ billion, 2016, 2022, 2027P)
Source(s): Redseer research and analysis

And in parallel, there has been a growing pool of influencers. The key, going forward, is the right use of the new-age platforms and tapping the highest-quality influencers therein, to tell the consumers compelling stories that they can relate to.

- vii. **Purpose-driven brands** – Consumers are moving from 'what'-based brands to 'why'-based brands. In particular, millennials are increasingly being driven to brands that are built on a strong mission or purpose, as compared to brands that primarily cater to functional need spaces. They prefer brands that have clear value systems and ethos, and which stand for ethics, environmental consciousness and social welfare. This also extends to safe and sustainable practices around product trials. And they are willing to pay a premium for this New-age brands are increasingly cognisant of this. Therefore, this has become a key differentiator for such brands.
- viii. **Increasing contribution from beyond the metros** – With increased awareness, consumers in non-metro cities are mirroring aspirations and lifestyle of metro cities. In those cities, there has been an increase in aspirational spending on BPC products, enabled by rising disposable incomes, increasing female workforce participation, increasing popularity and growing influence of social media, and lifestyle changes. This has brought about a shift from homemade solutions to branded products along with consumption of new category products. The market growth has been enhanced by investment from BPC players, especially the new-age ones, in customer education.

Moreover, growth of both modern retail channel and e-commerce has enabled access to masstige and premium products in tier 2+ cities and towns. Tailwinds such as rapid internet and smartphone adoption have democratized access to products and related information. BPC spending from Tier 2+ cities are projected to grow faster than Metro and Tier 1 cities.

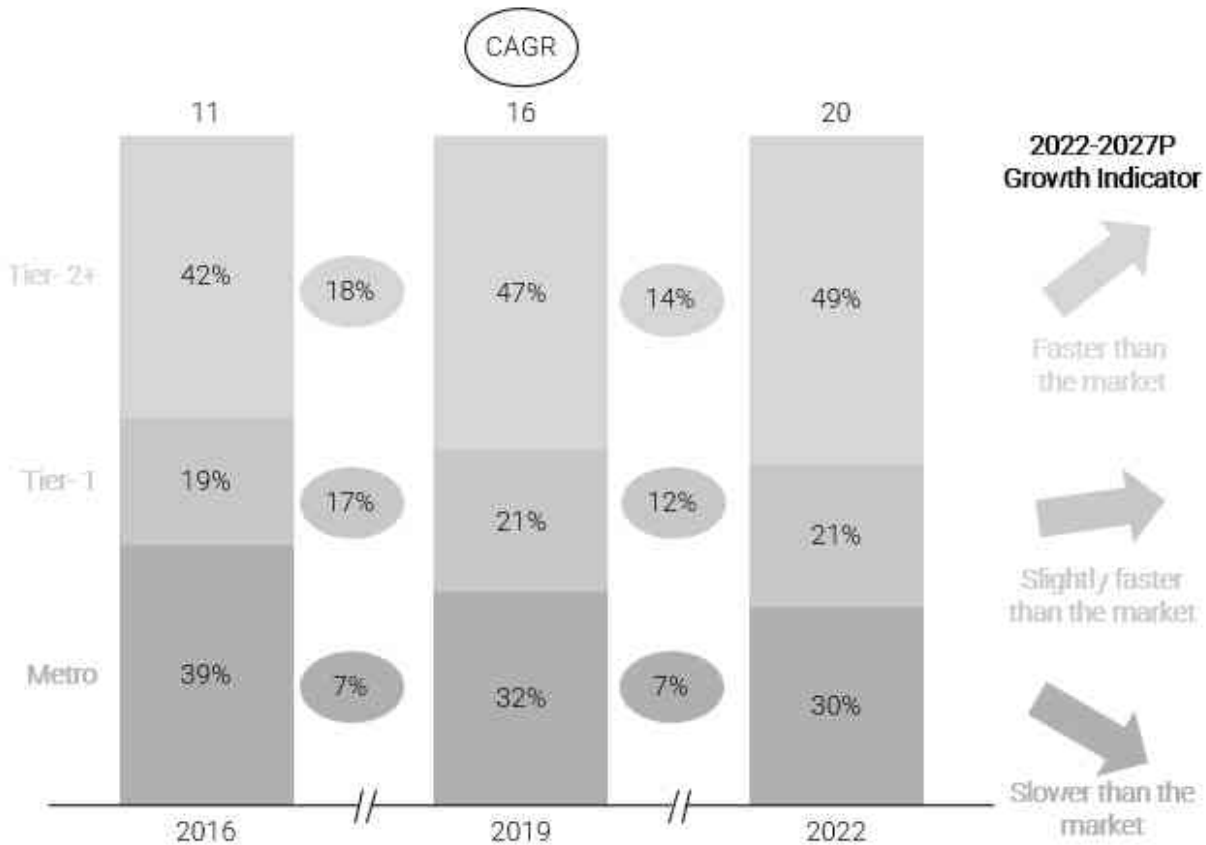


Fig 23. BPC market (value) segmented by city tiers (% of BPC market by value in US\$ billion, 2016, 2019, 2022)

Source(s): Redseer research and analysis

Addressable market for BPC products and salon services

BPC products and salon services have an addressable market of US\$ 49-54 billion by 2027.

As elaborated earlier, the BPC products market in India is sized approximately US\$ 20 billion as of 2022, and projected to become a US \$33 billion large market by 2027.

The salon services space was sized at approximately US\$ 9 billion in 2022. The subcategories within salon services are services for men (US\$ 3 billion), services for women (US\$ 4.7 billion), and Beauty-spa and Beauty-treatments (US\$ 1.3 billion) in 2022.

The salon services space is an under-penetrated market and has been growing fast. Between 2016 and 2022, the market has doubled from US\$ 4 billion to US\$ 9 billion. This was driven by proliferation of branded salons across city tiers, increased consumer exposure to new styles and treatments and their willingness to pay a premium for these treatments. The growth momentum is strong and by 2027, the market is projected to be US\$ 16-21 billion

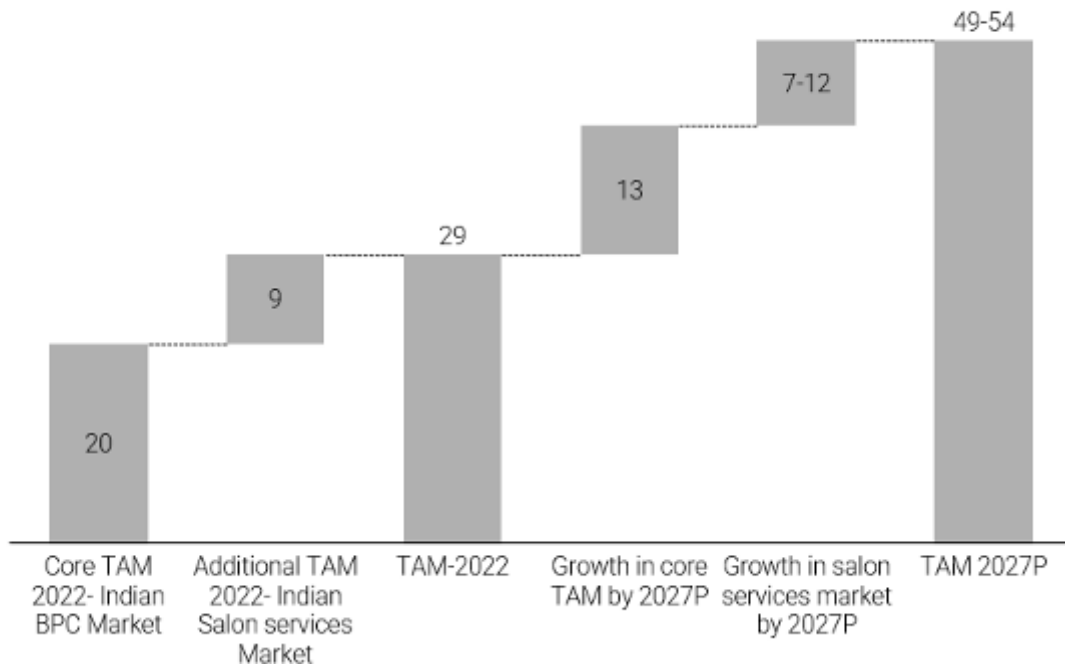


Fig 24. BPC Products and Services TAM in US\$ billion (2022, 2027P)

Source(s): Redseer research and analysis

Further, according to RedSeer, for the calendar year 2022, the Company's gross merchandise value amounted to ₹23,200 million and the gross merchandise value of the total BPC market amounted to approximately ₹1,600,000 million. Thus, the Company's market share was 1.5% of the total BPC market for calendar year 2022 (Source: Redseer).

Validated Claims:

1. As of 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 six years of launch
2. Honasa is the largest digital-first beauty and personal care ("BPC") company in India in terms of revenue from operations for the Financial Year 2023
3. Honasa is the largest company in the DTC BPC market in India in terms of revenue generated from the DTC channel in Financial Year 2023
4. Honasa has grown its revenue from operations at a CAGR of 80.14% between Financial Years 2021 and 2023, while the median revenue CAGR of all other BPC companies in the peer set for which data was available for the relevant period was 28.00%
5. Honasa ranked third amongst the digital-first BPC companies in India in terms of gross profit margins in the Financial Year 2022
6. Honasa was one of the two digital first BPC companies in India with a positive EBITDA margin (EBITDA margin is calculated as restated profit /(loss) for the period/year plus tax expense, finance cost, depreciation and amortization expenses, exceptional items less other income, divided by revenue from operations) in the Financial Year 2022
7. Honasa has established scale across both online and offline channels and recorded the highest revenue from offline channels amongst digital-first BPC companies in India in Financial Year 2023
8. Honasa launched at least 5.7 times higher number of new Products/SKUs than the BPC industry median during financial year 2023



9. Mamaearth, with the insight of providing traditional do-it-yourself (“DIY”) beauty ingredients in modern and convenient formats has become the market leader in onion and ubtan based beauty products in terms of revenue from operations from these ranges for the Financial Year 2023
10. Further, in a short span of six years, Mamaearth has captured an approx. 8.3% market share in the face-wash category in India in terms of revenue from operations for the CY 2022
11. MamaEarth is among the top 5 best selling brands across 4 beauty and personal care sub-categories on Amazon.in as on 31th August, 2023
12. Mamaearth was India’s most-searched BPC brand on Google Trends between January 2020 and June 2023
13. Honasa has a market share (in terms of Gross Merchandise Value) of approx. 5.4% (₹13,300 million) in online BPC (₹248,000 million) (DTC+ e-com) for CY 2022
14. Honasa has a market share (in terms of Gross Merchandise Value) of approx. 3.4% (₹7,800 million) in e-com BPC (₹229,000 million) for CY 2022
15. Honasa has a market share (in terms of Gross Merchandise Value) of approx. 28.9% (₹5,500 million) in DTC BPC (₹19,000 million) for CY 2022
16. Mamaearth has been ranked amongst the top 3 in terms of awareness in the grooming category on Flipkart between May 2021 and July 2023
17. Millennials in India are becoming increasingly conscious of their BPC needs and the brands they consume. Moreover, they are also more acutely oriented towards new-age innovations that cater to their specific needs and preferences, as compared to mass market propositions that cater to more mainstream or functional need spaces
18. Honasa incubated The Derma Company in 2020 when the active ingredients proposition was relatively nascent in India. Over the last two years, this market has grown exponentially with consumers becoming increasingly aware about the benefits of skincare products with scientific ingredients
19. Sale of BPC products through offline channels tends to be more profitable as compared to online channels.
20. Millennials are increasingly being driven to brands that are built on a strong mission or purpose, as compared to brands that primarily cater to functional need spaces.
21. Millennials are most influenced by other millennials, with word of mouth and voices of key opinion leaders and influencers emerging as key sources of driving brand awareness and consideration
22. The tastes, preferences, and habits of each millennial and/or generation-Z are different. So there is no single definition of a millennial or a generation-Z consumer
23. The offline channel contributed to 84% of the BPC products market in India in 2022 in terms of revenues.
24. The future of BPC products lies not only with large platform brands but also with new age propositions and categories which cater to specific consumer need spaces
25. Out of the more than 3500 BPC companies present in India, there are 41+ national beauty and personal care companies with revenues of at least INR 200 Cr. as of the Financial Year 2023. As we further filter these companies with additional parameters, the number of companies thins out rapidly. For instance, out of the aforementioned 41+ companies, there are 4+ companies whose revenue from operations grew more than 50% annually (CAGR) between the Financial Years 2020-22. Out of those 4+ companies, Honasa is the only company with a gross profit margin of at least 65% in the Financial Year 2022 which is not only Digital-first but has a true omnichannel distribution network (at least 15% of the revenue coming from each of online and offline channels)



Glossary:

1. BPC company peer set:

- a. BPC Company - Defined as beauty and personal care products company having revenue of more than INR 100 Cr and a contribution of more than 25% to the overall revenue in financial year 2023
- b. Digital-first BPC Company - Defined as beauty and personal care products company having revenue of more than INR 100 Cr in Financial year 2023 with at least 60% of the revenue coming from online channels

Company	Categories*	Brands*
Hindustan Unilever Ltd	Fragrances, Face Care, Bath and Body, Oral Care, Hair Care, Makeup	AXE, Breeze, Closeup, Citra, Clear, Glow & Handsome, Indulekha, Pond's, Sunsilk, Vaseline, Pears, Dove, Clinic Plus, Pepsodent, Lux, Glow & Lovely, Lakmé
Patanjali Ayurved Ltd	Face Care, Bath and Body, Oral Care, Hair Care	Patanjali
Godrej Consumer Products Ltd	Hair Care, Bath and Body	Cinthol, Godrej Professional, Godrej Expert, Godrej Nupur, Godrej No.1
Colgate Palmolive India Ltd	Oral Care, Bath and Body	Colgate, Palmolive
Procter & Gamble Health & Hygiene Ltd	Fragrances, Face Care, Bath and Body, Oral Care, Hair Care, Wellness	Head & Shoulders, Herbal Essences, Pantene, Oral-B, Olay, Old Spice, Whisper, Pantene, Pampers (R)
L'Oréal India Pvt Ltd	Face Care, Bath and Body, Hair Care, Fragrances, Makeup	L'Oreal Paris, Maybelline New York, Garnier, L'oreal Professionel Paris, Kerastase, Yves Saint Laurent, Armani
Dabur India Ltd	Face Care, Bath and Body, Oral Care, Hair Care	Fem, Vatika, Dabur
Emami Ltd	Face Care, Bath and Body, Hair Care	Boro Plus, Navratna, Kesh King, Fair and Handsome, Dermicool



Company	Categories*	Brands*
Marico Ltd	Bath and Body, Hair Care, Bath and Body	Set Wet, Parachute, Hair & Care, Livon, Mediker, Nihar
Johnson & Johnson Pvt Ltd	Face Care, Bath and Body, Hair Care, Wellness, Oral Care	Aveeno ^(R) , Clean & Clear, Johnson's ^(R) , Stayfree ^(R) , Neutrogena ^(R) , Listerine [®]

*Note: The categories and the brands are not exhaustive

2. City classification

- a. Metros - Delhi, Mumbai, Bangalore, Hyderabad, Chennai, Kolkata and Pune
- b. Tier 1 – Other Indian cities with populations of at least 1 million
- c. Tier 2+ - Rest of urban areas as classified by the Census, 2011
- d. Rural - Areas not classified as urban by Census, 2011

3. Age classification

- a. Millennial - Anyone between the age group 26-40 years
- b. Generation z - Anyone between the age group 9-25 years

4. Women participation in service sector - Ratio of the number of women in service sectors by the total number of women in the workforce (aged 15+)

5. Digital-first brands - Brands which make at least 60% of their gross merchandise value from online channels

6. Gross merchandise value – Total value of goods sold by any entity

7. Key opinion leaders – A person promoting products and/or services on social media

8. Total Addressable Market – It is the total market size of the BPC market in India and the salon services market in India

9. Estimations involved – We have made the following estimations for some players where relevant data were not publicly available for peer benchmarking:

- a. Revenue from operations for the Financial Year 2022
- b. New SKU launches during the Financial Year 2023, based on scanning of secondary sources like internet archive and newspaper reports (including company communications)
- c. Proportion of revenue from products containing specific ingredients (Onion and Ubtan) for the Financial Year 2023, based on scanning of secondary sources like internet archive, product portfolios of companies and proportion of products containing the said ingredients, and newspaper reports (including company communications)



Annexure B

Redseer has taken due care and caution in preparing the Report titled “Beauty and Personal Care Market in India” based on the information obtained from sources generally believed to be reliable. The market information in this Report is arrived at by employing an integrated research methodology which includes secondary and primary research.

and other relevant ecosystem participants, and consultations with market participants and experts. In addition to the primary research, quantitative market information is also derived based on data from trusted portals and industry publications. Therefore, the information is subject to limitations of, among others, secondary statistics and primary research, and accordingly, the findings do not purport to be exhaustive. Its accuracy, completeness and underlying assumptions are subject to limitations like interpretations of market scenarios across sources, data availability amongst others. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as investment advice within the meaning of any law or regulation. Forecasts, estimates and other forward-looking statements contained in this Report are inherently uncertain and could fluctuate due to changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Additionally, the COVID-19 pandemic and the ongoing macroeconomic events have significantly affected economic activities. Nothing in the Report is to be construed as Redseer providing or intending to provide any services in jurisdictions where Redseer does not have the necessary permission and/or registration to carry out its business activities in this regard. No part of this Report may be published/reproduced in any form without Redseer’s prior written approval.



Annexure C

Project Thunderbolt

Engagement Letter

July 2022

For Honasa Consumer Private Limited, Plot No. 63, 4th Floor, BLM Tower, Netaji Subhash Marg, Sector-44, Gurugram - 122 003, Haryana, India ("Client")



This Engagement Letter ("Agreement") is made and entered into this 7th day of July, 2022 ("Effective Date") between:

RedSeer Management Consulting Private Limited, a private limited company bearing CIN No. U74900KA2009PTC049748, incorporated and registered under the Companies Act, 1956 and having its registered office at Prestige Obelisk, Kasturba Rd, Ambedkar Veedhi, Sampangi Rama Nagar, Bengaluru, Karnataka 560001, (hereinafter referred to as "Service Provider" or "RedSeer");

AND

Honasa Consumer Private Limited, a private limited company incorporated and registered under the Companies Act, 2013 and having its registered office at Plot No. 63, 4th Floor, BLM Tower, Netaji Subhash Marg, Sector-44, Gurugram - 122 003, Haryana, India (hereinafter referred to as "Client")

The "Service Provider" and the "Client" shall be hereinafter individually referred to as a "Party" and collectively as the "Parties".

1. Context

The Client wishes to engage the Service Provider to prepare an Industry report (the "Report") for the proposed Initial Public Offering ("IPO") in connection with a proposed business transaction involving the Client (the "Proposed Business Transaction") and the Service Provider has agreed to provide the same, subject to fulfilment of the terms and conditions mentioned under this Agreement.

2. Term

This Agreement shall come into effect on the Effective Date and shall continue in force, unless terminated in accordance with the provisions hereof ("Term").

3. Scope of work and methodology

As per attached Annexure B & C

4. Scope Limitation

T



be considered as a new request. Scope, specifically, shall not include:

1) Consumer surveys

2)

5. Timelines

6. Engagement fee

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7. Invoicing & Payment

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The Client agrees to pay the Advance Invoice inclusive of applicable taxes within 7 days from its receipt and the Final Invoice inclusive of applicable taxes within 30 days from its receipt. If the Client fails to pay any undisputed amounts invoiced, an interest shall be levied at the rate of 1.5% per month.

8. Other terms & conditions

a) **Representations, Warranties and Covenants of the Client**

The Client represents, warrants and covenants to RedSeer that:

- i. the person executing this Agreement has been duly authorized to do so by the Client, and all necessary internal actions, approvals which may be required under the Client's organizational documents have been undertaken;
- ii. the execution of this Agreement will not, directly or indirectly, contravene or conflict with or result in violation of any agreement, authorization or other obligation of the Client; and
- iii. it has and shall continue to have all requisite consents, permissions, approvals to disclose any data or information to RedSeer for the provision of services under this Agreement.

b) Confidentiality

Each Party acknowledges that in connection with this Agreement it may receive certain confidential or proprietary technical and business information and materials of the other Party, including, but not limited to any unpublished report, notes, drawings, writings, specifications, documentations, software, any technical, operational, marketing, financial and commercial information in relation to such Party ("**Confidential Information**").

Each Party, its agents and employees shall hold and maintain in strictest confidence all Confidential Information, shall not disclose Confidential Information to any third party, and shall not use any Confidential Information except as may be necessary to perform its obligations pursuant to this Agreement and as may be required by a court or governmental authority, or by law or regulation. Notwithstanding the foregoing, Confidential Information shall not include any information that is in the public domain or becomes publicly known through no fault of the receiving Party or is otherwise properly received from a third party without an obligation of confidentiality. Each party acknowledges that the other party may be regulated by internal compliance regulations, and in order to ensure compliance with which regulations, the relevant party has established policies and procedures relating to confidentiality and retention of documents.

As such each party understands that the other party may retain a copy of any report, recording, presentation, correspondence, meeting note or other document which forms a record of the relevant party's professional involvement, where that record may contain or reflect Confidential Information, subject to keeping such record in strict confidence in accordance with the other terms of this agreement each party undertakes to ensure that such retention shall have been authorised by the relevant parties to this Agreement.

c) Intellectual Property Rights

"IP" means and refers to patents, trademarks, service marks, trade names, copyrights and applications, licenses



and rights with respect to the foregoing, and all trade secrets, including know-how, inventions, designs, processes, works of authorship, manuals, documentation, computer programs and technical data/information.

IP that belonged to (i) RedSeer or its respective licensors, prior to providing Services to the Client; or (ii) the Client, prior to receiving Services, under this Agreement, shall continue to belong to the relevant party (“**Pre-Existing IP**”).

Any rights, title and ownership in any deliverables, materials and reports developed for the Client

pursuant to the provision of Services by RedSeer (“**Developed IP**”) shall be dealt in the following manner: RedSeer shall retain any and all right, title and ownership in the Developed IP prepared and delivered by RedSeer or composed in the course of or incidental to the performance of the Services under this Agreement. The Client shall acquire no right, title, ownership or interest in any such Developed IP, by virtue of this letter or the Services performed under this Agreement.

d) Indemnification

The Client shall fully indemnify, defend and hold harmless RedSeer, its affiliates, and their officers, directors, employees, agents, successors and assigns (“RedSeer Representatives”) from and against any and all claims, damages, liabilities, losses, and expenses (including any and all attorney fees, expenses and costs) incurred by or asserted against any RedSeer Representatives of whatever kind or nature due to a breach or alleged breach by the Client of any obligation, representation or warranty in this Agreement.

e) Limitation of Liability

In no event shall either Party be liable for any claim for any indirect, punitive, incidental, exemplary, special or consequential damages, for loss of business profits, or damages for loss of business of the other party, or loss or inaccuracy of data of any kind, whether based on contract, tort or any other legal theory, even if one Party has been advised of the possibility of such damages. In no event shall RedSeer’s total liability under this Agreement exceed the total amount of Engagement Fees paid to RedSeer under this Agreement.

f) Termination

This Agreement may be terminated by either Party for any reason upon sixty (60) days’ written notice to the other Party. The Service Provider will continue to perform Services during the notice period unless otherwise mutually agreed upon by the Parties in writing. In the event, the Client provides with a notice of termination and directs the Service Provider not to perform the Services through the notice period, the Client agrees to pay the Service Provider an amount equal to the amount normally due to the Service Provider for the notice period to the extent of Services completed and delivered.

This Agreement may be terminated by either Party, immediately, without advance notice, (a) for material breach of this Agreement by the other Party if such other Party has received fifteen (15) days’ written notice and has failed to cure the within such period; or (b) if the other Party becomes insolvent or seeks protection under any bankruptcy, receivership, trust deed, creditors arrangement or if any such proceeding is instituted against the other Party and such proceeding is not dismissed within 90 (ninety) days.

RedSeer’s work is independent of the Client’s final decision or timeline of the actual IPO. If the Client has any change of plans and terminates the Services in the middle of the engagement, the Client would be liable to pay RedSeer the fee to the extent of Services completed and delivered. If Services are resumed for the engagement of this sort which was terminated midway, at such point RedSeer would draft a new Engagement letter with scope and pricing for the services, and it would be deemed as a new engagement.



Upon the expiration or termination of this Agreement, the Client will pay the Service Provider all fees for Services earned as of and through the effective date of expiration or termination and will also pay and reimburse the Service Provider for all expenses incurred prior to and through the effective date of expiration or termination and all non-cancellable commitments that shall have been pre-approved by the Client. The termination of this Agreement shall not release either Party from

the obligation to make payment of all amounts then or thereafter due and payable.

g) Non-solicitation

Neither the Client nor RedSeer shall offer or seek to offer directly or indirectly employment either permanently or part-time to the employees of the other party during the relationship and for a period of two years after the termination or expiry of this Agreement.

h) Nature of the Relationship

The Client acknowledges that RedSeer will not advise Client or make recommendations related to making any investments or buy publicly listed stocks or selling any investment positions. RedSeer is an independent contractor, and its output is not audited or verified and RedSeer makes no representation that the information or output provided is accurate and complete. This is true for all information provided to the Client including but not limited to competitive intelligence, all estimates and projections about a company or a market, etc. This Agreement does not create a partnership or joint venture, and neither Party is authorized to act as agent or bind the other Party, except as expressly stated in this Agreement.

i) Use of Deliverables

Unless otherwise agreed to between the Parties in writing, the Client shall be entitled to use the deliverables from RedSeer solely for the purposes as envisaged under this Agreement, which shall include, but is not limited to, the use and/or citation of information, data and statements from the Report and amendments thereto by RedSeer, in any marketing materials in connection with the Proposed Business Transaction provided that the Report's contents are used on an as is basis without any modifications.

j) Disclaimers

The Client agrees to include appropriate disclaimers and/or qualifications in the any materials in which information, data or statements from the Report are presented in connection with the Proposed Business Transaction, as provided by RedSeer.

k) Key Contacts and Invoicing information

RedSeer:

Engagement Manager: Abhijit Routray Email:

abhijit@redseerconsulting.com

GST:29AAECR5087K1ZR



Client:

Engagement Manager: Ramanpreet Sohi

Email: raman.s@mamaearth.in

Additionally, please fill the Annexure A which requests for invoice related information

General clauses:

(i) **Execution:** This Agreement may be executed by the Parties either physically or electronically, in accordance with this Clause 10 (i).

- **Physical execution:** In the event that this Agreement is being executed physically, the Client shall affix its countersignature in the sign off sheet below.
- **Electronic execution:** Subject to applicable law, in the event this Agreement is being executed electronically, the Client shall convey its absolute and unqualified acceptance of the terms and conditions set out in this Agreement, in writing, by electronic mail addressed to RedSeer at anil@redseer.com

The acceptance shall be conveyed only by a person duly authorised to do so by the Client, from the designated e-mail address and whose details have been set out as follows:

Name: Ramanpreet Sohi
Designation: CFO
Designated email address: raman.s@mamaearth.in
Address: Honasa Consumer Pvt. Ltd. Plot No. 63, 4th Floor, BLM Tower, Netaji Subhash Marg, Sector-44, Gurugram - 122 003, Haryana, India
Telephone: 9818707285

- The electronic execution facility is being provided for Client's convenience. RedSeer is entitled to rely on such electronic execution and the Client shall indemnify RedSeer for any damages it may suffer as a result of a breach of this Agreement.

(ii) **Modification/Waiver:** This Agreement may be modified by the Parties, but any modification of this Agreement must be in writing and executed by both Parties. Failure by either Party to enforce any right or seek to remedy any breach under this Agreement shall not be construed as a waiver of such rights, nor shall a waiver by either Party of default in one or more instances be construed as constituting a continuing waiver or as a waiver of any other breach.

(iii) **Notices:** All notices to be given hereunder shall be transmitted in writing either by electronic mail with return confirmation of receipt or by certified or registered mail, return receipt requested, and shall be sent to the registered addresses of the Parties, unless notification of change of address is given in writing. Notice shall be effective upon receipt or in the case of email, upon confirmation of receipt.

(iv) **Governing Law:** This Agreement shall be governed by and construed in



accordance with the laws of India and the courts located at Bengaluru, India shall have exclusive jurisdiction over any claims arising out of this Agreement.

The Parties hereby acknowledge that the Parties have read and understood the terms of this Agreement and agree to accept and abide by its terms.

If execution of this Agreement is in the physical form, please countersign and return a copy of this signoff sheet to RedSeer. If execution of this Agreement is in the electronic form, please leave this signoff sheet blank.

Signoff


Client: Honasa Consumer Pvt. Ltd Name:

RedSeer Management Consulting Pvt Ltd

Ramanpreet Sohi Designation: CFO

Name: Anil Kumar

Designation: CEO

DocuSigned by:

Signature: 806417988480161...

Signature:

**AN
KUMAR**

Digitally signed by
ANIL KUMAR

Date: 2022.08.10

13:18:55 +05'30'



ANNEXURE A CLIENT INVOICING DETAILS

Full Billing Entity Name:	Honasa Consumer Pvt. Ltd
Billing Entity Address:	Plot No. 63, 4 th Floor, BLM Tower, Netaji Subhash Marg, Sector-44, Gurugram - 122 003, Haryana, India
Invoice Shipping Address: (please mention if same as Billing Entity Address)	Plot No. 63, 4 th Floor, BLM Tower, Netaji Subhash Marg, Sector-44, Gurugram - 122 003, Haryana, India
Ownership Status (Individual, Pvt Ltd., Public Ltd., LLP, other)	Private Limited
If Public Ltd, are you a listed company?	No
GST number:	06AADCH9716L1Z8
PAN number:	AADCH9716L
Invoicing Contact Name:	Ritesh Jha
Email ID(s) to which invoice isto be sent:	1. raman.s@mamaearth.in 2. ritesh.j@mamaearth.in 3. divya.g@mamaearth.in4.
Hard copy of the invoice to bedispatched?	Yes/
Vendor onboarding process	Yes



ADDENDUM NO.1 TO ENGAGEMENT LETTER

This Addendum No.1 is made on 11 August 2023 ("Addendum 1") and is subject to terms & conditions of the Engagement Letter dated 7th July, 2022 (including its exhibits and other attachments, "Agreement").

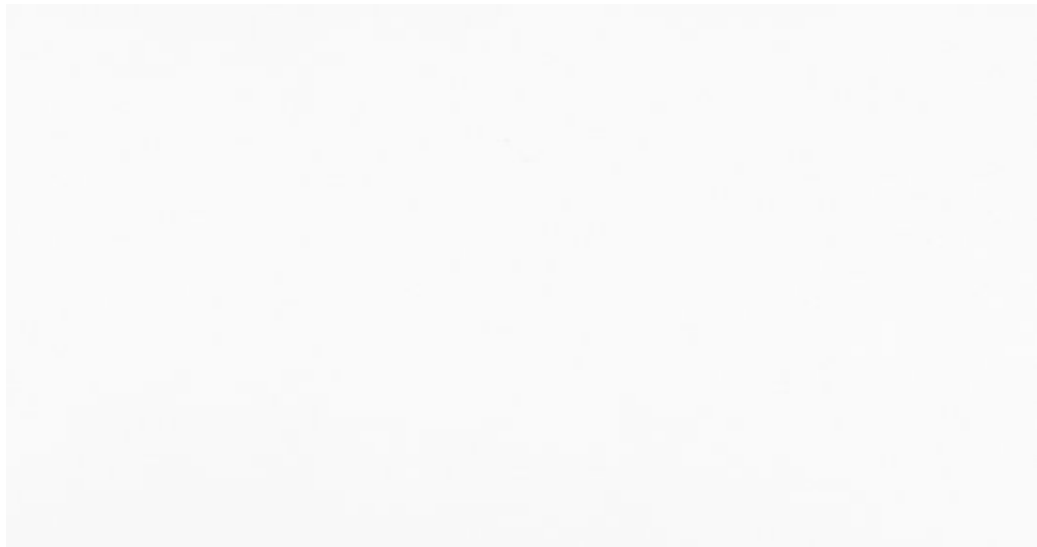
Redseer Management Consulting Private Limited having its registered office at Prestige Obelisk, Kasturba Rd, Ambedkar Veedhi, Sampangi Rama Nagar, Bengaluru, Karnataka 560001 (hereinafter referred to as "Redseer" or "Service Provider" which expression, unless it be repugnant to the context or meaning thereof, shall be deemed to mean and include all its successors and permitted assigns) of the First Part.

AND

Honasa Consumer Limited, a public limited company incorporated and registered under The Companies Act 2013 and having its registered office at Unit No - 404, 4th Floor, City Centre, Plot No 05, Sector-12, Dwarka, New Delhi 110075 (hereinafter referred to as "Client", which expression unless repugnant to the context shall mean and include its successors and assigns);

The "Service Provider" and the "Client" shall be hereinafter individually referred to as a "Party" and collectively as the "Parties".

WHEREAS:



9. The Agreement and Addendum contain the entire understanding of the Parties hereto and neither it, nor the rights and obligations hereunder, may be changed, modified, or waived except by an instrument in writing that is signed by both the Parties. Any terms, conditions, or provisions of the Agreement that are not amended or modified by Addendum shall remain in



ful force and effect. In the event of any conflicts between the terms, conditions, or provisions of the Agreement, the terms, conditions, and provisions of the Addendum shall prevail.

This Addendum shall become effective from 11th August 2023. All capitalized terms used but not defined herein shall have the meaning given to such terms in the Agreement.

This Addendum shall form an integral part of the Agreement and shall be read along with the Agreement.

All other provisions of the Agreement shall be valid and remain enforceable.

The Parties hereby acknowledge that the Parties have read and understood the terms of this Addendum and agree to accept and abide by its terms.

Honasa Consumer Limited

Name: Ramanpreet Sohi

Designation: CFO

Signature: 

Redseer Management Consulting Private Limited

Name: Rohan Agarwal

Designation: partner

Signature: 



ADDENDUM NO.2 TO ENGAGEMENT LETTER

This Addendum No.2 is made on 29.08.2023 ("Addendum 2") and is subject to terms & conditions of the Engagement Letter dated 7th July, 2022 (including its exhibits and other attachments, "Agreement").

Redseer Management Consulting Private Limited having its registered office at Prestige Obelisk, Kasturba Rd, Ambedkar Veedhi, Sampangi Rama Nagar, Bengaluru, Karnataka 560001 (hereinafter referred to as "Redseer" or "Service Provider" which expression, unless it be repugnant to the context or meaning thereof, shall be deemed to mean and include all its successors and permitted assigns) of the First Part.

AND

Honess Consumer Limited, a company incorporated and registered under the Companies Act 2013 and having its registered office at Unit No - 404, 4th Floor, City Centre, Plot No 05, Sector-12, Dwarka, New Delhi 110075 (hereinafter referred to as "Client", which expression unless repugnant to the context shall mean and include its successors and assigns);

The "Service Provider" and the "Client" shall be hereinafter individually referred to as a "Party" and collectively as the "Parties".

WHEREAS:

1. Pursuant to discussion between the Parties, the Client wishes to add scope to the Report ("Additional Scope") and Redseer has agreed to deliver the same.
2. The scope of work, timelines and commercials under this Addendum shall include services as detailed above. Any work not defined above and requiring additional effort will be considered as a new request.
3. The timeline to deliver the Additional Scope is 2 weeks from the commencement date.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
5. The Agreement and Addendum contain the entire understanding of the Parties hereto and neither it, nor the rights and obligations hereunder, may be changed, modified, or waived except by an instrument in writing that is signed by both the Parties. Any terms, conditions, or provisions of the Agreement that are not amended or modified by Addendum shall remain in full force and effect. In the event of any conflicts between the terms, conditions, or provisions of the Agreement, the terms, conditions, and provisions of the Addendum shall prevail.



This Addendum shall become effective from 29 August 2023. All capitalized terms used but not defined herein shall have the meaning given to such terms in the Agreement.

This Addendum shall form an integral part of the Agreement and shall be read along with the Agreement.

All other provisions of the Agreement shall be valid and remain enforceable.

The Parties hereby acknowledge that the Parties have read and understood the terms of this Addendum and agree to accept and abide by its terms.

Honasa Consumer Limited

Name: Ramapreet Saha

Designation: CFO

Signature:

Redseer Management Consulting Private Limited

Name: Rohan Agarwal

Designation: Partner

Signature: