



February 18, 2026

To,
Listing Department
National Stock Exchange of India Limited
Symbol: HONASA

To,
Listing Department
BSE Limited
Scrip Code: 544014

Sub: Transcript of Earnings Conference Call held on February 12, 2026

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a copy of transcript of Earnings Conference Call held on February 12, 2026, on the unaudited standalone and consolidated financial results of the Company for the quarter and nine months ended December 31, 2025.

This disclosure will also be hosted on Company's website viz. www.honasa.in.

Kindly take the same on record.

Thanking you,

Yours truly,
For **Honasa Consumer Limited**

Gaurav Pandit
Company Secretary and Compliance Officer

Honasa Consumer Limited

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| CIN: L74999DL2016PLC306016 |



“Honasa Consumer Limited Q3 FY '26 Earnings
Conference Call”

February 12, 2026



MANAGEMENT: **MR. VARUN ALAGH – CHAIRMAN AND CHIEF
EXECUTIVE OFFICER, HONASA CONSUMER LIMITED**
**Ms. GHAZAL ALAGH – CO-FOUNDER AND CHIEF
INNOVATION OFFICER, HONASA CONSUMER LIMITED**
**MR. RAMAN PREET SOHI – CHIEF FINANCIAL
OFFICER, HONASA CONSUMER LIMITED**

MODERATORS: **MR. RAJAT GUPTA – JM FINANCIAL INSTITUTIONAL
SECURITIES LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to Honasa Consumer Q3 FY '26 Earnings Conference Call hosted by JM Financial Institutional Securities Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’, then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajat Gupta from JM Financial. Thank you and over to you.

Rajat Gupta: Good evening, everybody. Welcome to the 3Q FY '26 Earnings Conference Call of Honasa Consumer Limited.

Today on call we have Mr. Varun Alagh - Co-Founder, Chairman and Chief Executive Officer; Ms. Ghazal Alagh - Co-Founder and Chief Innovation Officer, and Mr. Raman Preet Sohi - Chief Financial Officer.

I now hand over the call to Mr. Varun for his opening remarks. Over to you, sir.

Varun Alagh: Hi. Thank you so much and thanks everyone for joining. Welcome to the Q3 FY '26 update for Honasa Consumer Limited.

As is customary, we will start by sharing a key trend that we have been witnessing in the beauty and personal care industry, which is the trend in men's skin care. We believe men's skin care is at an inflection driven by evolving consumer preferences. Men's grooming has been talked about for quite a long time, but we saw, at least in the last decade, largely action on the shaving or beard care side. In the last 2 years, we have specifically been noticing a strong inclination towards skin care, which is specifically designed for men. We have seen these specifically in the search data that we track. In a Sunscreen category, consumers are specifically searching for sunscreen for men. In a face cleanser category, they are searching for face wash for men. In this form, men call out has been increasing multi-fold over the last 2-3 years. We have also seen significant increase in male skin care influencers almost 6 times in the last 5 years. All of this is happening because of rapid premiumization, awareness, and evolving self-care mindset. And this makes us feel that this is an interesting space, which will get shaped and will grow very well. This is also a space where Honasa has made an acquisition that we will talk about during the course of the presentation, which is Reginald Men.

Over to this quarter's financial snapshot:



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I am delighted to share that we have delivered our highest ever quarterly revenue. The company has grown by 21.7% in terms of revenue growth. This is also led by volume, our UVG at 30% growth. It is our highest ever EBITDA, which has also substantially grown. We have almost doubled our PAT, which is again our highest ever PAT. We continue to be negative on our working capital cycle. The core engines that we have been talking about for the last 3 quarters, the flywheel around making our core stronger, which is Mamaearth that is back into teen Y-o-Y my growth and continuing strength of our young brands, which are now growing at 25% plus in terms of growth, has led to us delivering this competitive market-leading growth for us. And also in line with the scale, as well as the effectiveness coming in our marketing, we have consistently seen improving EBITDA margin trajectory for the company, which we have been talking about and have been able to deliver.

If we sort of again call out, we had mentioned this in the last quarterly meeting as well that there is a revenue recognition impact, which has happened on account of Flipkart Group changing their revenue recognition norms, because of which there is Rs. 28 crores impact that we have seen. But if you also correct our bases, then the growth continues to be at 21% level and like-to-like, it is 21.7%. If you were to see hence reported numbers, we have delivered Rs. 602 crores in terms of reported revenue. EBITDA is at 10.9%, the same Rs. 66 crores. This revenue recognition impact has not led to any impact on bottom line. It is just a recognition impact that we see in our revenues.

Double-clicking on the business, I think from a channel perspective, what is heartening to see now is that all the channels are actually doing quite well. E-commerce is at a 20% plus growth. Modern Trade and GT now is also delivering 25% plus growth. These are off-take growths and secondary growths, which is a great sign of the brand traction. Our strategy of focusing on our focus categories has also clearly paid off. Our focus categories continue to grow ahead of the company's overall growth number at +25%. And these are the categories which are getting 90% plus of our investments. And we continue to focus on strengthening our shares in these categories.

Mamaearth which is back to teens growth, it has taken some time but focus on fundamentals has really helped us deliver this. Started with superior market-leading formulations, we have consistently been talking about how we have been increasing and improving our formulations to deliver blind test winning formulations across our products. We have also worked a lot on our communications to make them more aspirational to the new Gen Z consumer. And we have focused our investments in the 6 focus categories that we have identified for Mamaearth. And a combination of this is that we are now back to double-digit growth. And we are winning in our value share as well as share amongst handlers. Share amongst handlers actually has moved ahead of our value share, which means that now we have more catch-up job to do on our distribution front. And if you do that, that will give further growth in the offline ecosystem as well. And as we do that, we are also building other categories like moisturizers in offline.



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Our young brands, of course, continue to sustain their momentum. We have learned to focus on Hair Color, Aqualogica, with Moisturizers and these being new categories, Dr. Sheth's with premium serums, which we are shaping, Staze, which has now crossed Rs. 50 crores ARR and continues to grow well. And of course, the star in this portfolio continues to be Derma Co, which is continuing to not only deliver strong growth, but has also achieved a double-digit EBITDA profile now in this quarter. It continues to drive innovation across categories. We have entered Hair Care with Peptides-Stem Cell actives. Our Sunscreen formulation has become even better with new generation filters like Tinosorb M. And consumer interest, of course, continues to be strong in our core categories, which is demonstrated with the searches and the share gain that we are seeing on the brand. So continued successful momentum on Derma Co.

Another area of focus in the last 4 quarters, of course, has been offline execution, where clearly our shift to direct distribution has started to pay off strongly. Our outlet reach has expanded. Our direct distribution contribution has expanded to almost 80% revenue contribution now. Our weighted distributions are healthy. And our inventory holding days are now optimized at about 30 days, which is fairly healthy for a complex inventory system like ours. In monitoring also, we continue to build reach and outlet presence. This is on account of the offtake for the brands and the share gain that the brand is seeing. So all in all, offline is in healthy shape and ready to service the brands and growth trajectory in the future as well.

We continue to invest in product renovation and innovation. Again, we have got multiple new formulations which have delivered blind test winning performance with international leading brands and their core partitions. And we are very happy to see the performance that these products continue to deliver and what our R&D team continues to deliver. This is a continuous process, not a one-time activity. It is a muscle that we have built and we keep deploying these muscles to make our products even better for our consumers as we move forward. From a future perspective, what we talked about, we keep looking at white spaces in the landscape and keep building hypotheses around those white spaces. Sometimes we come across brands which completely fit into those hypotheses.

I think Reginald Men has been one of those brands which completely fit into our male skincare boom hypothesis. And the brand has done extremely well in the last 2 years of its existence and become the most searched men's sunscreen brand based on a multi-benefit proposition which men like. They don't want to get into multi-regime but products which can do multiple things at once. And also helps us enhance our presence in South India. Since we have not only acquired a brand but acquired a talent and a team which is out of Hyderabad and continues to understand which will help us strengthen our understanding of the region as well as find ways to strengthen our brands in that region, us being a North Indian company get that slight disadvantage in terms of the talent that we are able to get here. But now having presence in Hyderabad, we will actually be able to hire and attract more talent which can help us strengthen our presence in South India. And it also of course is additive to Honasa's portfolio.



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We did not have any brand that was focusing on men's skincare. So all in all, I am pretty excited about this acquisition. And I think overall, we have been focusing on refreshing our playbooks or flywheel so to say. And we are feeling quite confident that now the principles that we have come up with will start by focusing on identifying the right partition, building a product which is a blind test winner in that partition and focusing then on investing sufficiently behind that hero product through the right content and media mixes and providing it a distribution supercharge across both e-commerce, quick commerce, as well as offline landscape. Followed by again, keeping an eye open for future growth engines where we can deploy the same cycle. It is giving us strong confidence that we will be able to sustainably use the cycle to deliver market-beating growth and gain share across categories of our interests as we move forward. Of course, we continue to build purposeful brands which not only grow but also contribute to the society. Mamaearth has now planted over a million trees on its birthday. This year, we ran anti-smog guns across NCR to help reduce pollution. Derma Co continues to educate children through science classes and science labs that we set up. We have touched almost 40,000 students' lives. BBlunt continues to certify women in hair styling touching over 15,000. Aqualogica is providing fresh water to rural households by deploying plants where they can get access to fresh water. Dr. Sheth's is running health checkup camps and now almost 45,000 plus individuals touched by this.

So all in all, as our brands grow, the contribution to community also grows and that is what we would like to sign off with. We are more than happy to answer questions that you have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Thanks. My first question is on Sunscreen. We have seen the market leader become a bit more aggressive past few months. How has been the market share? And I am asking about the real market share in your sense, not the official third party market share data, because that may not give the true picture many times. What is the sense on how is the market share shaping up in Sunscreen?

Varun Alagh: Hi. So honestly, there is no other indicator of market share that we get for online. The only place that we get is from Nielsen, which is offline. And honestly, we believe 60%-70% of the market lies in online. We did get a Euromonitor indication last year, which has declared that Derma Co is now the number one Sunscreen brand in the country, ahead of the legacy brands. So that is one external piece of data, which is based on external interviews that we have. Otherwise, our brands continue to be strong. Our brands continue to be bestsellers across our few platforms and are focused on using multiple brands to win in the Sunscreen portfolio, where we have something in Actives, in Derma Co, in Hydration, in Aqualogica, in Naturals with Mamaearth continues to be an area which is delivering well.



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Abneesh Roy: So thanks. My last question is, it was a strong quarter for you. And even your core brand of Mamaearth has seen good growth come back. Your distribution expansion also has been quite decent. So my question is, how do you see coming quarters, this kind of a good uptrend will continue or there was some kind of a one-off, any GST kind of a positive impact you saw overall in the quarter?

Varun Alagh: So we are feeling quite confident that our flywheel and our fundamentals have started to clearly deliver in terms of strong outcomes for the company, both in terms of topline and bottom-line. We are very confident that this trend of delivering strong growth and continuing to improve on our margin profile year-on-year is something that will continue. And we don't think it is a one-off of GST impact. It is actually share gain that we have seen that we have also shared. So if it was not share-gain driven, then one could have said, everyone is riding the tide now. But we have seen strong share gains in our core categories, which clearly points to the fact that we have done significantly better than other brands, which is why this has happened. And the playbook and investment playbook that we have built around media and content continues to become even better. So I think we are feeling quite confident on being able to continue this trajectory.

Abneesh Roy: So thanks. That is all from my side. Thank you.

Varun Alagh: Thank you.

Moderator: Thank you. Next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: Hi, good evening, Varun and team. A few questions. So first, continuing with the earlier one. So teens growth in case of Mamaearth, basically you are saying this is something that let us say, we can build for the next, let us say for the next 5 quarters until FY '27 end?

Varun Alagh: Vivek that is going to be our plan. And we are feeling confident that we should be able to deliver the same. There is so much opportunity, like I said, in terms of just the gap between share amongst handlers and market share and hence the potential distribution gain that we can do as well as the brand now strengthening and multiple other categories available where we can gain share. So I think we are feeling confident that we should be able to continue with this maintenance.

Vivek Maheshwari: Got it. Interesting. And for the last few quarters and more specifically this quarter, you have been highlighting and talking a lot about distribution, right? Now, Varun, historically, there has been a curve that you have followed. And again, I am just putting some, let us say random numbers, so to speak. But let us say if at Rs. 500 crores, you started going online, and you thought that you will go online, do you think that milestone or that threshold comes down because your distribution network is far more robust? So therefore, you don't necessarily have



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to wait for Rs. 500 crores, you can start early. And if so, what does that imply for the growth brands?

Varun Alagh:

Vivek, to be honest, I don't think that milestone has changed significantly. What can it qualify is that it is not a brand size milestone, but more of a category X brand milestone, right. So if you are in a category, and you become sizable share within that category, even if you are not Rs. 500 crores, but let us say, if you are in Sunscreen, and you become Rs. 200 crores just in Sunscreen online, then also you have the right to go into offline. But the offline play for brands, in our mind is not just about distribution, it is also about pull. And only when you reach a certain scale in online, that you see that natural pull in offline, because of which you are able to then execute better. Now, when Derma Co was taken offline, actually, our retail margins in Derma Co are lower than what the retail margins in Mamaearth are, because it has gone offline when we have already established Mamaearth. And the Derma Co pull was also established. So it allows you to build the brand more effectively as well as it allows you to build more confidence amongst retailers. So in my mind, those benchmarks haven't changed. In fact, in future, those benchmarks might go up because the online market itself is expanding. And what you can achieve in online in terms of benchmarks, every 3-5 years that benchmark itself will keep increasing.

Vivek Maheshwari:

That is interesting, Varun, because I thought the entire thing about traditional FMCG companies always was that there is a massive pull, let us say, for their hero brands and products, which is significant to the overall revenues. And then they will push or the new brands will ride on the pull factor. So there is a pull, and then you have a push. I would imagine with Mamaearth also having so much pull, you could have probably accelerated that migration or that duality, but you don't think that is going to be the case. Because just sheerly because your distribution quality and scale has gone up?

Varun Alagh:

Yes. If we want, we can put it in stores. But that doesn't really help. Just today's consumer has got multiple sort of choices in every category. 10-15 years ago, also that phenomena wasn't as diverse. And they largely know what they want to buy. So just because the brand is available in stores, doesn't give the brand a right to win in offline. In our view, brands will win, then they can create a traction and pull. And that takes its own journey. And if you have not been able to establish it in online, then ideally, one shouldn't extend it on offline, because you will just create high STRs for the brand. And in general, your retailers and distributors capital will get stuck in wrong kind of inventory, which is not moving, which will not allow you to put the right kind of inventory, which can move faster. So we are being very choiceful and we are taking care of the fact that there should be high velocity SKUs, which should be put into GT. Even in Derma Co, it is only set of 20 SKUs that we have taken into offline, which are the highest velocity SKUs. And so I think that is our philosophy, we will continue to execute like that.

Vivek Maheshwari:

Got it. And last question, which has two parts, both from a top-line and margin perspective. And I am sure you will say that market has always been competitive. But Varun, when we talk to the



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traditional legacy FMCG companies, I think there is a renewed focus and impetus to drive growth in online, because e-commerce and whatever is happening on the landscape. So two parts, one is, how do you think about the entire competitive intensity from your growth perspective, as well as from a margin standpoint, because a lot of companies are happy to spend much more to drive growth? So can you just talk about both these aspects?

Varun Alagh:

I am happy to address that, Vivek. Honestly, this focus change and aggression has been there for now, 6 plus quarters, I think, where it was clearly recognized and a lot of folks restructured and clearly announced their focus to build this and also have used multiple levers, including deep discounting, etc., in these channels to drive sales. And in spite of that, we have seen our trajectories only improving. As we also build the organization, I think our DNA, the fact that we are digital first, our understanding of Gen-Z content engines, and the way the organization is tuned towards that, will always provide an edge in terms of us being able to be faster, in terms of winning in that environment. And we are feeling confident that if we could ride the aggression, which has been there in the last one year, even if it goes up, I don't think anything is going to stop our plans of performance, we will continue to find ways to ensure that we are ahead of the curve.

Vivek Maheshwari:

Super. Thank you. Wishing you and your team all the very best.

Varun Alagh:

Thank you.

Moderator:

Thank you. Next question is from the line of Percy from IIFL. Please go ahead.

Percy:

Hi, Varun and team, congrats on a great set of numbers. I just wanted to sort of zoom in into the margin delivery. So the margin has come at the cost of some cut in the ad spend, and even other expenditure is on the lower side. Just wanted to understand, is there any quarterly phasing issue or whatever reductions that we have seen are sort of structural in nature and likely to continue?

Varun Alagh:

Hi, Percy. So I think I have always called out that there are three key buckets from which the company will see EBITDA expansion happening, both in short and in long term. So those buckets are A&P leverage, those buckets are payroll leverage and other OPEX leverage. And the combination and contribution from these three might vary in different years. But these are the three key buckets that we know, our leverage will come from. Even this quarter, if you look at just the A&P part, actually value A&P sequentially has gone up. And hence, it is not a reduction. We continue to be strong, continue to be fully funding our branded marketing plans. But we have become more effective. The same plans focused on certain core categories consistently and focused on sharper media and messaging are now delivering much better outcomes because of which the percentage is going down. Of course, there are quarter-to-quarter phasing pieces also which continue to sort of exist, but I wouldn't honestly worry about them because if there is phasing in one, in the other buckets, you can see that sort of benefit that can



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come in. But all in all, I think that trajectory of A&P in value actually increasing everywhere, but still giving us leverage benefits in percentage is something that we are confident will keep happening as well as the combination of payroll and other OPEX, sometimes because of others and sometimes because of payroll, will continue to give us that benefit year-on-year is how we see that.

Percy: Why don't we look at margins going forward, like in FY '27 on a full year basis, should we look at 100 basis points, Y-o-Y expansion every year for next 2-3 years, is that a fair expectation for us to have?

Varun Alagh: Yes, Percy, that is a fair expectation. That is the plan that we have talked about in the past as well, that every year our goal will be to improve the margin profile by 100 basis points.

Percy: Got it. Second question is on the newer brands. So we know that Derma Co is doing very well. Can you give some information on Aqualogica? Is that doing equally well? Are the growth rates similar, lower, higher, etc.? And also related question is now that we have the ME portfolio back on track on growth, what could be the next Derma Co or Aqualogica? We have now 3 brands which probably constitute 90%-95% of our sales and while there is still scope for growth in Derma Co and Aqualogica, we obviously have to build ahead of time. So what can be the fourth pillar apart from these 3 brands where you can see some initial signs of success or which you think can become big or drive growth over the next 2-3 years where you have confidence?

Varun Alagh: Percy, on the first part of the question, I think we always talk about our young brands together. So the young brands have delivered 25% plus growth and we continue to be very bullish on the future of our younger brands. From a perspective of what could be the next rising star, honestly, it is a race to be the next rising star. Reginald can itself be Rs. 500 crore brand in the next 4-5 years that we acquired. Dr. Sheth has a very strong right to win with tailwinds and actives as well. BBlunt in professional Hair Care can become a sizable opportunity. Staze, it is a young brand but it is playing in the color cosmetics business which itself is a very large category. It could also be a shining star. So I think in our view, there is a race to become the next Rs. 500 crores and we would like to see that happen.

Percy: Very clear, Varun. So if I can just ask one follow up on this.

Moderator: Percy, sorry you are sounding muffled.

Percy: Yes, am I better now? Is it better now?

Varun Alagh: Yes.



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- Percy:** So Varun, while I can understand you don't want to give the numbers separately for Aqualogica, Derma Co etc., and I am not asking for that. Just want some kind of reassurance that Aqualogica is also performing sort of well and is in line with whatever targets that you had put in or is it sort of falling short of them?
- Varun Alagh:** It's on plan.
- Percy:** Got it. That is all from me. Thanks and all the best.
- Moderator:** Thank you. Next question is from the line of Videesha Sheth from Ambit Capital. Please go ahead.
- Videesha Sheth:** Yes, hi. A couple of questions have been answered. Just one more in case of Mamaearth. You have spoken on product superiority and sharpened investments driving back growth from mid-teens. But to understand the impact from these interventions, is it also possible to share any further color on as to how has the cohort retention or repeat rates or say productivity at distributor level changed for whichever channel available?
- Varun Alagh:** Yes, I think when you see this kind of growth, which is happening across channels, and it is not just happening in primaries, but in offtakes, in modern trade, in AC Nielsen captured share, in secondaries, in general trade, across e-commerce. It just points to the overall consumer franchise becoming stronger for the brand. I don't think we are at this size and scale, we are looking at numbers like repeat rate or cohort, etc., because that becomes too small. And at young PMF level, it makes sense to sort of do that. But overall, brand love, affinity, consumer feedback data, NPS, everything is moving in the positive direction. Our respond TOM on the brand is also moving in the positive direction. So all of that is put together, making us feel confident that the actions that we have taken and which we continue to apply on the brand are in the right direction.
- Videesha Sheth:** And the second bit was in continuation to the earlier participants question on the other brands. So do you think that there are further interventions in terms of either innovation or brand repositioning, which are required for upcoming brands like Aqualogica, Dr. Sheth or BBLunt?
- Varun Alagh:** So honestly, every 3-4 years, we look at our brands, right and we relook at the positioning from the future TG perspective. We have done that on Mamaearth twice now in terms of packaging and communication we launch. We have done that on Derma Co once already in its life of 6 years. And similarly, Aqualogica, actually, we have already done a lot of work to make it more appealing to Gen Z and Gen Alpha and there is a new refresh, which is coming up in the summer season. Similarly, Dr. Sheth's will also see that journey. Honestly, that is a continuous exercise that we will do on our brands to make them more relevant and exciting to the new generation. So I think you would see continuous action across brands.



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- Videesha Sheth:** Sure. Got it. Thanks. That is all for now.
- Moderator:** Thank you. Next question is from the line of Nihal Mahesh Jham from HSBC. Please go ahead.
- Nihal Mahesh Jham:** Yes. Hi Varun. Hi, am I audible?
- Moderator:** Yes. Can you speak a bit louder, please? Yes, Nihal, please go ahead. We can hear you now. Please go ahead.
- Nihal Mahesh Jham:** Sorry for that. Hi, Varun. My first question was just again asking on the margin bit. I do understand you mentioned about three levers of optimization and on the advertising bit, it is absolutely clear in terms of the focus playbook that you have been mentioning. If you could just dive down on the other expenses, but just for an understanding perspective that what are the initiatives you are taking? And also on the gross margin side, I am not sure if I've adjusted for the reporting change of last year, but I do see that this quarter there has been a bit of a contraction. If Raman could just highlight that, what may be the reason why the gross margins have adjusted and what are the initiatives you are taking on the ex of advertising side to keep margins improving?
- Raman Preet Sohi:** Yes. So actually, if you look at on a like for like basis, our gross margin is year-on-year flat. And I think this is in line with our gross margin guidance that we will continue to sort of look at 70% and 70% plus range. And of course, there are other factors in gross margin, which are category mix, seasonal category mix, brand mixes. And of course, so that is one piece on the gross margin side. And on to other question on other expenses, I think largely other expenses are broken into two parts. One is large part of it is our supply chain distribution expenses. And then there are of course, typical fixed overheads, admin and infrastructure related expenses. So when we say other expenses as a percentage is improving, there are two levers there. One, of course, given the scale of the business, eventually year-on-year has increased. I think that is leading to leverage in our fixed overheads. And of course, as we become larger and also as certain channels like B2B offline channels become larger, our supply chain mix is also improving. That is also leading to better other expenses as a percentage. So I think those are the two large levers. And as Varun mentioned, as we continue to sort of scale, I think we continue to drive some efficiencies across some of these levers.
- Nihal Mahesh Jham:** Got that. And this improvement of 100 bps that you are targeting, most of it will be driven by the optimization and advertising spend. Is that the better way to think about it or just other comments around it?
- Varun Alagh:** Well, actually, it is a mix, right. Some years it might be skewed towards A&P, another year it might be skewed towards OPEX. But the combination of that should help us achieve the goals that we have set for ourselves.



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Nihal Mahesh Jham: Got that. One of my last questions was that over the course of the last few months with the two acquisitions that you have done, potentially we are now having a business which has 8 brands. I know there is a big skew of how much Mamaearth and Derma Co contribute. But just as an organization, somewhere the thought would also come in that how do you then give the focus to each of these brands so that they all scale up? There is obviously a discussion about how the brands ex of Mamaearth and Derma are also scaling up. But how do then we keep our focus to see to it that all these brands get the right element of growth and given the fact that when Mamaearth at this point in time is in the midst of a transition where you are more or less done with the offline strategy, but still there is an effort that is required to get that in place. So how are we sort of aligning to get the focus right given we now have such a wide portfolio of brands already in place?

Varun Alagh: I think we would want to keep our goal in front of us and make sure that we construct and structure the organization to achieve that goal, rather than keeping our current situation in place and set our goals accordingly. So I think that is our thinking. And in line with that, if we want to make sure we reach our long-term goals of becoming the largest and most loved FMCG in India, we will need to make sure every category, every proposition, we have a brand that is actually a market leader. And to get to that, whatever organization structure will help us serve that is what we will build. And which is where there is separate ownership of each brand side of each channel which exists within the company, where someone is losing their sleep over their own part and partitions. And that is what we would like to sort of focus on because our long-term goals are pretty hefty and we wouldn't want to shortchange them based on where we are.

Nihal Mahesh Jham: Thank you.

Moderator: Thank you. Next question is from the line of Prateek from Bandhan AMC. Please go ahead.

Prateek: Yes, I have three questions. One is, just on Mamaearth, could you confirm that the 10% growth is also coming from, let us say, the same distributors also growing? And the penetration led growth is an addition to that. Is that a fair understanding?

Varun Alagh: Yes, actually, 90% plus of the growth is from all current distributors only. It is not because of new distributor appointment. And it is all on the back of the top 100 cities where we have our distributors, especially in GT. And then of course, in modern trade, it is on account of the same large customers like Reliance, DMart, and Apollo, which continue to exist. And we are getting shares within those customers. And same as with e-commerce, it is not in new channels, the same customers which have existed.

Prateek: It's all repeats, right, Varun? That is a fair understanding, right? Most of it, 90% of it is repeat?

Varun Alagh: Repeats in the sense that I wouldn't say, of course, we are getting new consumers to buy us.



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- Prateek:** Yes. The second question was, look, on a sequential basis, the employee cost, although you talked about employee cost being a leverage item on a sequential basis, and maybe short term, employee cost has risen very sharply. Any one-offs to call out for or that is the steady state run rate?
- Raman Preet Sohi:** Yes, hi Prateek. Raman this side. So I think it is higher sequentially primarily because we had to do ESOP provisioning. And there is a larger leadership ESOP pool and there is certain milestones aligned. And we had to pre-pone a milestone this year and the allocation of that is actually done in H2, rather than H1, given the visibility of a certain milestone internally. So that is why it is showing on the higher side. It will be broadly similar in H2 and then of course, after that, it will move back to the normal levels.
- Prateek:** So the entire delta is coming from ESOP cost, is it?
- Raman Preet Sohi:** About close to 100.
- Varun Alagh:** Entire delta, since some part of it is because of the ESOP cost, some part of it again, because of the better than planned performance of the enhanced variable also that we will see happening, because people have done better. And we could see the visibility of that only towards now. So we have taken that in Q3 and Q4.
- Prateek:** And last question, if I see your focus brands, they have grown at 25% whereas overall sales have been slightly lower, right? What is the share of non-focus categories, sorry, not brands, non-focus categories now as a percentage of sales?
- Varun Alagh:** It is still at 25% for the company. So 75% is focus categories and 25% is non-focus categories.
- Prateek:** So despite being non-focus, it looks like they are still maintaining space with the overall growth, is it? That is why the share is not moving a lot?
- Varun Alagh:** In the sense, it has gone up from a contribution perspective. But yes, the non-focus categories are growing much lower relatively compared to the focus categories. And we see that to be the phenomenon. The contribution over the year has come down by 500 basis points for the non-focus categories, which is something that we expect every year to continue.
- Prateek:** And in the next 2-3 years, does this become quite immaterial for the company in the sense, is it a fair understanding that in the next 3 years, focus categories can kind of become like 90%-95% of the business?
- Varun Alagh:** Honestly, with the current pace of contribution increase, we expect it to get to about 85%-87% over the next 3 years.



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- Raman Preet Sohi:** And even within focus categories, hero SKU contribution continues to increase. So that is also healthy.
- Prateek:** Yes, that is good. Thanks.
- Varun Alagh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sucrit D Patil from EyeSight FinTrade. Please go ahead.
- Sucrit D Patil:** Good evening to the team. I have two questions. My first question to Mr. Varun is, as Honasa continues to expand across categories and geographies, what will be the key priorities under your long-term and short-term goals? How do you see the balance between scaling new brands, deepening distribution, and sustaining profitability evolving over the next few quarters? That is my first question? I will ask my second question after this. Thank you.
- Varun Alagh:** I think, Sucrit, you have just elucidated on my business plan. Those are the three priorities that we continue to have, which is continue to make sure our core Mamaearth grows in double digits, continue to make sure our young brands deliver market-leading performance and build new categories, which can be future engines of growth for them, and continue to make sure our distribution, be it online or offline, is excellent and builds base for our brands to grow. I think we will need to balance all three together to make sure that growth and profitability both fall in line for the company and we are quite confident in our team's ability to do so.
- Sucrit D Patil:** My second question to Mr. Sohi is, as the company plans forward, what financial guardrails will guide your decision on cost discipline, capital allocation, and margin protection? How will this particular set of guidance influence the long-term and short-term earning stability and create shareholder value? I want to understand your plan of action on this particular thing? Thank you.
- Raman Preet Sohi:** Yes, sure. Thank you. So I think, like Varun mentioned, I think the focus is to ensure that we continue to deliver a market-leading growth. And given our gross margin profile that we have, as we continue to scale the business, improve our distribution metrics, and deliver that, I think every year we will continue to unlock certain margins in the business, which you spoke about. I think our endeavor is to unlock at least 100 bps every year with a mix of both A&P and overheads. I think that will ensure that we continue to improve and deliver the right value to our stakeholders and deliver the right profit growth as we move along in building this business.
- Sucrit D Patil:** Thank you, and best wishes.
- Moderator:** Thank you. Next question is from the line of Akshay Krishnan from ICICI Securities. Please go ahead.



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Akshay Krishnan: Hi, team. Good performance and great set of numbers. So I just wanted to understand on the competitive intensity. So over the last 2-3 years, we have been seeing that the science-led and the active-based positioning has become more of a mainstream among the peers and the large FMCG peers. So as you scale deeper into an offline and become more an omnichannel brand, how do you see the competitive gain shifting on an agility-led disruption to scale and a distribution-led competition? So I just want to understand how is your strategy evolving in this context?

Varun Alagh: I am so sorry, I did not understand the question.

Akshay Krishnan: I just wanted to understand like, now you are scaling more into an offline, and I just want to understand how the competitive intensity is shifting on the agility-led distribution to scale and the distribution-led competition. So what is your strategy on this context on this?

Varun Alagh: So I think firstly, our offline and online both continue to grow strongly and deliver 20% plus growth for us. So it is not one or the other, but both are channels that we want to win in. In one case, which is online and strong, we need to continue to hold and gain shares. In another case, there is an opportunity to just build distribution and be present in more outlets, which we are doubling down on. And hence, we are largely looking at the opportunity and not the challenges as much. Because the opportunity seems to be so big that is what energizes and excites us.

Akshay Krishnan: I just wanted to double click on this because you have this early mover advantage and it is a little more towards on a margin or a volume profile. So that is why I just wanted to double click on it.

Varun Alagh: Of course, in general, as a system, our margins are better than the legacy competition and our pull is better than the younger legacy brands and I think that combination is helping us grow fast and gain share in offline, both general trade and modern trade. And we will continue to use that to our advantage to deliver competitive.

Akshay Krishnan: Perfect. The second thing is on the other brands. Now, with Mamaearth also stabilizing and Derma Co also scaling up strongly, the younger brands are growing up and with new initiatives like Prestige and Oral Beauty. Now, how are you internally practicing the capital and the management bandwidth to ensure that the focus doesn't get diluted across much? And you have the growth levers of the engine coming up?

Varun Alagh: I think firstly, it is important to structure yourself right, where there are clear accountabilities. And that is an area where we continue to work on. Every year, we have new learnings around how can we structure better to give focus and impetus to our areas of growth. So management bandwidth actually goes firstly into the right organization design. Because if you can design right and put the right people into that design, then the design takes care of the outcome. And



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that is what we spend a lot of our management bandwidth on. Investment allocation is more based on the chessboard. There are years where there might be tailwinds in a certain category or a certain type of proposition or a brand and where you would want to use those tailwinds and gain disproportionately. So that is the decision that you would take. So that depends more on some of those externalities as well. And based on which we take active decisions on allocation.

Akshay Krishnan:

And one final question if I can squeeze in. So now with Mamaearth expanding deeper into the GT and also the Chemist channel, how do you preserve the brand premium? So while you scale up on a long-term perspective, do you intend to be a mass penetrated brand or structurally move up on the value chain? So I just wanted to understand the unit economics into this?

Varun Alagh:

So we have maintained and will continue to maintain brand premium versus mass brands. That brand premium is visible in the PTML of our pricing in the market. And it is also visible in the fact that we do not participate in the FMCG defined LUP spaces, which is less than 20 LUP price point kind of spaces. Access into Mamaearth really starts from Rs. 100 onwards, which is why there is that aspirationality maintained. It might limit the expansion opportunity that we will have from a general trade perspective. But our long-term view is that premiumization is going to be a mega trend in the country and brands which are able to hold aspiration will be able to gain much better share in the long-term.

Akshay Krishnan:

Perfect. And good luck and all the best. Thank you.

Varun Alagh:

Thank you.

Moderator:

Thank you. Next question is from the line of Jay Prakash from Axxela Advisory Services LLP. Please go ahead.

Jay Prakash:

Hello. Congratulations on the good set of numbers. So I wanted to understand in increasingly competitive categories like Sunscreen, some brands rely on indirect or ecosystem-driven narratives rather than direct branded communication. How does the company ensure that any extended marketing ecosystem agencies affiliates or influences operates within a defined compliance and reputational risk frameworks?

Varun Alagh:

I think there are clear guidelines, briefs, which are in line with the ASCI guidelines. That at least our company works on, whereby every brief that we issue has clear guidelines which are provided. Everyone who we work with is aware of those guidelines. And we haven't been flagged by the agency also on any such violations. So I think the content that we are at least doing must be in line with those guidelines, which is why we continue to absolutely follow.

Jay Prakash:

So there are oversight mechanisms within the company to monitor that, right?



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- Varun Alagh:** Absolutely.
- Jay Prakash:** Just another question. Can you break down what percentage of Sunscreen growth is organic repeat versus influencer-driven first-time conversion?
- Varun Alagh:** We don't track that.
- Jay Prakash:** So HUL is acquiring new age companies like OZiva and Minimalist. So does that possess a threat for the business going forward?
- Varun Alagh:** On their business or our business?
- Jay Prakash:** On your business, as those traditional businesses are modernizing very rapidly and they have all the guns out there to play it right?
- Varun Alagh:** No, honestly, we have always had a competitive threat in the past as well. We were born in a category where there were much large competitors than ours when we launched Mamaearth. And hence, competition is not new to us. But we have always also taken a stand that it doesn't give you any joy or delta by focusing on competition. The real value gets created when you focus on the consumer and where the consumer is moving in terms of their preferences, be it product preferences, be it communication preferences, be it media preferences or distribution preferences. And I think for us, that has been a core focus area. And I think we will continue to focus on that. And we will rely on the fact that if you focus on that, consumers will reward us with choosing our brands.
- Jay Prakash:** Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand over the call to the management for closing comments. Over to you.
- Varun Alagh:** Thank you. Thank you so much for asking these questions. It is always refreshing to hear you. We continue to, as a team, execute our strategies to the help. We are very confident that we will continue to delight you as we get into this year as well. Thank you so much.
- Moderator:** Thank you. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.