



November 18, 2025

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 November 12, 2025

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 November 12, 2025, on the unaudited standalone and consolidated financial results of the Company for the quarter and half year ended September 30, 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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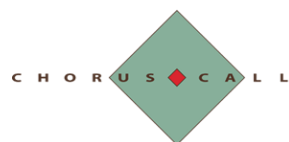
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“Honasa Consumer Limited
Q2 FY26 Earnings Conference Call”
November 12, 2025ss



MANAGEMENT: **MR. VARUN ALAGH – CO-FOUNDER – 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

MODERATOR: **MS. POOJA KUBADIA – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to Honasa Consumer Q2 FY6 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Pooja Kubadia from JM Financial. Thank you, and over to you, ma'am.

Pooja Kubadia: Good evening, everybody. Welcome to the 2Q FY26 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'll now hand over the call to Mr. Varun for his opening remarks. Over to you, sir.

Varun Alagh: Welcome, everybody, to the call for quarter 2 and H1 FY '26. We're going to take you through a few core agendas today. So starting with, again, crystal gazing the future of Indian beauty. We've been talking about different categories and today, we will talk about a very different category, which till now isn't considered exactly as beauty. But as we see the developed markets, we are seeing the rise of oral beauty that is happening.

And over the next decade, we expect this to shape in India as well. There is a lot of premiumization potential in this category. And if you look at the bathroom shelves today, almost all categories from skin care to hair care to fragrances have premiumized significantly, but oral has not seen the same level of premiumization.

And while this category started with functional hygiene as Stage 1 of growth, which is what almost 50 years of this category was all about. And it moved on to targeted wellness, which is where sensitivity and freshness etcetera as propositions got created. And we believe over the next couple of decades, one of the strong partitions which will get created in this category is aesthetics and aesthetic expression, where your smile will be a core part of your beauty and how you take care of your smile through oral.

And it will be a play that can happen in beauty and personal care. And it's not a small market, we believe this to be a \$700 million opportunity by 2030 with the premiumization and rise in aesthetic consciousness. So that's a point of view that we wanted to bring to the table from a I-Beauty perspective.

Moving on to the financial snapshot, we have done well in quarter 2 with a 22.5% growth in revenues. Our gross profits are at all-time high, at about 71.9%. EBITDA continues to be stable at 8.4%, INR48 crores EBITDA leading to a PAT of INR39 crores. Strong UVG at 16.7% and we continue to be in the negative working capital zone.

And while this is the like-for-like comparison in terms of what we have been showing you over the last 6-odd quarters, there is one change in our financial reporting that has happened in this

quarter, which is on account of a change from one of our key customers, which is the Flipkart Group.

At a group level, Flipkart Group has changed its settlement process with vendors and sellers, right, we operate as a marketplace seller with the Flipkart Group. And earlier, the way it used to operate was that we as sellers used to have a certain revenue and we used to remove our discount tax and costs to arrive at our gross margins. And Flipkart as a marketplace used to share with us an invoice for the logistics and fulfilment costs, which is what used to go in our costs.

Now the change that they have made since last quarter is that they are not sharing this cost with us as an invoice, they are actually reducing that from the revenue itself. And hence, in a way, charging that to the consumer, which is why the revenue recognition, the cost that used to be there. So if you see the calculation that we've shown, for INR100 product, there used to be INR32 of logistics and fulfilment cost.

Now that INR32 is being reduced from the revenue itself, while rest of the things remain same. So sales commission cost, COGS, etcetera remain same. So while in value terms the net contribution margin or EBITDA from the channel remains same, but the revenue recognition denominator has reduced.

In terms of actual financial impact, this has had a INR28 crores revenue recognition impact in the quarter to us, but it has no effect on absolute profitability for the company. If you were to see from a like-to-like basis, which is what we have been showing as our results in the past, right, our base is INR462 crores, our delivery is INR566 crores, which is a 22.5% growth.

And if we were to see this after Flipkart adjustment, our reported for Q2 FY '26 becomes INR538 crores while the like-for-like also for the last year same quarter becomes INR440 crores for comparison purposes. And then we do view a similar growth of about 22.4% and the profitability is being same in terms of actual revenue terms.

But, of course, if you look at in terms of percentage, because the denominator goes down slightly and the percentage EBITDA looks slightly higher. And this is something that Flipkart has taken call on for all sellers that sell in Flipkart, right, and hence is something that is an impact on us as well. But we'll continue to share like-for-like based numbers for better understanding and correct comparisons in future as well.

In our H1 level, we've delivered 14.5% growth. Gross profit has also improved Y-o-Y by 112 basis points, EBITDA margin of about 8%, and INR93 crores EBITDA and PAT at about 7% is what we have. From a highlights perspective, I think the good thing is that the core of strategies that we had talked about at the beginning of the year have continued to deliver well for us.

And I think the first core strategy was to focus on a few core categories and actually gain strongly in those categories. The growth in those core categories is actually much better than the overall growth of the company. And the growth now in focus categories is across channels, right? So e-commerce also is 20% plus, modern trade also is 20% plus, and GT also is double digit secondary sales growth in the core category that we've seen.

And from a 70% contribution last year, the core categories are already contributing 75%. And that was of the plan that over the next 4 to 6 quarters, we intend to take this number itself to 84% to 85%, which will lead to strong share ownerships within these categories as well. So that continues to do well.

The second thing that we had talked about and was a strong focus area for us was turning around Mamaearth. I'm happy to share that Mamaearth is back in green in terms of growth. With Neev and without Neev, both are strong sort of growth from Mamaearth now across channels again, earlier e-commerce and modern trade has started showing good growth profiles. General trade is also on a growth trajectory in terms of secondary sales Y-o-Y. And this is also visible in the share gain that we are seeing based on where we continue to gain Y-o-Y share.

And we've also been able to build another hero SKU, an ingredient for us in rice face wash, which is our third face wash for the brand to enter the INR100 crores plus club and continues to grow fairly strongly. So that's something which is heartening for us. We are very confident that now moving forward, this growth in Mamaearth will actually only get better and towards the goal of double-digit growth that we want to get into.

Young brands again continue to deliver well 20% Y-o-Y growth is what we are seeing on the young brands portfolio. And we continue to do the right kind of core category activation and innovation across BBlunt, Aqualogica, Dr. Sheth's, and Staze. And Derma Co, which is the larger brand after Mamaearth is again touching newer heights. The brand has delivered a INR750 crores net sales ARR in the quarter with high single-digit EBITDA profile.

And basis Euromonitor, it has become the number one sunscreen brand in the country for 2024, and we are quite happy to see that. While we continue to strengthen our position in the core categories of face wash, face serum, and sunscreen, the brand is now looking to build moisturizer and shampoo as categories as it gets in the stage to get to INR1,000 crores plus kind of a brand over the next 1, 2 years, which is how we see the brand shaping up as we move forward.

We continue to strengthen our general trade distribution. This is another focus area that we have. And we have seen sequentially growing secondary sales rate growth and 35% Y-o-Y increase in terms of direct outlet billings. And based on Nielsen, now the brand is available in 250,000-plus retail outlets. And very importantly, last year, we had taken an initiative to move away from super-stockists to direct distributors.

And last year same time, our super-stockists contribution was two-third and direct distribution contribution was one-third. And happy to say that now, as we stand today, 80% of the business is actually coming from direct distributor contribution. And that's a change which has been hard, but necessary, and forms a foundation of our growth of multiple brands in the future. So I think we're quite happy with the progress that we've made in this quarter.

R&D and product superiority is another area where we continue to develop new technologies and formulations. We developed deep penetration formula in Derma Co where we have found the right kind of actives and encapsulation technologies to enhance penetration of our active

serums. In Aqualogica, we have developed the first in vivo tested sunscreen with anti-pollution factor.

The kind of pollution there is nowadays, consumers not only want sun protection, but something that can also provide protection to them from pollution. And this is a formulation which is clinically tested to do that. So we're happy that we've been able to crack such a technology, which is relevant for India. Premiumization is another area where we continue to work and we have collaborated with a lot of influencers, creators to launch more premium ranges.

In BBlunt, we collaborated with Tarini. In Mamaearth, we've collaborated with a dermatologist couple Dr. Sarins to develop a Derasoft range, which is developed by them in line with what they think is right for baby skin and launched together with them. And we also continue to strengthen our prestige play within brands.

In Dr Sheth's, we've launched multiple prestige serums now with new to India ingredients like Argireline, PDRN, et cetera, and we'll continue to do that in future as well. And then overall, we continue to focus on core categories to find avenues to use innovation to gain share within those categories. And across the core categories, we've had relevant innovations, which are helping us gain share within those categories.

Now that we are feeling confident about the new playbooks, media mix development that we have been working on, we've also been now actively looking at further engines of growth from a long-term perspective as well, and hence, actively looking at new brand or category opportunities.

The first one that we've been working on for almost 1 year 1/2 years now and we have finally launched last week is a brand called Lumineve. This is almost, in fact, in the morning, we were just searching and asking ChatGPT if there is any brand in the world that focuses only on night care, and the only brand it talked about was Lumineve.

So we generally believe that this is probably a first to world innovation in terms of brand propositions where a brand that specifically focuses on night care is what we have developed. And beauty sleep as a concept is a very relevant concept amongst consumers. But there is actually deep science behind that concept as well.

When you're sleeping, the cellular regeneration and skin repair is at its peak. And this is the time when you -- if you take the right kind of night care regimes, you can make the maximum impact on your skin health. And that's the underlying science behind this brand. And we've launched this for 6 different skin types by working with Indian and global dermats.

And this has currently been launched exclusively with Nykaa that happened to collaboratively work and capture the prestige market. And we believe this is not just a brand which will take India sort of by surprise, but also probably help us in global expansion as well in the future. But this is our first entry into prestige skin care, which is priced almost 2.5x of what our current products and categories are priced at.

Apart from this, we've also made an investment in the future of oral beauty. Like we said, there is rise of oral beauty that we expect over the next decade. And one of the things that we have been thinking about is the only inorganic play that we were actively doing was by participating with majority acquisitions.

And we realized that that while is great for categories and portfolios which we want to get involved in high capacity right now, but that also -- this allows us to participate in Horizon 2 kind of categories, which could be additive to our business, but where the founders might not be looking to give away strategic control right now.

And that's the opportunity that we are looking at participating in by funding brands like Fang, which are at early stage level and taking a significant minority, helping the founders build the brand into something extremely meaningful. And we see Fang to be clearly one of those brands which can become a prestige leader in the country from a oral care perspective.

It's a beautiful set of products and a set of founders which come with extremely relevant experience. And this is a team that we would like to back and we would like to support them with the playbooks that we have to build this brand into something larger. And, of course, on our goodness initiatives, as our brands grow, our contribution to community continues to grow and Mamaearth has hit its goal of planting 1 million trees, which we had till 2025.

And we have taken a goal to plant another 1 million trees over the next 5 years and which we are very confident that we'll achieve. And this happens as the brand grows and as more consumers engage with us and all the other brands also continue to be on their journey of making the community impacts as they grow. Thank you so much for your patient hearing, would love to answer questions that you have. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question comes from the line of Videesha Sheth from AMBIT Capital.

Videesha Sheth: So my first question was on Mamaearth as a brand that while you've mentioned it's back in the green, that seems to be alluding to the secondary sales. So from the primary growth or primary sales perspective, when do you expect growth to be back in the green?

Varun Alagh: Primary also is back in green.

Videesha Sheth: And so going forward, if we were to talk about the next 2 years, the outlook is more of a mid-single-digit growth, high single-digit growth. And if you can also double down on the initiatives that you've undertaken a little bit more on the elaborate side?

Varun Alagh: Yes. So from a going forward, I think the first objective is that a high single-digit growth in next quarter and the objective to touch, getting to double-digit growth by Q4 and then try to maintain that as we get into next year. And from our perspective of strategies, I think it's actually been simplification, which is focusing on core categories, sufficiently funding them rather than diversifying our investments too broadly into multiple different sort of categories.

Even within those categories, identifying certain new SKUs and actually building them deeper rather than again spreading ourselves still across categories. So I think focus is the one big change. And second has been media mix modelling based learnings that we did on the brand as to what is the best combination of media which works for the brand, which is the testing that we did over the 4 to 5 months and then deployed it this year, and we are clearly seeing the results of that. I think we will continue executing those strategies going forward.

Videesha Sheth: And second was on the margin side that, given that first half has been better than expectations, are you looking to increase the guidance from the 7% range?

Varun Alagh: We believe that we will now stay at least at this range even in the coming quarters.

Moderator: Our next question comes from the line of Nitin from Emkay.

Nitin: My question -- first question pertains to like like-to-like growth is at around 22%. And when we talk about Mamaearth, it has moved into the growth path and your younger brands have grown 20%. So somewhere I am unable to get to this 22.5% like-to-like growth. Can you please help?

Varun Alagh: Yes, I think we've been also cognizant that last year same quarter, we had the Neev piece. So actually, if you look at just on pure like-to-like basis, Mamaearth growth will be high double digits. But that's on account of the fact that there is a Neev return base, which is all allocated to Mamaearth.

But even if we were to take that base into account, it's still a positive growth for the brand, and which is why we have kept the commentary more in line with the adjusted sort of base. But yes, you're right. If we were to sort of purely look at mathematically, then Mamaearth growth for the quarter is actually in strong range.

Nitin: With respect to like our actions in terms of getting into the premium segments in the personal care side plus oral care, any thoughts you guys have around wellness as a category? Because some of the brands are sort of getting into wellness along with the personal care and that's to work as a regime. So any thoughts you can offer here?

Varun Alagh: Actually a very interesting area of conversation. I think I will park that for probably more one-on-one conversation sometimes. So honestly, you're right. We are observing the trend of wellness adoption, nutraceutical adoptions within the market, and we are also observing the regimen trend happening within consumers. How we want to take on that -- do we want to take on that opportunity in the medium term?

Yes, we would like to. How we want to take on that opportunity, will it be as part of our extension of current brands or do we need to sort of take it as a separate sort of play? So, it's not something that we have a strategic view on, as we speak. And as soon as we have a crafted view on the same, we will surely share with you. But it's a space which we're very closely watching, understanding, and building hypothesis around.

Nitin:

And lastly, around this oral care, again, like we have taken a 25% stake in this brand. So like would you like to keep your exposure in oral care like this or like you can -- you are open for any further M&A in the oral care space?

Varun Alagh:

Ideally, I don't think we would like to have multiple sort of brands of play in this space. And we genuinely believe there are a few partition spaces, especially clean label and whitening, which are the core partition spaces which we believe will get built over the next decade. And this brand already plays in that partition space.

So we would rather build this into a stronger outcome than get into multiple sort of entries, because it's not like we are seeing multiple partitions actually take shape. So this is in line with the hypothesis that we have. And hence, we would rather focus and build this into a much stronger outcome for the brand.

Nitin:

So just a follow-up like as for the contract, is there any options we have down the line 3 or 5 years, we can increase our stake in this?

Varun Alagh:

Yes, we have the right, but not an obligation. And we would honestly love that if the brand does well and we're able to further partner with the brand by gaining more sort of ownership and investing into the company for it to grow stronger. And I think that will be the ideal scenario.

Moderator:

Our next question comes from the line of Sucrit D Patil from Eyesight Fintrade Private Limited.

Sucrit D Patil:

I have two specific questions. The first question is to Ms. Ghazal. Just looking beyond the quarter's numbers, what are the long-term plan for Honasa from an innovation point of view as consumers' preferences shift towards more science-backed sustainable and premium products? How are you shaping the innovation pipeline to stay ahead of your competitors? Beyond just new launches, is there a deeper approach that you are building or you will be building in the future, which will make the brand stronger and hard for your competitors to copy you? This is my first question. I'll ask my second question later?

Ghazal Alagh:

So I think on innovation, we've been talking about the focus that we have as a company on two, three areas. One is product superiority. So ensuring that across all of our focus categories, we have products measured through blind test to be superior than the competition out there.

That is something that we have showed in the past, we'll continue to show as we move forward. The second area of focus for us is to bring in new concepts, newer ingredients which are first to India. I think Varun also spoke about it briefly. For example, premium serums and Dr. Sheth's has brought in ingredients like PDRN or Argireline, which are first to India kind of ingredients and concepts.

We're also working on technologies like deep penetration technology, which is our own trademark technology, which ensures the efficacy of the product, its uses, and also something new which no other competitor has. I think on the third tranche, our focus is also on building a prestige portfolio, which you can see in Derma Co, in Dr. Sheth's, and now with the launch of Lumineve, that also is something that Honasa will continue to enhance.

My second question is to Mr. Raman Preet. Again, a forward-looking one. When cost rise, whether it's in marketing, distribution or raw materials, how do you make sure the margins stay steady without the growth hampering? Is there any system you have built that may be like price discipline or smarter sourcing, that is helping you stay -- keep the profits in line whenever things are getting -- whenever certain unforeseen conditions may arise? Just want to hear your point of view on this particular point?

Raman Sohi:

Sure. Thank you so much for that. I think two, three things. Firstly, if you see our gross margin profile, like Varun mentioned, I think we're now averaging 71% plus gross margin consistently. A couple of factors are playing in our favour as we've scaled our business. Of course, given the scale we are buying better, our procurement efficiencies are showing.

Our product mix, especially led by face categories and also with the entry into prestige categories is helping pump up our gross margin profile. And as we move along and our younger brands, especially Derma Co, Aqualogica, Dr. Sheth's, all of them are face-driven skincare brands.

And hence our gross margin profile has been moving in the right direction, given the mix of those brands and as the scale improves, we continue to move in the right direction. And of course, as we've showcased this in the first half, as the business continues to scale, we also continue to see operating leverage play out and a big lever for that has been our marketing efficiencies. And as our younger brands continue to scale more, we will continue to see efficiencies across our marketing investments. And we've indicated that every year, we target to unlock 50 to 100 bps of operating margin profile, which will be a mix of all these initiatives.

Moderator:

The next question comes from the line of Nihal Mahesh Jham from HSBC.

Nihal Mahesh Jham:

Yes, I had three questions. First was on Mamaearth. Would it be fair to say that the primary sales are similar to what we would have reported in Q2 FY '24 that now the brand is back to what it was, say, delivering 2 years back, leaving apart the impact of last year?

Varun Alagh:

Yes. We will need to sort of look at that number and come back to you. But over the last year base, it's now in the single-digit growth in primary, even adjusting for the Flipkart impact.

Nihal Mahesh Jham:

Sure. I'll check that separately. The second is, Varun, when you commented that you're looking at high single-digit growth for Mamaearth in the coming quarters, that adjusts for the Flipkart impact that will ensue in Q3 and Q4 also, that's the organic growth ex of the Flipkart impact?

Varun Alagh:

So honestly, the Flipkart impact cannot be seen without adjusting the Flipkart impact in base, right? If you will only take the Flipkart impact in your numerator, but not take it in denominator, things will look suppressed. And which is why the financial sort of results will always sort of indicate that suppression given in the base, there will be no correction, but in future quarters, in general, there will be correction.

So I don't think we can say what will happen after correction and including correction but if you look at that with base correction, yes, we're looking at sort of single-digits, high single-digit growth.

- Nihal Mahesh Jham:** Where I was coming from is that I think you're implying that the organic growth for Mamaearth should be high single digit. Just that maybe on a reported basis for Mamaearth, it may optically look over because of the fact that that adjustment right now doesn't sit in the base. So just wanted to clarify that?
- Varun Alagh:** Yes, and which is why I think we will continue to release sort of the comparable numbers and then see how it is based on the comparable numbers in future as -- next three quarters till the space is sort of getting that.
- Nihal Mahesh Jham:** One final question. When we speak of the focus categories, which is now at 75, what is the thought process of the other categories that Mamaearth has sort of entered over the last 7 years? Are they status quo or is it that gradually we plan to sort of exit them and keep Mamaearth in these 6, 7 core categories and just three, four more ancillary categories? Like how do we think of Mamaearth over the next 2 to 3 years from the non-core categories that -- non-focus categories?
- Varun Alagh:** So from a next few years, which is next 2 to 3 years perspective, the focus will be just to sort of completely focus on the 6 core categories and strongly grow them. And of course, the non-focus categories are declining, right, and their contribution hence will continue to go down. And once the brand reaches even stronger scale, let's say, the next milestone is INR1,500 crores, then there is INR2,000 crores and even the profitability further significantly improves.
- And hence, brand has more money to optimally invest in another focus category and then we will probably look to open one more and say, okay, let's open one more and optimally invest and build that category also. But for now, these 6 are the core engines of growth for the next 3 years.
- Nihal Mahesh Jham:** Just a final follow-up then, beyond the 6th category, which will be the 7th biggest category right now for Mamaearth in case you plan to activate just for our awareness?
- Varun Alagh:** I would say body is the next biggest one, which is the body lotion, body wash kind of a category from a size perspective.
- Moderator:** Our next question comes from the line of Akshat Jain from Sixth Sense Ventures.
- Akshat Jain:** So I had a couple of questions. Firstly, in oral care, we mentioned that we project the market to touch around \$700 million in the next 6 years. But my question is that somehow in the past 10, 15 years, even though social media usage has gone through the roof and other forms of beauty have done very well, oral care somewhat has been left behind. And so how do you look at that going forward? And like will this continue to be like a very niche concept or will achieve that kind of scale?
- Varun Alagh:** So honestly, every category and trend has its time. I think the last decade, there was a lot of skin and hair premiumization, which is already happening and which has taken shape very well, as well as the larger disruption from a channel perspective that happened was e-commerce. Now e-commerce did great for categories where the AOVs were 200 and above.

But for categories which were 200 and less AOV, it did not make that much impact. Now quick commerce coming in and scaling and has actually created the right playground for categories which are sub-100 or sub-200 price points also to get disrupted with quick commerce.

And also clearly, if you look at the developed markets also like U.S., et cetera, oral care disruption has lagged by 10 to 12 years compared to skin disruption in those markets. But now there are multi \$100 million to \$300 million brands in single partition spaces, which have been built over the last 5 to 7 years. And we've been watching that space and we think it's now the right time to get in and build the brand in the space.

Akshat Jain:

And my second question is on Lumineve. What's our revenue projection or plan for the next 1 or 2 years?

Varun Alagh:

No projections. It's a young brand. It is right now in a build phase. We will build it slowly, we'll build it right, and prestige brands need very strong foundations. And they are not about explosive growth but foundationally strong bonfire type conversations. And of course, the opportunity size in prestige is very large.

We believe over the next decade, prestige skin care itself will be like a \$4 billion opportunity. And as an organization, it's important that we participate in it as well as build capability in taking share in that market. And otherwise, that sort of opportunity will get missed out. So that's the core objective. I think it's a decadal opportunity that we see.

Moderator:

The next question comes from the line of Mudit Minocha from M3 Investment.

Mudit Minocha:

Great set of numbers. Congrats for that. I wanted to understand what is the next level of growth going to come for Derma Co given now it has reached to a stage where Mamaearth had become mature. So are you thinking to take it offline and how is the growth projection for that particular piece?

Varun Alagh:

Thank you for asking. I think there is a lot of potential areas for growth for that brand. Firstly, even in the core categories, like, for example, it has got low single-digit share in face wash as a category. And hence, there is a lot of potential to grow in face washes. We also sort of are continuing to gain share in sunscreen, serum.

So there is potential to grow through that. And we talked about building two new categories, which is moisturizer and hair, which in themselves are almost INR10,000 crores as a category opportunity. So there is opportunity to add delta by participating in those core categories. And like you rightly said, there is expansion to offline that is already starting to happen. And offline for Derma Co is more than INR100 crores run rate business now and continues to grow well. So that's another area where we will continue to sort of double down and engage.

Mudit Minocha:

The second question for me would be, what's the economics that's finally getting set for quick commerce business? And follow-on to that would be, what's the percentage of sales that you ballpark or qualitative color on what's our share for quick commerce? And which categories do you think are poised for quick comm in our portfolio?

So I think let me go reverse, right? From a categories perspective, I think quick commerce has clearly surprised everyone. And it is -- it sells all our focus categories, right? From serums to lipsticks, everything is sort of selling on quick commerce, from small packs to large packs, everything sort of is there. So I think the category opportunity exists for all categories.

Of course, it's skewed towards certain categories like gifting, et cetera, which do even better. But otherwise, all our core categories sell well on quick commerce. Quick commerce is now about 10% of our revenues already and is the fastest-growing channel for us as we speak. And from an economics perspective, it's got healthy economics. And for us compared to our marketplace business, it's actually relatively healthier economics. So it's actually a good delta addition that is happening in the business.

Mudit Minocha:

Could you also give us some update on that Project Neev that we were conducting? And what's the distributor reach and you were to reach out to 1 lakh distribution points. Could you give some color on what went in last 1 year to turn around Mamaearth and how are things now looking going forward?

Varun Alagh:

Yes. Like we mentioned, I think that's been one of the strong focus areas, right? It's a combination of what we have done on brand pull and on our offline distribution execution, which has helped us a lot. Specifically on GT perspective, it was all about transitioning from a three layer distribution system, which involved us selling through super-stockist to a two-layered distribution system where at least in the top 100 cities, we wanted completely direct distribution. Now in the top 100 cities, we have completely moved direct.

And I think I would say about 85% of the clusters where we needed the right distributor and for the 15% clusters, we're still, as we speak, building that strength and that should also happen over the next 3 to 6 months across the top cities that we talked about. And that has, of course, helped us improve direct distribution. We talked about increase in our secondary distribution by 35%. And we also talked about how our direct distribution is now 80% of our billing that is happening through direct distributors. So I think that effort is clearly visible in our numbers.

Mudit Minocha:

If I could ask one more, operator, if that's okay. So I want to understand your thesis around getting into new brands. Even you said in, say, Mamaearth, you want to restrict it only in 6 categories, because that brings focus and right amount of investments for each category. Now when it comes to new brands, we have seen that you have come out with two new brands.

So what's your approach to getting into new brands like if there are like INR150 crores brands, what's the continuum that you want to maintain in business? Because I remember there was one Forest Essentials kind of a brand that you had cultivated and which was then discontinued. So how is the management focus or bandwidth distributed for this new category?

Varun Alagh:

Yes. So I think the -- firstly, we always look at new opportunities from the lens of consumer white spaces. And when we look at that, I think we look at this category on 3 axis, right? One is the axis of category. For example, skin care is a category and even within skin care, there could be moisturizer, sun care, and there are other categories.

Hair care is a category, fragrance is a category, oral care is a category. Even then the second axis is actually propositions, which is naturals is a proposition, actives is a proposition, hydration is a proposition, salon professionals is a proposition. And the third axis is actually price. You could be a mass price brand, mass premium priced brand, prestige price, luxury priced.

If you look at some of the global beauty companies like L'Oreal, Estee Lauder, and if you look at their portfolio, right, you would clearly see how this combination of axes comes to life, right? They would have in the same category, brands which are varied on price, in the same proposition brands which are varied on price or in the same price brands which vary on proposition to capture the maximum share of wallet of the consumer.

And that's the strategy that we deploy when we think about new brand creation, which is when we see clearly a white space and where we think that the current brand cannot capture that fully and it needs a separate brand chassis to get captured, which is what we felt, be it on the overall opportunity or be it the night care expert proposition opportunity, we will look at answering that with a new brand.

And if we can answer that same opportunity of white space under the current brand, that is, of course, a preferred route that we follow. And then from a management bandwidth perspective, one, internally, we have a function which is called brand factory where we specifically cultivate these brands and build them.

And that's a separate function solely focuses on the 0 to 1 journeys of these brands and as well as where we accept that internal bandwidth might not be enough and is where we choose routes like what we have done with Fang, which is participation or what we do with M&A where we acquire, but then we have 3 years of founders who are working and scaling that brand. And honestly, we believe this is a genuine strength that we have as a company.

And there are rarely FMCGs out there which have been able to demonstrate building their own brands and scaling them. It's largely been acquisition with strategy and we have demonstrated how we can actually craft and scale our own brands as well, which in the long term is far more capital efficient. And we will continue to look for opportunities to serve consumers by building new brands in India. Next decade is going to be a mega brand creation opportunities in this country, because a new generation of consumers is clearly looking for brands which delight them.

Moderator: Next question comes from the line of Jitendra Arora from ICICI Prudential Life Insurance Company.

Jitendra Arora: Congratulations for a good set of numbers. I just have one question on your coloured beauty brand, Staze, that how is it progressing? If you can throw some light on that, please?

Varun Alagh: So mostly the progression has been good, right, I think from a brand searches perspective, PMF perspective, and the brand is growing triple digits over last year. So I think that has been a good sign. It's a category which has been a learning for us. It's a complex supply chain that we have taken time to learn on. It's a shade-based supply chain.



It's also a supply chain where there is some reliance on China supply chain for packaging and in some cases, conversion perspective. So that's been a learning curve in itself. But now we are feeling far more confident in terms of being on the better end of that learning curve where we can deploy consistently and the brand grows strongly.

Jitendra Arora:

Thank you, Varun.

Moderator:

Thank you. As there are no further questions from the participants, that concludes the conference for today. On behalf of Honasa Consumer, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.