Honasa Consumer

Operator: Ladies and gentlemen, good day and welcome to Honasa Consumer Q3 FY26 earnings conference call hosted by JM Financial Institutional Securities Limited. As a reminder, all participant lines will be in 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 touch-tone 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.

Management: Good evening everybody. Welcome to the Q3 FY26 earnings conference call of Honasa Consumer Limited. Today on the call we have Mr. Varun Alagh, co-founder, Chairman and Chief Executive Officer; Ms. Ghazal Alagh, co-founder and Chief Innovation Officer; and Mr. Ramanpreet Sohi, Chief Financial Officer. I now hand over the call to Mr. Varun for his opening remarks. Over to you, sir.

Management: Hi, thank you so much, and thanks everyone for joining. Welcome to the Q3 FY26 update from Honasa Consumer Limited. As is customary, we start by sharing a few trends that we have been witnessing in the beauty and personal care industry, specifically the trend in men's skincare. We believe men's skincare is at an inflection point driven by volume consumer preferences. Men's grooming has been discussed for quite a long time, but over the last decade, it was largely focused on shaving. In the last 3 years, we have specifically noticed a strong inclination towards skincare designed specifically for men.

If you look at the search data we track, in the sunscreen category, consumers are specifically searching for sunscreen for men, and in the face wash category, they are searching for face wash for men. A strong call-out for men's products has been increasing multifold over the last 2-3 years. We have also seen a significant increase in male skincare influencers, growing almost 6 times in the last 5 years. All of this is happening because of premiumization, awareness, and an evolving self-care mindset. We feel this is an interesting space that will grow rapidly. This is also a space where Honasa has made an acquisition that we will discuss during the presentation, which is Rgnome.

Regarding this quarter's financial snapshot, 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 very high by volume, with our VGG at 30% growth. We achieved our highest-ever EBITDA, which has also significantly grown. We have recovered our PAT, marking our highest-ever PAT, and we continue to be negative on our working capital side.

The core engines we have been discussing for the last three quarters—the flywheel of making our core stronger—is back. Mamaearth is back into teen growth, and the continuing strength of our young brands, which are now growing at over 25%, has led to us delivering this competitive, market-beating growth. In line with the scale and the effectiveness of our marketing, we have consistently seen an improving EBITDA margin trajectory, which we have been able to deliver.

As mentioned in the last quarterly meeting, there is a revenue recognition impact due to Flipkart changing its revenue recognition model. This resulted in a 28 crore impact. However, if you correct for this basis, growth continues at 21%. On a like-for-like basis, it is 21.7%. The reported revenue stands at 602 crores. EBITDA is at 10.9%, or 60 crores. This revenue recognition change has not impacted our bottom lines; it is purely an accounting impact on revenue.

Double-clicking on the business, it is heartening to see that all channels are performing well. E-commerce is at 30% plus growth, while modern trade and GT are delivering 25% plus growth. We are seeing strong secondary growth, which is a great sign of brand traction. Our strategy of focusing on our core categories has clearly paid off. These categories continue to grow ahead of the overall company at 45% plus. These are the categories receiving over 90% of our investments, and we continue to focus on strengthening our share there.

Mamaearth is back to teen growth. It is taking some time, but focusing on fundamentals has helped us deliver growth. Paired with superior, market-leading formulations, we have consistently improved our products to deliver blind-test winning results. We have also worked significantly on our communications to make them more aspirational. We have focused our investment in the six core categories identified for Mamaearth. This combination has brought us back to double-digit growth, and we are winning in both value share and share of mind. Our share of mind has actually moved ahead of our value share, meaning we have more traffic to convert in our distribution front. As we do that, we expect further growth in offline distribution and are building other categories like moisturizers in the offline space.

The young brands portfolio continues to maintain its momentum. We have launched with a focus on hair color, Aqualogica moisturizers, and categories like Dr. Sheth's with premium serums, which is now a 50 crore ARR brand and continues to grow well. The star of this portfolio continues to be Derma Co, which is not only delivering strong growth but has also achieved a double-digit EBITDA profile.

We continue to drive innovation across categories. We have entered haircare with peptides. Our formulations have improved with new generation filters like zinc and other filters. Consumer interest remains strong in our core categories, as demonstrated by the searches and share gains we have seen. This marks continued successful momentum for Derma Co.

Another focus area in the last four quarters was offline execution, where our shift to direct distribution has started to pay off strongly. Our outreach has expanded, and direct distribution now contributes almost 80% of our revenue. Our direct distribution is healthy, and inventory holding days are now optimized at approximately 30 days. The same applies to our overall distribution. In modern trade, we continue to build reach and presence based on high off-takes and share gains. All in all, our offline business is in healthy shape and ready to service future growth.

We continue to invest in product renovation and innovation. Many of our new formulations have delivered blind-test winning performance against international leading brands. We are very happy with how these products perform and what our R&D; team continues to deliver. This is a continuous process, not a one-time activity. We have built muscles to make our products even better for our consumers.

Looking ahead, we keep identifying white spaces in the landscape and building hypotheses around them. Sometimes we find brands that fit these hypotheses perfectly. Rgnome for men has been one of those brands, fitting our male skincare hypothesis. The brand has performed extremely well in its two years of existence, becoming the most searched men's sunscreen brand. They offer a multi-benefit proposition, which appeals to men who prefer products that handle multiple needs at once. This acquisition also enhances our presence in South India, as we acquired both the brand and a talented team based in Hyderabad. Having a presence in Hyderabad will help us attract more talent and strengthen our understanding of the region.

Management: Our playbook and our flywheel are giving us confidence. The principles we have established start by identifying the right categories, ensuring a product is a blind-test winner, and then investing sufficiently behind that hero product through the right content, formats, and media mixes. We provide a distribution supercharge across e-commerce, quick commerce, and offline channels. By keeping an eye open for future growth engines where we can deploy the same cycle, we have strong confidence that we can sustainably deliver market-leading growth and gain share across our categories of interest.

We continue to build purposeful brands that contribute to society. Mamaearth has now planted over a million trees. On its birthday this year, we organized an anti-smog run across NCR to help reduce pollution. Derma Co continues to educate children through science classes and labs we have set up, reaching almost 40,000 students. BBlunt continues to certify women in haircare and styling, with almost 3,000 certified so far. Aqualogica provides fresh water to rural schools by deploying plants, and Dr. Sheth's is running health checkup camps for over 45,000 individuals. Our contribution to the community grows alongside our business. We are now happy to answer your questions.

Operator: Thank you very much. We will now begin the question and answer session. We'll take our first question from the line of Avnish Roy from Nomura. Please go ahead.

Avnish Roy – Nomura: Thanks. My first question is regarding sunscreens. We have seen the market leader become more aggressive in the past few months. How has the market share been trending? I am asking about your sense of the real market share, rather than official third-party data, which may not always show the true picture. What is the outlook for market share in sunscreens?

Management: Honestly, there is no other reliable indicator of online market share for us. The only offline data we get is from Nielsen, but 60-70% of the market lies online. We did receive a Euro Monitor indication last year declaring that Derma Co is now the number one sunscreen brand in the country, ahead of legacy brands. That is one external piece of data based on external interviews. Otherwise, all our brands continue to be bestsellers across platforms. Our focus on using multiple brands to win in the sunscreen portfolio—using Derma Co for actives, Aqualogica for hydration, and Mamaearth for natural ingredients—continues to deliver results.

Avnish Roy – Nomura: Thanks. It was a strong quarter for you, and even your core brand Mamaearth has seen a good growth comeback. Distribution expansion has also been decent. How do you see coming quarters? Will this uptrend continue, or was there any one-off positive impact in the quarter?

Management: We are feeling quite confident that our flywheel and fundamentals have started to deliver strong outcomes in both top line and bottom line. We are very confident that this trend of delivering strong growth and improving our margin profile year-on-year will continue. We don't think it is a one-off impact; it is actually driven by the share gains we have seen. This clearly points to the fact that we have done significantly better than other brands. Our playbook around media and content continues to improve, so we feel confident in continuing this trajectory.

Avnish Roy – Nomura: Thanks, that is all from my side.

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

Vivek Maheshwari – Jefferies: Hi, good evening Varun and team. Regarding the teen growth in Mamaearth, are you saying this is something we can build on for the next 5 quarters until the end of FY27?

Management: Vivek, that is the plan. We are feeling confident that we should be able to deliver that, given the gap between our share of mind and our market share, which presents a significant distribution gain opportunity. As the brand strengthens and we gain share in relevant categories, we believe we can continue this momentum.

Vivek Maheshwari – Jefferies: Interesting. For the last few quarters, you have talked a lot about distribution. Historically, you followed a certain curve for going offline. Now that your distribution network is more robust, do you think those milestones or thresholds have changed? For example, can you take a brand offline at 100 crores instead of 500 crores?

Management: I don't think that milestone has changed significantly. It is not just about a brand size milestone, but rather a category-specific milestone. If you have a sizable share within a category online—for example, 200 crores in sunscreen—then you have the right to go offline. However, the case for going offline is not just about distribution; it is about pull. Only when you reach a certain scale online do you see that natural pull offline, which allows for better execution.

When Derma Co was taken offline, its retail margins were actually lower than Mamaearth's because Mamaearth had already established the distribution network and the Derma Co pull was established. This allows you to build the brand more effectively and build confidence with retailers. In the future, those benchmarks might actually go up as the online market expands.

Vivek Maheshwari – Jefferies: That is interesting, because traditional FMCG companies always relied on the pull of hero brands to drive distribution. You don't think your improved distribution scale will accelerate that migration for younger brands?

Management: We could put products in stores if we wanted to, but that doesn't necessarily help the consumer, who now has many more choices than 15 years ago. Availability alone doesn't give a brand the right to win offline. In our view, brands win when they have created traction and pull. If you haven't established that online, you shouldn't extend offline because you will just create high costs and stuck inventory for your distributors. We are being very selective. In Derma Co, we only took the 20 highest-velocity SKUs into offline. That philosophy will continue.

Vivek Maheshwari – Jefferies: Last question on margins and competition. Legacy FMCG companies have a renewed focus on e-commerce. How do you think about competitive intensity regarding your growth and margins, given that many companies are willing to spend heavily to drive growth?

Management: That aggression from legacy players has been there for over 6 quarters now. They have restructured their teams and announced a focus on D2C. In spite of that, our trajectory has only improved. As we build our organization, our D2C-first DNA and understanding of Gen Z content engines provide an edge. We are faster at winning in that environment. We have ridden that aggression for the last 2 years, and we are confident we will find ways to stay ahead of the curve.

Vivek Maheshwari – Jefferies: Super. Thank you and all the best.

Operator: Thank you. Next question is from the line of Parcy from IIFL. Please go ahead.

Parcy – IIFL: Hi Varun and team. I wanted to zoom in on the margin delivery. The margin improvement came as advertising and other expenditures were lower. Is this a quarterly phasing issue, or are these reductions structural and likely to continue?

Management: There are three key buckets for EBITDA expansion: marketing leverage, supply chain leverage, and other operating expense leverage. The contribution from these three varies, but they are our primary levers. This quarter, the absolute value of marketing spend actually increased sequentially; we haven't reduced funding. However, we have become more effective. Focusing on core categories and sharper messaging is delivering better outcomes, which is why the percentage spend is trending down. While there are quarterly phasing issues, we see marketing leverage and overhead leverage continuing year-on-year.

Parcy – IIFL: Where do we expect margins to go in FY27? Is a 100 basis points expansion every year for the next 3 years a fair expectation?

Management: Yes, Parcy, that is a fair expectation and the plan we have discussed. Our goal is to improve the margin profile by 100 basis points annually.

Parcy – IIFL: Regarding newer brands, Derma Co is doing well. Is Aqualogica performing similarly? And besides Mamaearth, Derma Co, and Aqualogica, what is the fourth pillar you see becoming a major growth driver in the next 2-3 years?

Management: Our young brands together delivered 25% plus growth, and we are very bullish on them. As for the next star, it is a race. Rgnome could become a 500 crore brand in the next 4-5 years. BBlunt in professional haircare is a sizable opportunity. Staze is a young brand in a large category and could also be a star. We want to see a race to become the next 500 crore brand.

Parcy – IIFL: Can you reassure us that Aqualogica is performing in line with your targets?

Management: It is on plan.

Operator: Thank you. Next question is from the line of Vineesha Sharma from Ambit Capital. Please go ahead.

Vineesha Sharma – Ambit Capital: Regarding Mamaearth, you mentioned product superiority and sharpened investments are driving mid-teen growth. Is it possible to share data on cohort retention, repeat rates, or productivity at the distributor level?

Management: When you see this kind of growth across all channels—modern trade off-takes, market share in general trade, and e-commerce—it points to the overall consumer franchise getting stronger. At this scale, we aren't focused on small cohort percentages. Overall brand love, affinity, consumer feedback, and NPS are all moving in a positive direction. Ad awareness for the brand is also improving. All of this makes us confident that our actions are moving in the right direction.

Vineesha Sharma – Ambit Capital: Do you think further interventions like innovation or brand repositioning are required for brands like Aqualogica, Dr. Sheth's, or BBlunt?

Management: Every 3-4 years, we re-evaluate our brands' positioning for the future. We have done that with Mamaearth twice and Derma Co once already. Aqualogica has already seen significant work to make it more appealing to Gen Z, and a new refresh is coming up for the summer season. Dr. Sheth's will follow a similar journey. This is a continuous exercise to keep our brands relevant and exciting.

Operator: Thank you. Next question is from the line of Nihal Maheshwari from HSBC. Please go ahead.

Nihal Maheshwari – HSBC: Hi Varun. Regarding other expenses, what specific initiatives are you taking? Also, on the gross margin side adjusted for the reporting change, I see a bit of a contraction this quarter. Could you highlight the reason for that?

Management: On a like-for-like basis, our gross margin is flat year-on-year. This is in line with our guidance of maintaining a 70% plus range, though it can fluctuate based on category, seasonal, and brand mixes. Other expenses consist mostly of supply chain distribution and fixed overheads like admin. While absolute expenses will increase as we scale, it leads to leverage. As B2B offline channels grow, the supply chain mix will lead to improved expense percentages.

Nihal Maheshwari – HSBC: Is this 100 basis points improvement mostly driven by marketing optimization?

Management: It is a mix. Some years it might be skewed toward marketing, and other years toward operating expenses. The combination will help us achieve the goal.

Nihal Maheshwari – HSBC: With all the brands you now have, how do you ensure each gets the right focus to scale up while Mamaearth is in a transition phase? How do you align the management focus across such a wide portfolio?

Management: We structure the organization to achieve our goals rather than setting goals based on our current structure. To become the largest and most profitable BPC company in India, we need every brand to be a market leader in its category. We have separate ownership for each brand and each channel. Each leader follows their own path and partnership, and we maintain that focus because our long-term goals are steep.

Operator: Thank you. Next question is from the line of Pratik from NCM. Please go ahead.

Pratik – NCM: Can you confirm if the 10% growth in Mamaearth is coming from existing distributors growing, and that penetration-led growth is additional?

Management: Yes, over 90% of the growth is from current distributors. It is not just about new distributor appointments. It is on the back of our existing distributor base, especially in General Trade. In modern trade, it is driven by our existing major customers like Reliance, D-Mart, Apollo, and others.

Pratik – NCM: Employee costs rose sharply on a sequential basis. Is there a one-off to call out?

Management: The increase is primarily due to an ESOP provision. We hit a certain milestone that required a payout, and that recognition happened in the second half of the year. Levels should normalize after this period. Part of the increase is also due to higher variable pay because we performed better than planned.

Pratik – NCM: You mentioned focused categories grew at 25%. What is the share of nonfocused categories now?

Management: It is still approximately 25%. The nonfocused categories are growing much slower than the focused ones. Their contribution has come down by 500 basis points this year, and we expect that share to keep reducing. We expect focused categories to reach about 85-87% of the business over the next 3 years.

Operator: Thank you. Next question is from the line of Sukrit D. Patil from ICICI Securities. Please go ahead.

Sukrit D. Patil – ICICI Securities: What are your key priorities for long-term and short-term goals as you expand? How do you balance scaling new brands, deepening distribution, and sustaining profitability?

Management: Those are indeed our three priorities: growing the core Mamaearth brand in double digits, ensuring young brands deliver market-leading performance with new categories, and ensuring our online and offline distribution is excellent. We must balance all three together to align growth and profitability.

Sukrit D. Patil – ICICI Securities: What financial guardrails or capital allocation rules guide your decisions on margin protection?

Management: The focus is to ensure we deliver market-beating growth. Given our gross margin profile, every year we intend to unlock margin improvements through a mix of marketing and overhead efficiencies. This ensures we deliver the right profit growth and value to our stakeholders.

Operator: Thank you. Next question is from the line of Akshay Krishnan from ICICI Securities. Please go ahead.

Akshay Krishnan – ICICI Securities: how is the competitive game shifting as you move deeper offline? With D2C brands becoming mainstream, how is your strategy evolving between agility-led disruption and distribution-led competition?

Management: Both our online and offline channels continue to grow strongly. Online, we are strong and must hold and gain share. Offline, there is a massive opportunity to build distribution. We are focusing on the scale of the opportunity rather than the challenges. Our margins are generally better than legacy competitors, and our pull is stronger than younger D2C brands. That combination helps us gain share in chemists and modern trade.

Akshay Krishnan – ICICI Securities: How do you manage management bandwidth to ensure focus doesn't get diluted across many brands and initiatives like Oral Beauty or Prestige?

Management: It is about organization design. We have clear accountabilities. If the design and the people are right, the design takes care of the outcome. We spend a lot of bandwidth on that. Investment allocation is based on the "chessboard"—where we want to use our talents and gain traction in specific categories.

Akshay Krishnan – ICICI Securities: As Mamaearth expands into General Trade and chemists, how do you preserve the brand's premium status? Do you intend to become a mass-market brand?

Management: We have maintained, and will continue to maintain, a brand premium over mass brands. This is visible in our P&L; and our pricing. We do not participate in the mass-market price points of less than 20 rupees. Access to Mamaearth starts from 100 rupees. While this limits expansion into every single outlet, we believe premiumization is a mega-trend. Brands that hold their aspirational status will gain better share in the long run.

Operator: Thank you. Next question is from the line of Jai Prakash from Excela Advisory Services LLP. Please go ahead.

Jai Prakash – Excela Advisory Services LLP: How does the company ensure that marketing through influencers operates within reputational risk frameworks?

Management: We follow clear guidelines in line with ASCI requirements. Every brief we issue has clear guidelines, and we haven't been flagged for violations. Our campaigns follow these standards, and we have oversight mechanisms to monitor them.

Jai Prakash – Excela Advisory Services LLP: Does the acquisition of D2C companies by large players like HUL pose a threat to your business?

Management: We have always faced competition. We were born into a category with much larger legacy competitors. We believe value is created by focusing on the consumer—their preferences in product, communication, and distribution. If we focus on the consumer, they will continue to reward us by choosing our brands.

Operator: As there are no further questions, I now hand over the call to the management for closing comments.

Management: Thank you for all your questions. It is always heartening to hear from you. We remain focused on executing our strategy and are confident we will continue to delight you. Thank you.

Operator: 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.