



May 28, 2025

To,
Listing Department
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, C/1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051

To,
Listing Department
BSE LIMITED
P. J. Towers,
Dalal Street,
Mumbai – 400 001

Scrip Symbol: HONASA

Scrip Code: 544014

Sub: Transcript of Investor Call

Dear Sir / Madam,

Pursuant to Regulation 30 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, copy of transcript of the Investor call held on Thursday, May 22, 2025 on the audited financial results and operations of the Company for the quarter and year ended March 31, 2025, is enclosed.

The said transcript is also available on the Company's website at www.honasa.in.

This is for your information and records.

Thanking you,

Yours faithfully,
For **HONASA CONSUMER LIMITED**

DHANRAJ DAGAR
COMPANY SECRETARY & COMPLIANCE OFFICER
Encl: a/a

Honasa Consumer Limited

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| CIN: L74999DL2016PLC306016 |



**“Honasa Consumer Limited
Q4 FY '24 Earnings Conference Call”
May 22, 2025**



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. RAMANPREET SOHI – CHIEF FINANCIAL OFFICER – HONASA CONSUMER LIMITED

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



Moderator: Ladies and gentlemen, good day, and welcome to Q4 and FY '25 Earnings Conference Call of Honasa Consumer Limited 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 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 Institutional Securities. Thank you, and over to you.

Pooja Kubadia: Good evening. I would like to welcome you all to 4Q FY '25 and FY '25 Earnings Conference Call of Honasa Consumer Limited. Today on the call, we have Mr. Varun Alagh, Co-Founder, Chairman and CEO; Ms. Gazal Alagh, Co-Founder and Chief Innovation Officer; and Mr. Ramanpreet Sohi, Chief Financial Officer. We will start the call with opening remarks prepared by the management followed by the Q&A session.

Over to you, Mr Varun.

Varun Alagh: Thank you. Hi, everyone. Welcome to the Q4 performance update for Honasa. I'm going to spend the next few minutes just taking you through the update that we've shared, and then we will open it for your questions. Starting with the first segment of our presentation, which is basically crystal gazing the future of I-Beauty.

It's a segment that we've been sharing for the last 4 quarters as well on what our view of how Indian BPC segments are going to shape is. And today, we're going to talk about hair care, which we believe is a large category that's growing -- and there is a lot of growth that's going to happen because of premiumization in this segment.

And our view is shampoo conditioners, hair styling categories which are going to grow faster than others in the segment. And even within these categories, we believe there are 4 areas which are going to drive premiumization.

Within shampoos and conditioners as a category, there are 3 clear emerging spaces where the consumers are willing to give premium for brands. The first one which has already existed and has been taking this share has been the naturals segment. Naturals as a category has actually grown 2x compared to the rest of the category over the last 5 years as well, and we expect naturals to continue to take share from non-naturals over the next 5 years as well.

There are 2 newer spaces and one which has already emerged, which is the space of professional hair care, be it in salon or at-home use. This is also a market which we expect that will grow much faster in coming times and will help premiumize the category. We have Blunt as a brand which plays in this.

And the second big trend that we see shaping over the next 5 years is the way actives have taken share in skin care as a market. Scalp is the new skin, hence, actives in hair care is a trend that we expect to see over the next 5 years. And our brand Derma co. will participate in the category

in that trend. And overall, I think premiumization is something that will continue to drive this category.

Moving on to our financials of quarter 4 and FY25 we have been working on certain fundamental changes and improvements, be it in our distribution system or in our investment allocation. We've started to see green shoots which are showing up and which are now visible in our results as well. In Q4, Honasa grew by 13.3%, a healthy double-digit growth.

And the UVG growth, which demonstrates our consumer traction was healthier at 21.2%. Gross profit has improved Y-o-Y and EBITDA remained stable compared to last quarter, even after some of the experimentation that we have done in this quarter, and we generated almost INR74 crores of cash being a negative 24 days working capital for the company.

From FY '25 perspective, we've grown at about 7.7% to deliver INR2,067 crores in revenue. Gross margin improvement has been there. Profit did take a hit because of the project Neev execution and corrections that we had to sort of take. But overall, I think some of those fundamental changes have actually added beautifully to the company's future, and we're already seeing green shoots of the same.

If you were to double click on some of the highlights of the quarter, the first that I would start with is our core brand Mamaearth. This has been a strong focus area for us, and we made certain changes to make sure that the brand gets back on its growth path, which is where we would like to see it.

We have decided to focus on a few big categories, which is facewash, shampoo, sunscreen, moisturizer and baby. We also changed our investment allocation mix towards this and deployed a better media mix which is more effective and happy to share that we are seeing early green shoots of this change in strategy.

And these focus categories, which contribute to about 70% to the brand in Q4 itself in channels like e-commerce and modern trade, where you see the impact of any of your actions earlier than other channels where there can be a lag and have actually grown in double digit for Q4, which is a healthy sign.

We will just remain consistent with what we've been doing and also sort of continue to drive our distribution and product superiority agenda and we are very confident that over the coming year, we'll be able to turn around the brand fortune as we have sort of planned.

This is also visible, of course, in the retail Nielsen shares. Brand has gained about 100 basis points Y-o-Y in face wash as a category becoming top 5 brands in face washes basis Nielsen in the offline market as well now. Even in shampoos, we have gained 22 basis points in value market share. So the changes that we have done in our GT system are also sort of starting to stabilize and show up in some of the Nielsen shares.

Coming to the GT distribution system update and overall offline update, I think we are seeing the changes now deliver stable, consistent sort of outcomes. It's a step-by-step journey, and we need to build this back inch by inch, but we are clearly seeing that happened the teams have been

consistently adding direct distributors. For FY '25, our direct distribution has now reached about 102,000 outlets, which used to be at about 45,000 to 50,000 before we started this year.

All of this has happened because of the direct distribution transition that we have done. Our direct distributor contribution has gone from 38% to 71%, which is what we had planned for as we ended the year. Our modern trade offtakes also in Q4 on account of the investment changes that we did have become healthier at about 20% plus for our key accounts.

Younger brands, of course, continue to drive good growth momentum for FY '25, young brands have grown at 30% plus Y-o-Y. There is new categories and portfolios that each of the brands are building, and we are focusing on making sure that they win and build in these portfolios, both from product superiority and right consumer insight.

Derma Co continues to move from strength to strength. It is the largest brand in the country and continues to grow strongly. This quarter, because of the improved distribution system where we clearly called out that improving that pipeline will also allow us to build our other newer brands as they scale.

We have actually seen that goodness coming in Derma Co now in offline, which is GT plus MT in March has done INR100 crores ARR. This is a healthy sign that the distribution system is able to distribute more brands as well as the brand is seeing traction in offline, and that will also become one of the levers of growth for the brand in coming years.

Of course, online continues to enjoy the consumer love that it was in terms being the bestseller. It's face cleanser business, which was the third category apart from Serum and sunscreen that we were building has now grown about 100% in Q4. Innovation capability continues to be our strong area of focus. But now we are deploying it very sharply across our focus categories for Honasa to drive both newer partitions ingredients as well as to drive premiumization.

And we have done some really breakthrough innovations in the prestige category to build premiumness for our brands. And these are first to India innovations. Derma Co the first Indian brand to launch a microneedle-based serum shot and the first brand to launch Vitamic C-based ampoule kit in serums.

Dr. Sheth's is the first brand to launch Pdrn as an active in India. So clearly, we are looking at how we can bring the best of global actives and technologies to India and also at a prestige pricing for our brands to become more premium.

R&D and product superiority continues to be an agenda which is very high priority for the team. This year, we've done a fair bit of strengthening across our R&D capabilities via the acquisition of Cosmogenesis and then further strengthening our R&D muscle. It's already showing in our product improvements and superiority that we've been driving.

These are 2 examples of what we've been able to achieve over the last 12 months with this new R&D method. We have improved our serum by working on a new technology, which is based on certain penetration enhancers and using nano particle actives sizes, which is shown in

consumer preference as well where in blind testing, Derma Co serums were preferred significantly over leading Indian brand and a leading international brand.

Also in cleansers, Mamaearth gel face washes have finally beaten the market-leading gel face washes in blind testing, again, something which is an area that is going to be an area of continuous focus for us. And we are not stopping here. We will continue to work on these areas and further improve and extend these gains as well as deliver them in other different categories as well.

AI is something which is clearly not a buzzword anymore. It's become a genuine technology that is going to make a significant difference in terms of how organizations can become both more effective and more efficient. Agentic workflows is something that at Honasa, we are taking extremely seriously, and we have got a dedicated team who is working on different agentic workflows, which can help make our different functions more effective across marketing, supply chain, finance, etcetera.

These are some of the examples of things which we've already executed on skin analyzer, purchase assistants, which can actually talk to consumers in any language and answer any kind of questions around products. Social listening has been taken to a next level based on the learning models. Content evaluation and generation, which is being done by generative AI as well as in customer service, multilingual capabilities and have already been moved. I think this is an agenda where in this year, we want to focus a lot on and build a lot of internal Agentic workflow tools, which will help our teams execute better.

Aside this, our purpose agenda continues to remain strong. As our brands grow, their contribution to the community also grows. This year, we expect Mamaearth to hit the 1 million mark that we had sort of set out 4, 5 years back when we started this initiative. Rest all the brands also continue to touch the communities across India and add value in whatever little way we are able to. With this, I come to the end of the presentation. Thank you so much for listening and would love to answer your questions.

Moderator: We will take our first question from the line of Percy Panthaki from IIFL Securities.

Percy Panthaki: I just wanted to understand the Mamaearth growth on a primary basis, has it turned the corner and come to a positive Y-o-Y growth because last couple of quarters, I mean, the growth was -- I mean, it was a decline rather than a growth. So have we reversed that? Or are we still marginally negative?

Varun Alagh: Hi Percy, as I mentioned, in Mamaearth, our entire focus is now on certain set of focus categories. In those focus categories, yes, our growth is positive, and it is in double digits in specific channels like e-commerce and modern trade. Those are the categories that we will continue to sort of focus on, and track and we'll continue sharing updates on those categories as a sum with you going forward as well. Those categories currently contribute to 70% of the brand.

And we believe with the kind of efforts we want to put in over the next 2 to 3 years, they should get to 85% to 90% of the brand's contribution. So that's the strategy implement and that's the

early results that we've seen because we have only implemented our efforts starting February onwards.

Percy Panthaki:

Got it. Got it. So Mamaearth as a whole, including the non-focus categories, when do you think that comes into a positive Y-o-Y growth territory? Will it be like in 1 or 2 quarters? Or could it be longer than that in your view? Because I understand the strategy overall, and I agree with that.

But just the fact that the non-focus parts declining does put a pressure on the overall top line growth. So just wanted to understand from that point of view that as a brand as a whole, when does it come to a positive Y-o-Y growth in your view?

Varun Alagh:

It's difficult to comment. I wouldn't even want to sort of comment on that because the math is that these focus categories where we are putting in the effort, they did show the right kind of green shoots. And now it's only been sort of 2 to 3 months of execution of those strategies.

Hopefully, the growth momentum in these categories continues to become better and the decline in non-focus categories, we can't comment on how much or how that will take shape. But from a strategy perspective, I think our whole goal will be that these focus categories continue to grow in double digits as we move forward.

Percy Panthaki:

Got it. On the other brands, apart from Mamaearth, you've mentioned that they are at 30% plus. So just a small clarification here. Is it that as an aggregate, they are 30% plus or each of them individually also is 30% plus?

And if there is any sort of differential performance in terms of some of the brands sort of doing significantly better at 50% and some of the brands being slightly slower at, let's say, 15%, 20%. I mean, without quantifying, if you can just call out any such differential, if at all, there is one, that would be great.

Varun Alagh:

No, the number actually refers to aggregate. We're not disclosing brand level performance. But of course, that aggregate is arrived by certain brands being above that and certain brands being below that.

Percy Panthaki:

Got it. Got it. No, my only question was that do we feel that each of these 4 or 5 different brands are sort of doing well on their own? Or is there any of these brands where you think that this is a little bit iffy in terms of that particular brand's growth trajectory?

Varun Alagh:

Percy, I think every brand has its own journey. Every brand sort of goes through a different kind of category creation and development. So our agenda depending upon what kind of category and proposition the brand lies and how consumers sort of traction on that sort of category or trend line is. Our investments also vary according to that and the growth will also vary according to that. as long as the overall cohort sort of continues to do well and gain share, I think that's what we should probably watch on.

Percy Panthaki:

Fair enough. Last question is on the GT sort of disruption that we had. I mean, where are we on that now? And would you say that stock levels have stabilized or are very close to stabilizing

and, let's say, from next quarter, within GT, we would have primary equal to secondary or it will take a few more quarters for that?

Varun Alagh:

Yes. in terms of transition, In terms of our inventory levels cleanups and all of that is completely done. And now as we move forward, it's just about building on that strength. And every quarter, we'll continue to sequentially build on that strength.

It's a bit of a physical inch by journey and where a lot of on-ground execution is required to get better. But as we have shown in the last 3 quarters also how the team has been able to build direct distribution, I think that agenda will continue to thrive over the next 2 quarters as well.

Percy Panthaki:

Yes. My comment was just in the context of your comment in the PPT saying secondary has grown faster than primary, which means that you're still sort of bringing down stock levels with the distributors. So is that something that will still happen over the next few quarters? Or we are at the end of that process now?

Varun Alagh:

Yes. I mean we are almost at the end of that process. Some of that secondary-primary gap is BAU because on an ongoing basis, there is also sort of damage expiry that you take back and sometimes secondary-primary gap is because of that also. But now it's not because of inventory levels, our inventory levels are absolutely in the right range. So going forward, that is not something that we see as an issue.

Moderator:

Next question is from the line of Vivek M. from Jefferies.

Vivek M.:

So Varun, continuing from the previous participant, so in terms of journey, what we saw second quarter was probably the trough and what you answer percy in terms of inventory levels are fine now. So do you think the -- let's say, the second quarter marked the trough, things got better in third quarter, even got further better in fourth quarter.

From here on, the cleanup bit is done and now it's more around growth. Is that fair from your energy perspective, from management's time and bandwidth that is where you will be spending time? Or the other way of putting it is, are there any areas which require serious attention or it's more around growth that you'll be focusing on?

Varun Alagh:

Vivek, so I think the management bandwidth is now fully dedicated to getting our strategy into execution. Our strategy has two parts to it. The first part was where to play, which is identifying the right categories and partitions in which we want to play. And second was how to play.

I think the where to play piece of our strategy, we clearly have been able to arrive at and that part is done. The how-to-play part is where we believe we are 70% there. All the experiments, pilots, etcetera, that we were doing and most of them have clearly sort of delivered learnings. We are 70% there.

I think over the next 2 to 3 months, we should further strengthen the how-to-play strategy and sharpen that. And then onwards, it's actually just pure execution of that, which we intend to do vividly and make sure that we get to our long-term goals that we had set out for. So that's how we look.

- Vivek M.:** Okay. That's good to know. In terms of FY '26, both on growth as well as margins for, what are your, let's say, expectations? I wouldn't say guidance, but what is it that you're thinking right now for FY'26?
- Varun Alagh:** The plan would, of course, be that we deliver a double-digit growth in FY '26 in terms of value. We intend to continue to use every quarter to build that; go from strength to strength in terms of our execution. Even in terms of EBITDA, of course, compared to last year, of course, we will see significant improvement by about 250 basis points over last year in FY '25. And by the exit, we hope in terms of EBITDA profile, we should get back to our FY '24 levels
- Vivek M.:** Interesting. Interesting. And the other bit on TDC, where TDC is in its journey, this INR100 crore ARR is in the offline channel is probably way ahead, way-way ahead of where Mamaearth was. Is my understanding correct that whatever measures you have taken on the distribution side on the offline bit has obviously helped or corrected Mamaearth, but it actually serves as a platform for, let's say, TDC now and then Aqua Logica and other brands in future?
- Varun Alagh:** I would say absolutely the correct understanding, Vivek. That was the whole intent of making those fixes going to that pain and building out this distribution system as well. This is supposed to be a pipeline for all of our brands in the future. And the healthier, cleaner, broader that pipeline, it will be able to carry more business into the offline distribution channels, which we are already starting to see. So yes.
- Vivek M.:** Okay. Got it. And last question, Varun, is Mamaearth, when you say the focus categories, which is 70%, that has grown double digit. Is that you're talking about the basket as a whole? Or you are talking about this on e-commerce and modern trade, this 70%.
- Varun Alagh:** So this 70% on e-commerce and modern trade has grown in double digit. And this is only in Q4, right, whereby February is when we really started executing our strategy. So I would call it a good green shoot because these are the channels where the impact of whatever you do shows up earlier while other channels might have.
- Moderator:** We'll take our next question from the line of Mehul Desai from JM Financial.
- Mehul Desai:** Congratulations on a good set of numbers. First question, Varun, just on the A&P spend side, how do you see your A&P spends going into FY '26? What we have seen as a percentage to sales in Q4, do you think that is what is will be maintained? Or do you see leverage benefit coming in on the A&P side also in FY '26, '27?
- And second, apart -- I mean, I understand that, obviously, Derma Co is doing fine. Other brands, other newer brands and other than Derma Co, which are the -- I mean, if you have to take any 1 or 2 names which you think that can see a journey like Derma Co in FY '26, '27, which would be that brand? These are the 2 questions from my side.
- Varun Alagh:** Yes. Thanks, Mehul. So from an A&P perspective, like we have mentioned in the past, that's the bucket where we see potential leverage and we will drive effectiveness to that end. And hence, if there is EBITDA improvement that will happen, that will be one of the buckets, which will add to that improvement.

From a perspective of your second question, which is the way Derma Co has performed, which are the brands -- I mean, honestly, our attempt will be all our brands move in that dimension over the next 3 to 5 years.

And we are very confident that the spaces that we have chosen are spaces that are very consumer-oriented and our investment in these brands should also pay out with a similar kind of trajectory in these brands that Dermo has seen. So attempt will be on all fronts. Let's see which horse sort of break through for us.

Mehul Desai: Sure. And just on Derma Co, if you can give some flavor on how was the margin trajectory for Derma Co? And last question would be on what are your targets on the distribution expansion on the offline side for FY '26?

Varun Alagh: So from a derma co perspective, last year was the year when the brand became EBITDA neutral. This year, the brand has become single-digit EBITDA positive. And I think we will continue to strengthen its EBITDA profile going into next year and the next, that's the trajectory that we want to see for the brand. Your second question around -- could you repeat that?

Mehul Desai: Your target for the distribution.

Varun Alagh: Yes, sorry. Yes. So in the coming year, we would like our GT channel to add at least 50,000 more outlets into our direct distribution from a 12-month unique coverage perspective. So we would want to see this number which is 100,000 to get to 150,000 as we exit the next year, 12 months from now.

Moderator: We'll take our next question from the line of Neil Doshi, an Individual Investor.

Neil Doshi: Actually, I wanted to ask with regards to more direct-to-consumer Mama Earth stores and shops, which can be made open in malls, etcetera, high streets. So what is the view regarding that as well as export contribution with regards to Middle East and other regions that we export to.

Varun Alagh: We have our EBO channel. Mamaearth currently has over 100 stores across 20-plus cities in the country, most of the A-malls and prime malls locations Mamaearth has EBO stores. And these stores serve both the purpose of bringing our larger assortment and categories to life in the physical world as well as purpose of building imagery for the brand. But we don't have significant plans on sort of using that as the core business or distribution channel, the expansion is fairly limited on that front. Our distribution and business channels continue to be GT, MT and online, which we focus on.

Our international focus also while it continues to be there as a business, and it's not a key management sort of focus and agenda. Our focus continues to be on India market and cracking that for Honasa overall and building brand for Indian Gen Z and millennials. And that's what sort of will remain focused. We do get demand from other markets, and we have a strong international team that services that demand, but that's about it.

Moderator: We'll take our next question from the line of Jitendra Arora from ICICI Prudential Life Insurance.

- Jitendra Arora:** Varun congratulations on the set of numbers you delivered this quarter. My question is more around understanding the construct of the growth, given that we have called out a top line growth of 13%, whereas UVG growth is 20%. And my own perception was the growth is getting driven by brands like the Derma Company, Aqua Logica, which my perception was are more premium in nature. So just want to understand this gap between UVG and top line growth.
- Varun Alagh:** Thanks for asking that question. So there are actually two sort of core reasons of why this sort of growth is higher in terms of UBG versus. We have 2 types of businesses, right? We have a B2C business and we have a B2B business. And our business on marketplaces like Amazon, Flipkart as well as our D2C business falls in the basket of B2C businesses.
- And then the entire business of modern trade, quick commerce, GT and falls in the space of B2B business. Now B2B businesses have lower realization on revenue compared to B2C businesses. So for each unit sold, you make lesser revenue in B2B compared to B2C. And the contribution of B2B businesses for us has been going up.
- Of course, in e-commerce, it's because of the quick commerce growth that has been happening, and that's the B2B business transition from an e-commerce platform that we've seen as well as beauty platforms growing faster. That's the transition that has also led to B2B to B2C.
- And then in offline side, again, because MT has grown well as well as GT sequentially has done better. And those are contributing to a shift towards more B2B-driven growth, which is why UVG is higher than value.
- Jitendra Arora:** Okay. One more question would be, Varun, given that you called out that we are amongst the top 5 brands in shampoos, if I'm not mistaken, right?
- Varun Alagh:** Yes sir.
- Jitendra Arora:** And we've also improved our market share in shampoos by around 20 bits.
- Varun Alagh:** Yes. Yes.
- Jitendra Arora:** So just want to understand, given that shampoo large volume and maybe slightly lower value will also be through low unit packs where perhaps we may not be participating as of now. So if we were to look at where we are participating, how would the share be?
- Varun Alagh:** Actually, the shares that we mentioned is in bottles only. And the share that we talk about actually is in bottles because LUPs is not in area that we participate in. So that's the share that we sort of talk about.
- Moderator:** We'll take our next question from the line of Ishpreet Kaur from Relax Capital.
- Ishpreet Kaur:** I just wanted to understand the advertising number that you shared of INR766 crores. Is it possible to get a breakup between the spends online and offline?

- Varun Alagh:** We do not share such breakups. And there is -- actually, there's no online or offline spends because these are A&P spends. And a large part of our spends are in the digital mediums and some, of course, with our customers. So this is the sum of all of that.
- Ishpreet Kaur:** This also includes the discounts or the offers that are there on the product?
- Varun Alagh:** Not really. The discounts and offers, etcetera, are net off from our revenue.
- Ishpreet Kaur:** Net revenue. And how is this number likely to be like going forward? Is it going to be in line with the revenue or lower growth?
- Varun Alagh:** Like I mentioned, this is a bucket from which we see leverage in the coming years. And hence, we want to drive effectiveness and make sure that as a percentage, it keeps going down over years.
- Ishpreet Kaur:** Okay. And is there a metric maybe for us to better understand as to the spends that we do on the digital marketing as to how much is the spend and how much is the kind of sales? Is there any metric for us to better understand this?
- Varun Alagh:** Not really. We are investing in brand building, which is a long-term investment to build these brands and awareness of these brands. And that's the core investment in this business, and that's what we are doing.
- Moderator:** We'll take our next question from the line of Chockalingam from ICICI Prudential Asset Management.
- Chockalingam:** Varun, how are you all thinking at the Board level about dividends as a policy and how to balance because you guys are generating decent amount of cash flows. So how are you all thinking about it?
- Varun Alagh:** So honestly, don't have a definitive answer for you yet. At this point of time, we would love to also find opportunities of allocating this cash and investment towards more growth opportunities. Of course, in due time, given the company will continue to generate cash, we will come together and deliberate on this and share a view as it forms on how we would like to distribute that cash...
- Moderator:** We'll take our next question from the line of Manoj Menon from ICICI Securities.
- Manoj Menon:** Three quick clarifications from my side. One, I'm sorry if I missed this in your earlier comment while I was listening. The Mamma online, offline piece, particularly in the offline, where are we currently? And just on the Mamma piece because that's where we started off with and the rest of the brands are like Dermo Co, etcetera, happening currently or rather in the last year or so.
- Just the online offline piece, some numbers are heard about, if I remember correctly, I think 70% is through dedicated distributors versus, I think, 30-odd percent earlier, etcetera. Just some of those journeys and how do we look at the milestones you have for the next 12 months on the off-line distribution to begin with? That's the first one.

Varun Alagh:

So from an offline distribution perspective, again, our focus will continue to be on the focus categories that we have called out on Mamaearth. In modern trade, these categories have already started showing good growth, like we said, we are in double-digit growth in Q4 itself.

In GT also sequentially, they are getting better, and we'll continue to track them sequentially and continue to build on them. And every quarter, the focus will be that we further enhance distribution of these focus categories in both GT as well as drive double-digit growth in MT.

Manoj Menon:

Varun, is it fair to, let's say, make a statement of hypothesis that material part of incremental growth for Mamaearth will now will actually come from offline? Adjusting for obviously, I'm not concerned too much about the one-offs for the next few quarters, maybe even for a year of the defocus, etcetera, that's a transition.

Adjusting for that on a like-for-like basis, is it fair to say that for the Mamaearth as a brand in totality, let's say, a significant portion, if I have to put a number there, let's say, 80%, 90% of the incremental growth will come from the execution in offline, particularly in GT, again, like-for-like without taking, let's say, a normalized growth for a GT -- sorry, for an MT or an e-com?

Varun Alagh:

To be honest, Manoj, our objective would be that our 3 channels of focus in terms of growth are e-commerce, GT and MT. We would like the focus categories to grow in double digit across these three channels, not only one.

And like we had highlighted the investment allocation piece would not only deliver healthy growth in offline, but also help us deliver that growth in e-commerce, which is also a sizable channel for the brand. And hence, I do believe that apart from offline, e-commerce also the focus categories will deliver double-digit growth going forward.

Manoj Menon:

Okay. Okay. Okay. Fair enough. Secondly, Varun, maybe just about a year back, you had, let's say, experimented with low unit price packs at the price point, let's say, relevant for what Mamaearth stands for. Let's say, things close to 12 months now, if not longer. What's been the, let's say, learning from those experiments? Is it worth ramping up or it's?

Varun Alagh:

No, actually, very healthy learning and a very relevant sort of question as well. Like, for example, to give you a reference, in face washes, most of the brands which are bigger than us in terms of share today, the 50 ml to 100 ml ratio of is skewed almost 3x towards the 50 ml pack. While in our case, currently, the pack is actually smaller than. In the last 1 year, we have seen a very good traction on our execution on that pack.

Of course, it got a little disturbed because of our execution breaking down because of GT changes, etcetera. And now that we are back to that early traction in PMF is actually established. That's actually the core focus area in terms of road and that we will be driving with because we clearly see a lot of headroom in those small packs that we have launched, and we'll continue to double down on them. 4

Manoj Menon:

Understood. Can I take a few more questions? Is that okay? I need to get back in the queue?

Varun Alagh:

You can...

Manoj Menon:

Okay. Varun actually, let's say, take -- let's say, again, 6 to 9 months back, there is one comment about, let's say, the -- in the learning cycle, the necessity to increase the salience of Euro products for Mamma Earth in offline. Are you -- along with the segments you want to operate in, that's probably a marketing decision. From a sales vector point of view, have you now, let's say, are you clear about these are the, let's say, SKUs for each of those segments in Mamma Earth as we speak? Or is it still in an active mode?

Varun Alagh:

Manoj, like I mentioned, I think the where to play was the work that we were doing for the last 6 months. I think a lot of clarity has emerged, right, on that front. We are very clear about a few hero SKUs, be it in facewash, be it in shampoo, be it in be it in moisturisers that we want to drive and build.

And some of them are already scaled and we are just doubling down in terms of growth and share on them. And some others are very young and new that we've sort of introduced to get into a certain partition. Those will be build journeys as well as within these categories, we have recognized a few partitions for the brand and where the brand currently is either not present or very weak. And those are partitions where we will innovate with a winning mix and commit to building them over the next 3 to 4 years. So that's how we see that...

Manoj Menon:

Okay. Last two questions or clarifications. Any changes to the customer acquisition cost which you have to make in the last 12 months, again, on a like-for-like basis? And how do you see that -- the reason I'm asking because the comment about, let's say, 4Q FY '26 margins is where it should be similar to FY '24. I believe that you alluded to this because FY '25 had one-offs.

So adjusting for that, probably it's better. I'm just trying to understand is, given that, let's say, if you grow double digits, there should be some leverage, which should also kick in. Given that, let's say, within that, let's say, if offline outpaces, let's say, the other channels, again or the GPU is what I mean in offline, again, it should also add to margins.

So is there any changes to the CAC or let's say, there is a willingness probably to spend more on the newer brands? How do I think about the margin algorithm here linked to CAC?

Varun Alagh:

Manoj, we do not honestly think in terms of CAC because we are a fairly multichannel sort of brand strategy. We think more in terms of brand awareness, reach and frequency for our brands and investing in brand -- of course, the reality has been that the younger brands have been growing faster, and these are brands which do require higher A&P spend because they are young, they're 3 to 4 years old and hence, the awareness is low.

So that's something that we are investing in building and we will continue to invest and build. And even from a channel perspective, while GT continues to get better. But given our young brands are still 90% online, that growth is largely driven from online as a segment. So there, the investment continues to be strong in terms of driving relevance.

And that's how I would suggest you see. But yes, that's an area which we do see leverage arising out of as channel mix, brand mix as well as effectiveness of comes into play over...

Manoj Menon: Understood. And lastly, a creditable performance team for, let's say, improving working capital by about 7 days, right? I mean from minus 11 to minus 18 is what I saw after the results came if I got into the call. If you could just talk about -- in fact, it's a very good performance given what has happened to the channel mix during the year and probably the other focus areas you might have had as the top management.

If you could just help us understand what are those drivers which was -- which, let's say, the unlocks which helped you achieve this? And let's say, how much more you could do to take out in the medium term, probably 2 to 3 years?

Varun Alagh: Manoj, you're asking about working capital efficiency, right?

Manoj Menon: Yes, that's right.

Varun Alagh: Yes. So yes, I think from a cash generation perspective, I think Q4 obviously has been a good quarter for us, both from a profit perspective and also working capital improvement generation. It's a mix of, of course, how our channels have scaled and also efficiencies from a receivable cycle and extending the payable cycle in some cases.

So I think that has been a consistent focus for the last 3, 4 years, and I think we've had some directional improvements there. And hence, what I see is that this is probably a trend which would sort of -- it will not probably be difficult to continue from here. We would want to retain the cash generation cycle at these levels as we move forward. Optimization on the inventory side has happened during the quarter, which has led to better for us.

Moderator: We'll take our next question from the line of Nitin Gupta from Emkay.

Nitin Gupta: Just one question. How are we going to go about around 30% of your non-focus categories under Mamaearth?

Varun Alagh: Nitin, I think strategically, we're just activating them, serving them, being tactically present wherever the sort of be it in online or offline these categories exist. We don't intend to invest marketing monies in them and sort of that's how we see it in terms of that cluster size also, we want that contribution to reduce from 30% to 15% and contribution of focus categories to increase significantly over the next 2 to 3 years. So I think new investment, tactical availability is the only thing that we expect to do on the categories.

Nitin Gupta: So this means like a gradual sort of reduction in the portfolio rather than rollback of certain category offerings?

Varun Alagh: Yes, Nitin. In fact, it's not really roll back. I mean, to give you an example, a category like body lotions, which is a non-focused category. Now in season, because the brand has natural traction and awareness and we have relationships with our modern trade accounts, there is demand that comes in for that category, we just serve that demand.

I mean it won't grow, it might even sort of not stay where it is due to which if the brand grows and it stays where it is, the contribution will keep sort of going down. But it's a category that

will generate that gross margin, which we will invest back in the focus categories to win back share and then I think that's how we see some of that.

Moderator: We take our next question from the line of Mudit Minocha from M3 Investment.

Mudit Minocha: Great bounce back from last quarter. Just a few questions. I wanted to ask what is your like next year growth revenue and EBITDA guidance, then I'll go to next 1, 2 years.

Varun Alagh: Honestly, we're not sharing any guidance from our next year perspective.

Mudit Minocha: Right. So on the serum category, is the category still growing 30% plus? And how is our share shaping up? And how do you feel about serum category in the next 2, 3, 4 years?

Varun Alagh: We're actually pretty bullish about that category. We have talked about that category in one of our presentations in IT as well. It's still -- we expect the category to grow at close to those 30% kind of numbers in the next year as well. And we want to make sure as a company, we gain share in that category.

So we want to grow faster than that in the category. And we will put all our sort of efforts. We've already launched a superior product portfolio to take on that category. Now it's more about communicating to consumers and ensuring excellent execution to gain share in that.

Mudit Minocha: Right. So in your presentation, you have said that your secondaries have been good, better than primaries. And just wanted to understand from the new set of distributors that you have enrolled, how many of them have placed repeat purchases? And how many of you are confident that these have built a decent franchise in the cities?

Varun Alagh: I think that's honestly a monthly exercise which sort of continues to happen. The fact that our over dues are nail, the fact that our secondaries continue to sort of climb and GT distribution continues to climb from a direct perspective and are all signals that these new partners are fairly strong and stable in helping us deliver our execution agenda.

From a perspective of quality, like we had sort of mentioned, I think 70% to 80% of our sales are in green in terms of the scorecard and quality that we expect from our partners and balance is work in progress that we will keep doing over the next few years.

Mudit Minocha: On quick commerce, if you are tracking your market share versus peers, is your market share in quick commerce per se better than the incumbents like the large ones. So to just directionally say that your presence in quick commerce is better or you're able to crack this channel better? Any nuances that you have picked or your focus there?

Varun Alagh: Actually goal as well as North Star metric is more internal there because it's a new shipping channel. And we wanted our shares to be higher than what our overall e-commerce shares are. And that's the metric that we are chasing. In most of the categories as we speak, our shares in QC are actually higher than our overall e-commerce share. So that's a healthy sign because if the channel grows, our overall share will sort of grow faster. So that's the metric that we are tracking.

- Mudit Minocha:** Great. And if you could also elaborate about the few experiments that you are trying in different geographies and any color that something is positively shaping up and that you want to take it to them in the pan country, just for our understanding. That's my last question.
- Varun Alagh:** Like I mentioned, I think there are so many of them that we tried, I won't be able to sort of share elaborate details. But the fact that Mamaearth where most of those were done has seen certain green shoots in our core channels and focus categories points to the fact that these experiments have been showing positive results.
- Some of the experiments still continue to be on. We will learn from them over the next 2 to 3 months based on which, like I said, we will have a holistic effective how-to-play playbook that we will deploy in coming quarters to continue winning in the market.
- Moderator:** As there are no further questions, I now hand over the conference to management for closing comments. Over to you, sir.
- Varun Alagh:** Thank you so much for all the interesting questions. Thank you.
- Moderator:** Thank you. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.