



August 20, 2025

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

To,
Listing Department
BSE Limited
Scrip Code: *544014*

Sub: Transcript of Earnings Conference Call held on August 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 August 12, 2025, on the unaudited financial results of the Company for the quarter ended June 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

Encl.: As above

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**“Honasa Consumer Limited
Q1 FY26 Earnings Conference Call”
August 12, 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



Moderator:

Ladies and gentlemen, good day, and welcome to the Honasa Consumer Limited Q1 FY '26 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. Thank you, and over to you, ma'am.

Pooja Kubadia:

Good evening, everybody. Welcome to 1Q FY '26 Earnings Conference Call for Honasa Consumer Limited. Today on the call, we have Mr. Varun Alagh, Co-Founder, Chairman and CEO; Ms. Ghazal Alagh, Co-Founder and CIO; and Mr. Ramanpreet Sohi, Chief Financial Officer.

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

Varun Alagh:

Thanks, Pooja. Hi, everyone. Welcome to the Q1 FY '26 call. I'll take you through the presentation for the next 10 minutes and then we will open for FAQs. Starting with the first section which we have been capturing in the past as well, which is our view on how the future of Indian beauty and personal care is shaping up.

In the past, we have talked about sun care, serumization, premiumization of face care and hair care. And today, we are talking about growth of color cosmetics category. We believe there are three core macro reasons which are leading to the growth in this category. The first, of course, being increased women participation in the Indian workforce, which is a phenomena that continues and I think the next couple of decades will be a strong tailwind for this category.

The second is how the adoption of this category is becoming younger over decades. A few decades ago in the last century, this used to be 'after marriage' category and which is why bridal sets used to be the biggest sort of beauty color cosmetic drivers. Over time, it went to 'first job', then through college, right, and now is reaching school levels in terms of the adoption of this category.

We believe, looking at the global trends, the category adoption will continue to become younger as well, as the category -- the width of category adoption will continue to become wider. It used to be just a two product category in last century, which was lipstick, kajal and probably some compact. From that, the category has evolved quite a lot. And now a lot of different types of lip products, lip liners, concealers, etcetera, are also becoming mainstream.

A combination of these three levers will ensure that this category grows the fastest amongst all cohorts in BPC over the next decade or so. We believe that by '28 itself, this is going to be a INR17,000 crores category. By 2030, this should be more than INR20,000 crores category, of which lip should be the largest sub segment and that's the sub segment that we are actually currently focusing on strongly with our play in Staze as well as in Mamaearth and we are quite optimistic and bullish on how both the category and our play.

Outside of this, coming back to the quarter 1 FY '26 performance, we've delivered our highest ever quarterly revenue and PAT in the history of the organization, which is also a short history

of about 8.5 years. But in that journey, this is the highest quarter in terms of revenue and PAT that we have had.

This is a 7.5% Y-o-Y growth, 11.6% sequential growth. Gross margin has seen improvement by 48 basis points. EBITDA at 7.7%, which is a sequential improvement of 260 basis points. The quality of growth is actually even healthier because, again, UVG is at 10.5% is 300 basis points ahead of the value growth. So it's volume led growth. Working capital continues to be negative.

This growth could have been higher if the early onset of monsoon would not have taken place. There is some impact in our largest category, which is sunscreen that we have seen on account of softness in sunscreen category in June. But overall, this is the performance that we have had in Q1.

If you look at it from an EBITDA perspective, sequentially, we have gotten 264 basis points better. This is on account of gross margin expansion, increased salience of the offline channel as well as the scale leverage that we've seen coming in overheads. We'll continue to work on efficiency and effectiveness levers to make sure that our bottom line grows faster than our top line as we move forward from here.

From a highlights perspective, I think the first key thing for me to talk about is the strategy of focus categories. I think while overall value growth is in single digits, but focus categories which contribute now already to about 80% of our revenues, have grown in double digits. And that's a healthier indicator of our strategic shift that we can see. And this is actually across, be it in online or in offline where we've seen the focus category approach working for us.

We'll continue to double down on this approach, and we are confident that this will lead to even better results in the future. Mamaearth was a clear area of focus that we have talked about over the last few quarters and continues to be a strong area of focus for the company. In Q4, we talked about how in modern trade and e-commerce the focus categories have turned positive.

Now in Q1, the focus categories in these channels have actually turned double digit. And the focus categories across all channels have now turned positive. So again, the change in strategy that we have done is showing results. And this growth is also now competitive growth because if you look at Nielsen shares in offline or our e-com shares, they are actually growing Y-o-Y and sequentially, respectively.

So we are seeing healthy green shoots of the strategy that we've implemented, which is basically a three pronged strategy, focused on sharp category partitions and in those category partitions have superior products, awareness led brand building, right, and an always-on media strategy. This is what we've been executing starting February, and we are seeing healthy results of the same.

In fact, in the latest Kantar Brand Health Track amongst the online buyers, Mamaearth is now perceived as the number one face cleanser and shampoo in the Brand Power survey that Kantar does, which is again a healthy sign of the brand pull and confidence that we are building among consumers.

Apart from Mamaearth, the GT distribution has been a continuous area of focus, and happy to say there also the green shoots continue. The strengthening in terms of infrastructure quality is now paying off in terms of -- earlier the secondary sales growth was healthy in terms of sequential. Now even on Y-o-Y basis that growth is becoming healthy.

From a direct outlet reach perspective, we've gained by 50%. Nielsen also is showing a growth of 20% in terms of our distribution numbers and modern trade offtakes are also healthy. All in all, the pain that we sort of took is starting to pay off in terms of fruits. We are still continuing our work on fundamental infrastructure improvement because this is going to be a long-term lever of growth for us and that work, both in terms of capability processes and infrastructure, will continue to take shape.

Apart from this, the young brands continue on strong growth trajectory with a 20% plus growth in Q1 as well. In all of the young brands, we are looking at now building 'plus 1' categories out of their core categories or partitions. In BBlunt hair fall as a partition; Aqualogica, moisturizers as a portfolio; Dr. Sheth's serum as a portfolio; and Staze lipstick as a portfolio is what we are focusing on building and we are seeing strong green shoots in all of these.

The Derma Co, of course, continues its strong trajectory. We are very confident this is going to be our next INR1,000 crores brand over the next few years. The two categories which were strong for the brand and had a INR200 crores plus run rate were serum and sunscreen. We are happy to inform that we now have a third category within the brand, which has touched more than INR100 crores run rate and is growing at 100% plus in terms of growth with acne as a partition, being the partition where the brand is doing well.

And in Q1, we've also entered in hair care as a category, which itself is a INR13,000 crores category with hair fall as a partition in peptide-stem cell as a technology that we have used to enter into that partition. Our objective will be, like face cleanser, to build this into a strong category for the brand.

We continue to strengthen the offline channel with strong focus on offtakes and expansion in chemist outlets. But overall, the brand continues to deliver superlative growth rate.. Innovation continues to be a strong pillar for us. We have now aligned it more towards, again, the focus categories that we have called out.

Within those categories, entering into new partitions, strengthening our current partitions is the role that innovation is clearly driving. Across the brands, we've done effective innovations with strong launch rational, which you can see here. Apart from innovation, of course, renovation continues to be a very strong focus area. We have talked about product superiority being something that is on our minds all the time, and we are trying to enhance and improve product chassis across our portfolios.

In the past, we have talked about how in serum and in face wash, we have tracked blind test winning commercialized formulations, which are beating the core competition in blind test. I'm happy to inform that we now have a shampoo formulae as well, which has beaten the leading

global brand in blind testing by a decent sort of margin and we are now commercializing this across our shampoo portfolio in Mamaearth.

We have also taken pride in the fact that as a company, we are 'India first' and we build for Indian consumers, right, and contexts. Taking clue from that, our innovation team has been working on this technology called anti-pollution factor. India has a pollution problem. And of course, in the next H2 this will become a large problem across cities.

And we wanted to make sure that our sunscreens, which provides sun protection, not only provide protection from sun, but also provide from pollutants. And that's the technology that we have been able to launch in Aqualogica called APF, which is an anti-pollution factor technology that provides 80% protection from external pollutants. And now we have that as part of our sunscreen portfolio.

We've also been listening to consumer conversations around need for skin type-based skin care. In line with that brand like Derma Co where we have our 1% hydronic sunscreen portfolio that we have extended into different skin types now with a different sunscreen for dry, normal and oily. And this is also something that consumers have responded very well to. So we'll continue our strong focus on listening to consumers and innovating for the Indian consumer.

Apart from brands, the next focus area has been around investing in people. We have a few leadership changes that we've seen. We have Yatish who has joined us as Chief Business Officer, and comes with 17 years of experience across Unilever and Flipkart, good offline/online exposure, joins us to lead the business teams across online and offline systems.

We've also seen elevation of two of our leaders who have been with us for more than 3 years. Avinash and Karan taken over as Chief Supply Chain and Chief Human Resource Officer. Apart from this, we've also launched a milestone-based ESOP plan for our leadership cohort. This is a plan which is whereby everyone's goals are aligned now to certain organizational EBITDA and revenue milestones.

And the plan gets unlocked and everyone creates value when as an organization we hit those milestones, and bringing a certain cohesiveness amongst the leadership group in driving organizational level goals, as well as excitement and retention in the talent pool that we're building. Apart from this, our work on purpose in giving back to community continues strongly.

Mamaearth is now very close to its goal of planting 1 million trees. The Derma Co has provided science education to more than 30,000 kids. Aqualogica has provided clean water plants to more than 900 households. BBlunt has provided salon certifications to more than 15,000 women. And Dr. Sheth's vehicles which do health checkups in multiple villages have now completed 32,000-plus health checkups. So as our brands grow, our contribution to communities also continues to grow.

Thank you so much for listening in. I would love to answer the questions that you have.

Moderator:

Thank you very much. We will now begin with the question and answer session. Our first question comes from the line of Dhiraj Mistry from ICICI Securities.

Dhiraj Mistry:

First of all, congrats on decent performance for the quarter. So the first question is regarding young brands, so which was growing at 30% plus earlier. Now that growth has come to the 20% plus growth. I understand that the base is now getting a bit bigger. But how do you see the competitive intensity in this segment?

So because we have seen that some of the large players have repositioned their flagship brands with active ingredient plays plus some of the science-based products also. So how is the competitive intensity in those segments and how you are planning to mitigate that?

Varun Alagh:

Thank you for asking the question. I think, firstly, I would agree with the fact that the size of this cohort has actually become large. It's actually more than 50% contribution now. So as a group, it's actually bigger than Mamaearth for us now, and which is where the base effect does come into play. But within that environment, a 20% plus continuous, sort of, growth will make sure that it is a share gain play that we continue to do.

Now, also specifically referring to what I talked about, the sunscreen impact is also higher within this cohort itself because this is the cohort where we have brands which have almost 70% contribution coming from sunscreen as a category. So there is a bit of that early monsoon impact as well.

Competitive intensity, I would say, is high and has been increasing. But I think that's a reality that we are fairly tuned into. And we just need to ensure that be it our formulations, propositions or our communications remain ahead of the curve so that consumers choose our brands. So I'm not as worried about that. That's an edge that we need to sort of internally develop. But yes, I mean, that's my view on that.

Dhiraj Mistry:

Yes. And so if you can help us the growth, excluding of sunscreen impact, what would be the growth for the full -- for this quarter?

Varun Alagh:

So honestly, there is -- at a company level, I would say the impact of sunscreen growth is about 200 basis points. I mean, of course, --the rest of the math can be done. But at a company level, the impact is about 200 basis points.

Dhiraj Mistry:

Yes, I completely understand that. And second question is regarding the profitability front. So we have seen decent increase in our profitability during the quarter. So what percentage of this contribution would be because of the lower A&P spend for these young brands now that has been becoming big. And also, in a way, it will help us to see what is the profitability of these younger brands. And if you can break up between The Derma Co and other younger brands?

Varun Alagh:

Yes. So I mean, like we have talked about in the past, right, I mean, brand profitabilities are a journey of their age and scale. Derma Co became profitable. Last year it became a single digit, now is a high single-digit level of profitability. Rest of the brands, of course, are still in invest zone and hence, are not profitable, expected to become profitable in next couple of fiscal years basically. And that's the journey which they are all tracking on is how adds up.

Dhiraj Mistry:

Okay. Okay. And third and last question from my end. So now the base would be catching up or let's say, the low base of Mamaearth would be catching up because of the general trade reset

that we have done. For the remaining part of the year, is it safe to assume that we can aim for double-digit top line growth and with improvement in profitability also?

Varun Alagh: Yes. We do believe that for the remaining part of the year, we'll have good double-digit value growth. And from a profitability perspective, we should be in this zone of 7% for the rest of the year as well.

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

Sucrit Patil: I have a specific question for Mr. Varun Alagh. This is Sucrit Patil here. Sir, my question is, as Honasa grows across brands and offline stores, what are the key bets you are making that you believe will drive the next phase of growth? And if some of these bets like new formats or markets don't work out, what is your backup plan to protect margins and keep the momentum going?

Varun Alagh: Thank you. I think like we have discussed today as well as in the past, there are 7 focus categories that we have chosen, which have been carefully chosen, keeping in mind the kind of growth, right to win, gross margin profiles, et cetera, that we have seen for these categories. And these are the categories in which our ambition is to, over time, become market leaders as a company. And I think that's the strategy that we would continue to implement.

Now within that, whatever consumer needs, innovations, price points need to be serviced, we will continuously listen and provide those products to the consumers. But overarching, that will be the category strategy, followed by a strategy of ensuring that we win across distribution channels, be it in online or in offline, by doing right data based investments in online and right infrastructural investments in offline. Combination of these two, we are confident will lead to market-leading growth for our brands in the medium term.

Sucrit Patil: Okay. So just to close the loop, as the competition rises, are there any long-term levers like tech or supply chain or brand partnerships that Honasa is planning in the coming days? And if you are planning some partnerships, can you discuss it with which firm are you planning?

Varun Alagh: No, I think the long-term levers for us would continue to be -- they have been in the past, data and technology. That continues to be a very strong part of all decisioning that we do even within the company today, which is based on data and now based on a lot of LLMs that we have been internally instituting.

Apart from that, the right media mix modelling, the right distribution partnerships with -- be it the offline or with the online players, be it e-commerce or QC players as well as strong partnerships with digital ecosystem partners like Google and Meta are what we are relying on and building strongly to deliver on our plans.

Moderator: Our next question comes from the line of Mehul Desai from JM.

Mehul Desai: So my first question is, obviously, on the younger brands. If ex of TDC, if you can give some flavor on Aqualogica, Dr. Sheth, BBlunt, Staze, how these have done in the quarter? And is any

of the brand where you are seeing results which are better than your expectations? And any of the brands where you think more work needs to be done? That's the first question.

And the second question is on the margin side. Obviously, you did guide that 7% is something that can be sustained in FY '26. On that, I just wanted to double click. One, on the staff cost, do we see the INR60 crores run rate sustaining? And also the other expenditure this quarter, I mean, there has been a 10% de-growth. So it's a decent control that has been done on other expenses as well as the A&P spend side. So how do you see these cost line items also, whether that can sustain, especially on the A&P side? These are my two questions?

Varun Alagh:

Thanks, Mehul. So on the younger brand side, I mean, we've been talking of them as a portfolio. We will continue to talk about them as a portfolio because comparatively, nobody else just gives brand level growth. That said, I think from a quarter 1 only performance perspective, like I said, the brands which have much higher sunscreen reliance like Dr. Sheth's and Aqualogica were relatively behind plan, but we are very confident that over the year. They will catch up to their plans and the balanced brands actually do ahead of plan. But overall, that's the picture that we saw. They're all in their journeys. They're all building other categories also which becomes important to diversify. And in those other categories, we are seeing high double-digit growth for most of these brands. So we are confident that over time, that will also get built up and the diversification risk will also get reduced.

Apart from that, on your point of margins, I think finally, we have -- these are the large cost heads for us, Mehul, the A&P and the opex cost head. Gross margin, like I said, we have been continuously focusing on, and we have seen slight improvement as well. But these are the 2 places from which we expect efficiencies to be effective, not just in this year, but also in the coming years to go. And hence, these are the 2 focus areas where we continue our control.

And of course, because of the ESOP plan, we do expect some higher impact on opex side. But overall, because of the effectiveness in A&P, et cetera, we'll still be able to manage and deliver the 7% that we have talked about. I hope that answers.

Moderator:

Our next question comes from the line of Jitendra Arora from ICICI Prudential Life Insurance Company Limited.

Jitendra Arora:

Congratulations on a good set of numbers. I just want to understand from you since we talked about the journey of margins and how they are a factor of scale and the age of particular brands. So just from your vantage point, as and when these brands, let's say, achieve a certain scale of, let's say, INR1,000 crores or INR1,500 crores, what kind of milestones do you have in mind as an organization that you would want these brands to see at?

So would it be, let's say, a mid-teens kind of things, high teens or maybe in early 20s where we see some of the more mature organizations having their margins?

Varun Alagh:

So to answer your question, again, we are very early in this journey. We do believe from a next 4 to 5-year view that some of our larger brands will surely be in the mid-teen kind of EBITDA range. And from there on, we will need to further see the journey of next 5 years, how it shapes.

The other difference that we also see is the online versus offline kind of brand presence and creation, which is there between us versus some of the other FMCGs, where their online contribution is supposed to go up, our offline contribution is supposed to go up, but yes, from next 4 to 5 years perspective, we can still see that mid-teen in our top brands to be surely happening. And beyond that, I think in a few years, we'll be able to give you a healthier version of where do we see it from the next 7 to 8 years.

Jitendra Arora: To put it differently, in terms of what kind of improvements do we expect to see, let's say, year-on-year? Like earlier, we had, I think, said that we will see 100 to 150 basis improvement on an annual basis for at least a few years till we reach. So do you think we are there on that journey that from here, let's say, if we are around 7%, we'll see 100 basis kind of improvement at least for next 2, 3 years, if not more and then obviously?

Varun Alagh: Very much. Not just 2, 3, right, but probably for the next 5 to 6 years, we want to ensure that that's the journey of improvement that we continue to be on.

Jitendra Arora: And just one last question on how are we tracking in terms of market share in quick commerce versus, let's say, the GT channel?

Varun Alagh: So actually, the right question in comparison will not be QC versus GT. So quick commerce versus GT, our market shares are far higher in quick commerce compared to our market shares in GT. Actually, our internal benchmark has been quick commerce versus e-commerce shares. And in almost all of our focus categories, our quick commerce shares are higher than our e-commerce shares, which is where it's a very healthy sign that any transition that happens from any other channel towards quick commerce is actually going to be healthier for us.

Jitendra Arora: Can we say the same about the margins, as in so if the shifts happen from e-commerce to quick commerce?

Varun Alagh: From a margin perspective -- compared to e-commerce, the margins are better.

Moderator: Our next question comes from the line of Pratik from HSBC.

Pratik: This is Pratik from HSBC. I have a couple of questions. You did highlight it in the presentation, but I'd appreciate it if you can elaborate more on how the core brand Mamaearth is doing across your focus and non-focus categories, please. And my second question is on A&P expenses.

So they are running at about 35% of sales as of now, of course, with different levels for different brands. Can you elaborate on what kind of levels does a mature brand need? And what are we basically heading towards for the mature brands, say, Mamaearth and The Derma Co in a few years? Some color on that would be helpful?

Varun Alagh: Yes. I think the first question, like I said, right, we had recognized a few clear interventions needed in Mamaearth around October, November of last year. We took some time and worked on building a plan as well as content and strategy to execute these interventions, which we started executing from February onwards.

In Q4FY25 itself, we could see some green shoots of these interventions in e-com and modern trade channels, where the focus categories, which contribute about, at that time, about 65% to the brand had started to grow in double digits in these channels. In Q1, the focus categories now contribute to close to 70% plus of the brand and are growing double digit in e-com and MT and across all channels in single digits.

So again, showing green shoots in the right direction on the strategy that we have adopted. Like I said, if we continue to see these gains, we are confident that over the year, the brand overall should also be back to growth profile and then from there onwards to a stronger growth profile over years is how we see that shaping. In terms of A&P expenses, especially for larger, more mature brands -- we think -- and this is something --

Pratik: On the second question.

Varun Alagh: Yes, I was just taking that up. Yes. Can you hear us? Am I audible?

Moderator: Yes, sir, you're audible.

Varun Alagh: Okay. So I'll continue. On the A&P trajectory, we believe over the majority of brands, this number should settle around 27%, 28% for brands, right, as they sort of grow over the next few years.

Moderator: Pratik sir, does that answer your question?

Pratik: Yes. So you're saying 27%, 28% is for mature brands and will probably be higher for different brands depending on the journey?

Varun Alagh: Yes, absolutely.

Moderator: Thank you. Our next question comes from the line of Neel Doshi from PL Capital. As there is no response from the line of the current participant, we'll move on to the next question. We have the next follow-up question coming from the line of Pratik from HSBC.

Pratik: A quick bookkeeping question, please. Your stand-alone number seem to have been restated. Can you please elaborate on that, please?

Ramanpreet Sohi: Yes. I think that's because of the approval of the merger of our two entities, which are our wholly owned subsidiaries, Fusion, which houses our brand Dr. Sheth's and there was another entity called Just4Kids. Those two got approved for merger and hence, they have been -- our standalone financials have been restated to that account.

Moderator: Our next question comes from the line of Aditi Parmar from I-Wealth Fund.

Aditi Parmar: Congratulations on a good set of numbers. Just wanted to ask that there is a significant amount of cash in the balance sheet. So are you looking for any acquisitions in the future? How are you going to utilize this cash?

Varun Alagh:

Thanks for asking the question. Yes, we do have a healthy balance on our cash balance on the balance sheet and continues to grow with the negative working capital and profitable profile of the company. We continue to look at potential acquisition opportunities, which could be portfolio additive in nature in the areas which we feel are strong growth hypothesis areas for the category.

I mean, we currently don't have anything which is in the stage that we can share with you. But that's a continuous exercise. We continue to do that. And we'll also look at figuring out younger opportunities that we can participate in the future to utilize this capital to drive growth from a long-term perspective. And outside of that, in the medium term, we'll also look at dividend as a strategy for cash utilization.

Moderator:

Our next follow-up question comes from the line of Mehul Desai from JM.

Mehul Desai:

Just one question again on the profitability side. Varun, obviously, you had guided for 150 bps kind of improvement going ahead. Now obviously, this year itself, we are at 7-odd percent. Would you still maintain that guidance of 150 bps expansion year-on-year continuing over medium term or you would say that, obviously, this year, obviously, you have got it ahead of your expectation?

Varun Alagh:

I mean exact math would be difficult to share, but like we have mentioned the attempt is to improve profitability by 100 to 150 basis points each year. So if you look at from a CAGR perspective, years might vary, some will be higher, some will be lower. But overall, that's the trend line that we'll follow in the coming 4 to 5 years.

Mehul Desai:

Got it. And lastly, from a regional performance perspective, is there any underlying trend that you would like to highlight? I mean, whether in the North, South, East, West, is there something different on a regional performance perspective?

Varun Alagh:

Honestly, no significant differential in performance. But what I would say is, honestly, being a North-based company, we believe that we haven't leveraged on the South opportunity as well and as we should have. And that's an internal focus area for us on how to get our vernacular communications as well as our insighting right to better serve the South markets and make sure that our shares are fairly indexed across the regions.

Moderator:

Our next question comes from the line of Kimberly Paes from Envision Capital.

Kimberly Paes:

I just wanted to know that there were a few articles about us getting to the beauty device, beauty tech sort of market. Is this an area of interest for us? And how big would it be if it is?

Varun Alagh:

No, currently, no strategic interest in that area. The article did not have any backing from the company and its spokesperson.

Moderator:

Our next question comes from the line of Vismaya Agarwal from Citigroup.

- Vismaya Agarwal:** Varun, if you could share an update on Project Neev , how are things trending now that it's been, what, almost 8 to 10 months of that project? And any updates on the distributors that you appointed? Is there any churn or how stable that bit is? Yes, that's the big question for me?
- Varun Alagh:** Thanks, Vismaya. So I think the like I mentioned, all our efforts on stabilizing and building an infrastructure, which can service our plans over the next 5 years, right. I think it's going in the right direction, right. The direct distribution metrics, like I said, has -- are 50% up and our inventory levels are very well under control now, less than 30 days on our direct distributors. We have zero overdues in terms of credit and a very healthy credit profile also.
- We continue to improve the quality of our partners one geographical cell at a time. That's an ongoing work in terms of improving our infrastructure. But I would say, of course, the worst is behind us, right, But the best is still ahead of us. We still need to continue to work in terms of improving infrastructure quality across cells, which is an effort both in terms of people, capability and partners that our teams continue to engage.
- Moderator:** Mr. Agarwal, does that answer your question?
- Vismaya Agarwal:** Yes. Sorry, the line broke in between. Yes, got the answer. Varun, just one more bit is on the statement that is there in the presentation where you say the secondary sales are growing on a healthy rate. Now -- but when I look at the Mamaearth overall brand performance, it's probably a slight decline, whatever that quantum be.
- And then I would assume the general trade part of it is where there's still some bit of rationalization in the non-focus part, the ex-of focus part rather, which we are doing. So from that aspect, is there still a difference between the primary and secondary sales the way the brand is trending or not so much?
- Varun Alagh:** So very slight difference in case of Mamaearth, where we still continue to be very sort of sharp about correcting assortment and driving the right portfolio. But then there is also the positive delta that the channel is getting from The Derma Co scale-up and introduction, a combination of which is leading to positive sort of growth at the channel level.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Varun Alagh for closing comments.
- Varun Alagh:** Thank you so much, everyone, for patiently listening in and asking your valuable questions. We look forward to meeting you again in the next quarter. Thank you.
- Moderator:** Thank you. On behalf of Honasa Consumer Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.