INSTITUTIONAL RESEARCH

Honasa Consumer

Healthy Q2 delivery; execution continues to aid

We maintain BUY on Honasa Consumer, with Sep-27 TP of INR 565, on 5x sales (which implies 37x on EV/EBITDA and 46x on P/E). Our preference for Honasa is at the back of better understanding and execution to address consumer needs well. The company has evolved its offline distribution well (refer our note: *Offline execution aiding overall growth*) with enhanced assortment and throughput (expanded 30% YoY in Q2), which is actioned addressing the needs of channel partners. We continue to see younger brands (which grew 45% YoY) leveraging playbook of established Mamaearth and The Derma Co (refer our note: *Execution continues to outpace the FMCG pack*) and they are geared to support growth needs in future. Q2 results were ahead of expectations, with revenue growing 36% (supported by 31% volume growth), EBITDA rising 95% YoY and OPM at 12.7%, up 385bps YoY. Reflecting this strong performance, we have raised earnings estimates by 8% for FY27 and by 5% each for FY28 and FY29. Beyond FY27, we forecast mid-teen revenue CAGR over FY27–29, with margin improvement of +140bps to 14.5% in FY29, driving a robust 20% earnings CAGR.

- **Healthy Q2FY27 topline show with 31% volume growth:** Honasa delivered strong Q2 performance, with revenue up 36% and volumes growing 31.3%. Net price growth returned after many quarters, led by MRP hikes to offset crude-derivative inflation. Historically, value growth trailed volume growth because logistics costs are booked differently across channels — recognized under other expenses for online sales, but part of distributor margins in offline. Focus categories (~5% share in the INR500bn universe), now contributing 80%+ of Honasa's revenue (up 370bps YoY), grew 40%+ YoY. All major channels showed improved traction: e-commerce platforms grew 20%+, while general trade and modern trade each delivered 40%+ growth. Within general trade, direct outlets saw a 30% YoY rise in throughput. *Mamaearth* continues its high-teen growth trajectory, gaining 140bps share in face wash and 50bps in shampoo. In offline, management highlighted that 80% of the growth delta is coming from base stores. Younger brands accelerated to 45%+ YoY growth. *The Derma Co*—now the second brand with INR10bn ARR — maintains strong and profitable momentum, supported by all-time high brand searches that signal rising consumer affinity. Honasa's offline reach stands at ~320k stores (driven largely by *Mamaearth*), with *The Derma Co* present in ~65k outlets.
- **Margin remains healthy at ~12.7% in Q2:** Gross margin stood at ~70%, contracting 55bps YoY. EBITDA margin expanded 385bps YoY to 12.7%, driven by a mix of A&P and channel-mix efficiencies (250–270bps) and operating leverage (110–130bps). EBITDA came in at INR929mn, up 95% YoY and 13% ahead of our estimate. Adj. PAT of INR731mn grew 86% YoY and was 11% above our expectations. The company sharply accelerated cash generation, delivering ~5x higher cash in H1FY27 vs H1FY26. Looking ahead, we expect the pace of margin expansion to moderate in FY28, as the company increases investments toward future growth.
- **Execution continues to differentiate Honasa from the FMCG pack; maintain BUY:** While traditional FMCG players are consolidating around fewer, larger bets, Honasa continues to leverage emerging trends with a clear focus on efficacy. This, combined with a long runway for offline growth, strengthens its investible appeal. PE stake dilution remains an overhang, but we expect Honasa's execution-led financial performance to offset this.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY27	Q2 FY26	YoY (%)	Q1 FY26	QoQ (%)	FY26	FY27E	FY28E	FY29E
Revenue	7,312	5,381	36	7,559	(3)	23,919	30,044	34,957	40,124
EBITDA	929	476	95	989	(6)	2,362	3,824	4,552	5,569
EBITDA Margin (%)	13	9	386bps	13	-37bps	10	13	13	14
APAT	731	392	86	902	(19)	2,050	3,090	3,630	4,438
Adj. EPS (INR/Share)	2.2	1.2	85	2.8	(19)	6.3	9.5	11.2	13.6
P/E (x)						70	47	40	32

Source: Company, HSIE Research

BUY

CMP *(as on 06 Nov 2026)*	INR 466
Target Price	INR 565
NIFTY	25,030

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 550	INR 565
EPS %	FY27E +8%	FY28E +5%

KEY STOCK DATA

Bloomberg code	HONASA IN
No. of Shares (mn)	326
MCap (INR bn) / ($ mn)	152/1,614
6m avg traded value (INR mn)	1,060
52 Week high / low	INR 510/248

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.2)	34.7	67.9
Relative (%)	(2.8)	30.8	70.6

SHAREHOLDING PATTERN (%)

	Jun-26	Sep-26
Promoters	54.8	54.8
FIs & Local MFs	27.0	23.6
FPIs	7.9	9.0
Public & Others	10.3	12.6
Pledged Shares	8.9	8.3

Source : NSE

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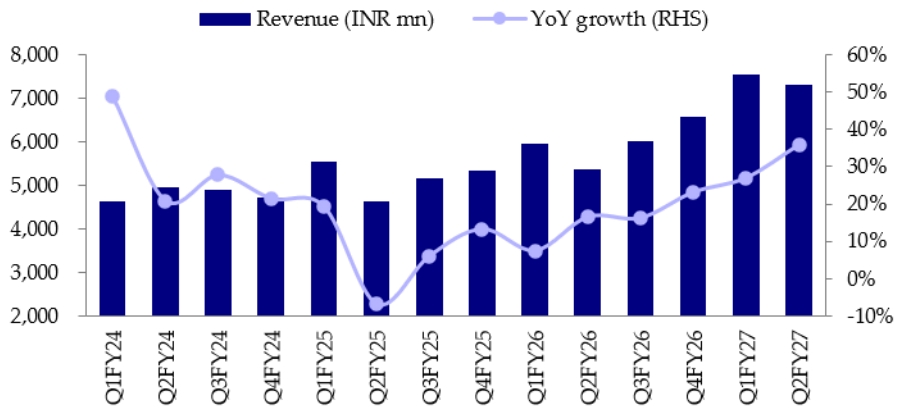
Quarterly result review

Exhibit 1: Quarterly and Half-Yearly P&L summary

(INR mn)	2QFY27	2QFY26	YoY (%)	1QFY27	QoQ (%)	HSIE Est	Act vs Est	H1FY27	H1FY26	YoY (%)
Total income	7,312	5,381	35.9	7,559	(3.3)	6,887	6.2	14,871	11,333	31.2
Cost of goods	2,198	1,588	38.4	2,291	(4.0)	2,066	6.4	4,489	3,302	35.9
Employee expenses	732	598	22.3	777	(5.8)	750	(2.4)	1,509	1,202	25.5
A&P	2,450	1,800	36.1	2,410	1.7	2,200	11.4	4,860	3,860	25.9
Other expenses	1,003	918	9.2	1,093	(8.3)	1,050	(4.5)	2,096	2,035	3.0
EBITDA	**929**	**476**	**95.0**	**989**	**-6.0**	**821**	**13.2**	**1918**	**934**	**105.2**
EBITDA margin (%)	**12.7**	**8.9**	**390bps**	**13.1**	**-40bps**	**11.9**	**80bps**	**12.9**	**8.2**	**460bps**
Depreciation	110	117	(6.5)	105	4.6	110	(0.2)	215	226	(4.8)
EBIT	**819**	**359**	**128.2**	**884**	**-7.3**	**711**	**15.2**	**1703**	**709**	**140.2**
EBIT margin (%)	**11.2**	**6.7**	**450bps**	**11.7**	**-50bps**	**10.3**	**90bps**	**11.5**	**6.3**	**520bps**
Interest cost	32	33	(3.9)	30	4.8	45	(29.6)	62	66	(5.9)
Other income	218	201	8.0	225	(3.4)	220	(1.1)	443	440	0.5
PBT	**1005**	**527**	**90.6**	**1078**	**-6.8**	**886**	**13.5**	**2084**	**1083**	**92.3**
Tax	276	135	103.8	288	(4.3)	226	21.9	563	278	102.8
Tax rate(%)	27.4	25.6	180bps	26.7	70bps	25.5	190bps	27.0	25.6	110bps
MI	2	-		2	(24.6)	-		3	-	
Adj Profit	**728**	**392**	**85.7**	**789**	**-7.6**	**660**	**10.3**	**1517**	**806**	**88.3**
Net margin (%)	**10.0**	**7.3**	**270bps**	**10.4**	**-50bps**	**9.6**	**40bps**	**10.2**	**7.1**	**310bps**
Exceptional	-	-		(113)	-100.0	-		(113)	-	
Share of profit/(loss) of a JV, net of tax	3	-		-		-		3	-	
Reported PAT	**731**	**392**	**86.3**	**902**	**-19.0**	**660**	**10.7**	**1633**	**806**	**102.7**
EPS (INR)	2.2	1.2	84.8	2.8	(19.2)	2.0	10.4	5.0	2.5	101.4

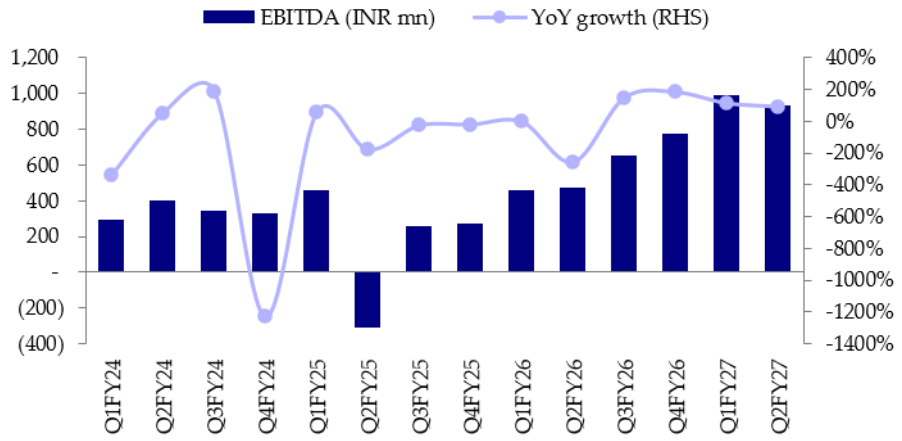
Source: Company, HSIE Research

Exhibit 2: Quarterly revenue and growth trend



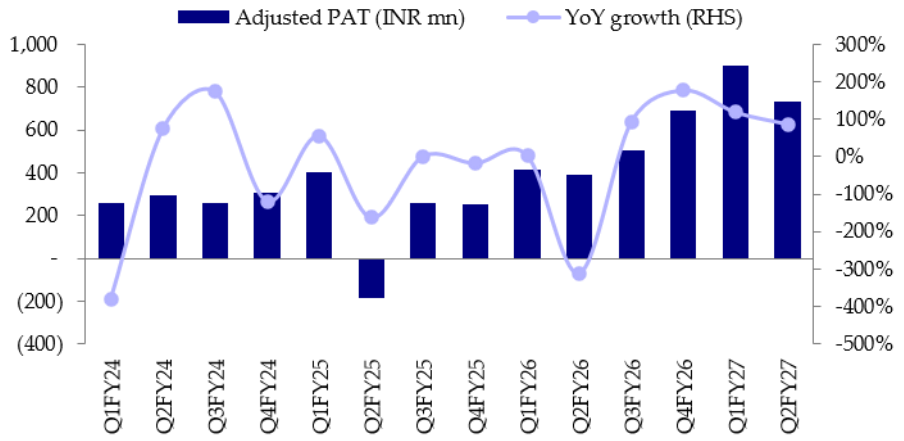
Source: Company, HSIE Research

Exhibit 3: Quarterly EBITDA and growth trend



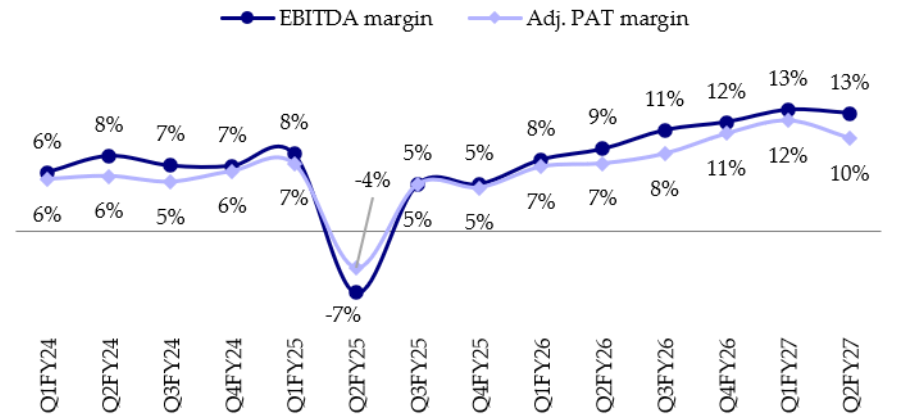
Source: Company, HSIE Research

Exhibit 4: Quarterly adjusted PAT and growth trend



Source: Company, HSIE Research

Exhibit 5: Quarterly EBITDA and PAT margin



Source: Company, HSIE Research

Valuations

Exhibit 6: Honasa's one year forward P/E



Source: Bloomberg, Company, HSIE Research

Exhibit 7: Change in estimates

(INR mn)	New estimates			Old estimates			Changes to estimate		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	30,044	34,957	40,124	29,369	34,146	39,191	2%	2%	2%
growth (%)	25.6%	16.4%	14.8%	22.8%	16.3%	14.8%			
EBITDA	3,824	4,552	5,569	3,543	4,321	5,294	8%	5%	5%
growth (%)	57.0%	19.0%	21.9%	46.2%	21.7%	22.0%			
EBITDA margin (%)	12.7%	13.0%	13.9%	12.1%	12.7%	13.5%			
Adj. PAT	3,090	3,630	4,438	2,862	3,458	4,233	8%	5%	5%
growth (%)	54.6%	17.4%	22.3%	43.1%	20.8%	22.4%			
Adj. EPS (INR/Share)	9.5	11.2	13.6	8.8	10.6	13.0	8%	5%	5%

Source: HSIE Research

Exhibit 8: HSIE estimates vs consensus estimates

(INR mn)	HSIE estimates			Consensus estimates			HSIE vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	30,044	34,957	40,124	29,159	33,839	38,865	3%	3%	3%
growth (%)	25.6%	16.4%	14.8%	21.9%	16.1%	14.9%			
EBITDA	3,824	4,552	5,569	3,545	4,355	5,304	8%	5%	5%
growth (%)	57.0%	19.0%	21.9%	45.5%	22.8%	21.8%			
EBITDA margin (%)	12.7%	13.0%	13.9%	12.2%	12.9%	13.6%			
Adj. PAT	3,090	3,630	4,438	2,874	3,487	4,235	8%	4%	5%
growth (%)	54.6%	17.4%	22.3%	43.8%	21.3%	21.4%			
Adj. EPS (INR/Share)	9.5	11.2	13.6	8.8	10.7	13.0	8%	4%	5%

Source: Bloomberg, HSIE Research

Exhibit 9: Key assumptions

	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Income statement								
Total income growth (%)	105.1%	58.2%	28.6%	7.7%	15.7%	25.6%	16.4%	14.8%
Offline growth (%)	214.3%	91.9%	19.7%	(11.4%)	15.6%	14.4%	11.5%	10.2%
Online growth (%)	67.8%	9.0%	(2.4%)	(8.7%)	(0.8%)	11.7%	7.3%	8.7%
Mamaearth growth (%)	96.2%	34.7%	7.4%	(10.0%)	7.2%	13.1%	9.5%	9.5%
Other brands growth (%)	258.0%	397.3%	320.7%	43.2%	27.8%	39.1%	22.5%	19.0%
Gross margin (%)	70.0%	70.1%	69.8%	70.3%	70.1%	69.5%	69.8%	70.0%
Advertisement (%)	41.5%	35.5%	34.4%	36.0%	32.9%	32.4%	32.7%	32.6%
EBITDA margin (%)	1.2%	1.5%	7.1%	3.3%	9.9%	12.7%	13.0%	13.9%
Adj PAT growth (%)	(101.1%)	(74.2%)	2,863.2 %	(34.2%)	182.0%	50.8%	17.4%	22.3%
EPS (Rs)	0.5	0.1	3.5	2.2	6.3	9.5	11.2	13.6
Balance Sheet								
ROE (%)	2.0%	0.6%	13.0%	6.4%	15.8%	20.6%	21.7%	24.0%
ROCE (%)	0.6%	(0.3%)	11.0%	1.8%	13.4%	20.6%	22.2%	24.9%
Inventory days	25	28	23	28	25	25	25	25
Receivable days	28	31	30	23	30	25	24	24
Payable days	66	48	56	63	58	64	64	64

Source: Company, HSIE Research

Income Statement (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**9,435**	**14,927**	**19,199**	**20,669**	**23,919**	**30,044**	**34,957**	**40,124**
Growth (%)		*58.2*	*28.6*	*7.7*	*15.7*	*25.6*	*16.4*	*14.8*
Material Expenses	2,834	4,467	5,807	6,129	7,144	9,164	10,575	12,037
Employee Expense	788	1,649	1,706	2,004	2,626	2,997	3,373	3,759
Other Expenses	5,697	8,584	10,315	11,851	11,787	14,060	16,458	18,759
EBITDA	**115**	**228**	**1,371**	**685**	**2,362**	**3,824**	**4,552**	**5,569**
EBITDA Growth (%)		*98.6*	*502.2*	*(50.0)*	*244.6*	*61.9*	*19.0*	*22.3*
EBITDA Margin (%)	**1.2**	**1.5**	**7.1**	**3.3**	**9.9**	**12.7**	**13.0**	**13.9**
Depreciation	69	250	306	450	444	431	484	541
EBIT	**46**	**(22)**	**1,065**	**235**	**1,918**	**3,394**	**4,068**	**5,027**
Other Income (Including EO Items)	209	225	497	787	834	905	1,029	1,204
Interest	30	67	90	126	131	150	225	275
PBT before extraordinary items	**224**	**137**	**1,471**	**896**	**2,621**	**4,148**	**4,872**	**5,957**
Extraordinary items	-	(1,547)	-	-	(48)	-	-	-
Total Tax	**80**	**99**	**366**	**169**	**571**	**1,058**	**1,242**	**1,519**
Share of Minority Interest	(13)	(82)	(12)	-	2	-	-	-
RPAT after MI	157	(1,428)	1,118	727	1,999	3,090	3,630	4,438
Adjusted PAT	**144**	**37**	**1,105**	**727**	**2,050**	**3,090**	**3,630**	**4,438**
APAT Growth (%)		*(74.2)*	*2,863.2*	*(34.2)*	*182.0*	*50.8*	*17.4*	*22.3*
EPS	**0.5**	**0.1**	**3.5**	**2.2**	**6.3**	**9.5**	**11.2**	**13.6**
EPS Growth (%)		*(75.4)*	*2,800.4*	*(36.6)*	*181.9*	*50.8*	*17.4*	*22.3*

Source: Company, HSIE Research

Balance Sheet (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS								
Share Capital – Equity	17,929	19,293	3,242	3,252	3,254	3,254	3,254	3,254
Other Equity	(10,873)	(13,234)	7,710	8,546	10,865	12,654	14,331	16,166
Total Shareholders' Funds	**7,056**	**6,059**	**10,953**	**11,798**	**14,119**	**15,907**	**17,585**	**19,419**
Total Debt	682	936	1,341	1,364	1,353	1,489	1,638	1,801
TOTAL CAPITAL EMPLOYED	**7,738**	**6,995**	**12,293**	**13,162**	**15,472**	**17,396**	**19,222**	**21,221**
APPLICATION OF FUNDS								
Tangible Assets	44	135	200	258	222	507	671	793
Intangible Assets	2,840	1,564	1,545	1,553	3,530	2,450	2,320	2,190
CWIP	19	-	5	1	-	-	-	-
Right of Use Assets	532	826	1,243	1,227	1,136	1,203	1,135	1,052
Other Non-Current Assets	895	835	2,027	4,668	6,335	7,340	8,345	9,350
Total Non-current Assets	**4,330**	**3,360**	**5,019**	**7,707**	**11,223**	**11,500**	**12,471**	**13,385**
Current Investments	3,385	2,600	2,918	3,048	2,522	4,022	5,522	7,022
Inventories	659	1,139	1,228	1,583	1,651	2,030	2,365	2,717
Debtors	728	1,277	1,594	1,323	1,983	2,030	2,271	2,609
Cash & Equivalents	877	681	4,857	3,313	2,137	3,385	3,065	2,906
Other Current Assets	372	607	705	944	1,410	1,551	1,706	1,877
Total Current Assets	**6,020**	**6,304**	**11,301**	**10,211**	**9,702**	**13,019**	**14,929**	**17,131**
Creditors	1,704	1,967	2,941	3,568	3,777	5,279	6,150	7,065
Other Current Liabilities & Provns	908	702	1,086	1,188	1,675	1,843	2,027	2,230
Total Current Liabilities	**2,612**	**2,669**	**4,027**	**4,756**	**5,453**	**7,122**	**8,177**	**9,295**
Net Current Assets	**3,409**	**3,635**	**7,274**	**5,455**	**4,250**	**5,897**	**6,752**	**7,836**
TOTAL APPLICATION OF FUNDS	**7,738**	**6,995**	**12,293**	**13,162**	**15,472**	**17,396**	**19,222**	**21,221**

Source: Company, HSIE Research

Cash Flow (Consolidated)

YE March (INR mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	224	(1,410)	1,471	896	2,573	4,148	4,872	5,957
Depreciation	69	250	306	450	444	431	484	541
Working Capital Change	213	(1,048)	1,025	(50)	(597)	1,101	325	258
Tax Paid	(95)	(125)	(324)	49	(603)	(1,058)	(1,242)	(1,519)
Interest/Dividend received	(37)	(43)	(164)	(437)	(501)	(755)	(804)	(929)
Other items	70	314	39	113	98	-	-	-
Extraordinary items	-	1,547	-	-	-	-	-	-
OPERATING CASH FLOW (a)	**446**	**(516)**	**2,353**	**1,022**	**1,413**	**3,867**	**3,634**	**4,307**
Capex	(26)	(117)	(118)	(199)	(70)	(225)	(300)	(300)
Free Cash Flow (FCF)	*420*	*(633)*	*2,236*	*823*	*1,343*	*3,642*	*3,334*	*4,007*
Others	(4,971)	546	(4,581)	(1,252)	(100)	(1,780)	(1,626)	(1,451)
INVESTING CASH FLOW (b)	**(4,998)**	**429**	**(4,698)**	**(1,451)**	**(171)**	**(2,005)**	**(1,926)**	**(1,751)**
Debt Issuance/(Repaid)	(53)	(179)	(257)	(351)	(374)	-	-	-
Interest Expenses	(4)	(11)	(8)	(8)	(10)	(150)	(225)	(275)
FCFE	***371***	***(800)***	***1,987***	***480***	***980***	***3,792***	***3,559***	***4,282***
Change in net worth	4,865	49	3,633	48	4	-	-	-
Others	0	-	0	0	-	135	149	164
FINANCING CASH FLOW (c)	**4,808**	**(141)**	**3,369**	**(311)**	**(380)**	**(15)**	**(76)**	**(111)**
NET CASH FLOW (a+b+c)	**256**	**(227)**	**1,024**	**(741)**	**863**	**1,848**	**1,632**	**2,445**
Add: Beginning balance	**98**	**304**	**83**	**1,070**	**329**	**1,192**	**3,040**	**4,672**
EO Items, Others	(16)	6	(36)	-	-	-	-	-
Closing Cash & Equivalents	**337**	**83**	**1,070**	**329**	**1,192**	**3,040**	**4,672**	**7,116**

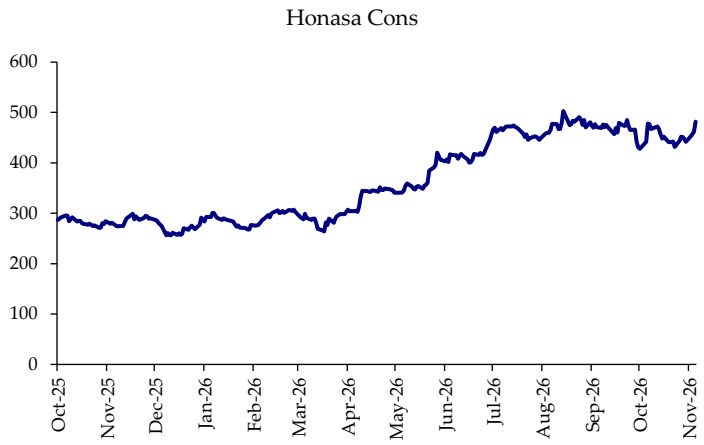
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY (%)								
GPM	70.0	70.1	69.8	70.3	70.1	69.5	69.8	70.0
EBITDA Margin (%)	1.2	1.5	7.1	3.3	9.9	12.7	13.0	13.9
EBIT Margin	0.5	(0.1)	5.5	1.1	8.0	11.3	11.6	12.5
PBT Margin	2.4	0.9	7.7	4.3	11.0	13.8	13.9	14.8
APAT Margin	1.5	0.2	5.8	3.5	8.6	10.3	10.4	11.1
ROE	2.0	0.6	13.0	6.4	15.8	20.6	21.7	24.0
RoIC (or Core RoCE)	0.8	(0.2)	19.4	3.4	17.0	24.3	29.4	34.2
RoCE	0.6	(0.3)	11.0	1.8	13.4	20.6	22.2	24.9
EFFICIENCY								
Tax Rate (%)	35.6	72.7	24.9	18.9	21.8	25.5	25.5	25.5
Fixed Asset Turnover (x)	177.3	87.9	66.7	51.8	39.9	36.5	31.1	28.2
Inventory (days)	25	28	23	28	25	25	25	25
Debtors (days)	28	31	30	23	30	25	24	24
Other Current Assets (days)	14	15	13	17	22	19	18	17
Payables (days)	66	48	56	63	58	64	64	64
Other Current Liab & Provns (days)	35	17	21	21	26	22	21	20
Cash Conversion Cycle (days)	**(33)**	**9**	**(10)**	**(16)**	**(6)**	**(18)**	**(19)**	**(19)**
Net D/E (x)	(0.0)	0.0	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Interest Coverage (x)	1.5	(0.3)	11.8	1.9	14.6	22.6	18.1	18.3
PER SHARE DATA (INR)								
EPS	0.5	0.1	3.5	2.2	6.3	9.5	11.2	13.6
CEPS	0.7	0.9	4.5	3.6	7.7	10.8	12.6	15.3
Dividend	-	-	-	-	3.0	4.0	6.0	8.0
Book Value	24.2	19.8	35.0	36.3	43.4	48.9	54.0	59.7
VALUATION								
P/E (x)	893.1	3,633.7	125.3	197.7	70.2	46.5	39.6	32.4
P/BV (x)	18.3	22.4	12.6	12.2	10.2	9.0	8.2	7.4
EV/EBITDA (x)	1,094.4	585.1	96.3	202.4	59.5	36.1	30.1	24.4
EV/Revenues (x)	13.3	8.9	6.9	6.7	5.9	4.6	3.9	3.4
OCF/EV (%)	0.4	(0.4)	1.8	0.7	1.0	2.8	2.7	3.2
FCF/EV (%)	0.3	(0.5)	1.7	0.6	1.0	2.6	2.4	3.0
FCFE/Mkt Cap (%)	0.3	(0.6)	1.4	0.3	0.7	2.6	2.5	3.0
Dividend Yield (%)	-	-	-	-	0.7	0.9	1.4	1.8

Source: Company, HSIE Research

Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

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