BUY Honasa Consumer

Strong margin-led beat in 1Q; growth momentum to sustain

Emkay
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Consumer Goods ▸ Result Update ▸ **August 14, 2026** **CMP (Rs): 479 | TP (Rs): 550**

Honasa's 1QFY27 results exceeded expectations, led by strong margins. Revenue growth remained strong at 27% yoy and was 3% above consensus' expectations. EBITDA more than doubled yoy (~30% beat), with EBITDA margin expansion of >500bps (ex one-offs) on the back of a better mix and seasonality. Revenue growth was led by Honasa's two main brands—Mamaearth (strong double-digit growth in both online and offline) and The Derma Co (reached NSV ARR of Rs10bn, a strong feat). Other younger brands also continued to grow strongly, at >40%, which is encouraging. Honasa logged total outlet-count of ~300k, as of Jun-26, and reported strong double-digit growth across all channels. It entered the fast-growing fragrance category with the launch of its FIKN brand. Going forward, we expect the growth rate to remain strong (>20% yoy in FY27E) led by low-double digit growth in Mamaearth and >20% growth in The Derma Co. We expect the margin expansion to continue (+330bps over next three years) mainly on the back of operating leverage. We raise our earnings estimates by 9-13% over the next three years, mainly led by higher margins. Overall, we expect sales/earnings CAGR of 17/25% during FY26-29E. We reiterate BUY, while revising up our TP by 10% to Rs550 from Rs500 (50x Jun-28E EPS), as we expect the strong growth momentum to continue, led by turnaround in the offline channel.

1QFY27 results summary

Revenue grew 27% yoy (32% LTL) led by ~31% volume growth and was 2-3% above our and consensus' estimates. Gross margin declined by ~150bps yoy to 69.7% (-60bps qoq) due to higher packaging costs. EBITDA grew 141% yoy and was 25-30% above our and consensus' estimates, with EBITDA margin at 14.6% expanding by ~690bps yoy on the back of operating leverage, further aided by mix improvement (including seasonal benefit). Adj EBITDA margin was 12.5%, which excludes the ~150bps impact of ESOP reversal in payroll cost. PAT grew 118% yoy, at 31% above our and consensus' estimates.

Key takeaways from the earnings call

Honasa targets high-teens 5-year growth (double-digit for Mamaearth), prioritizing top-line expansion over margins. Management targets 15% EBITDA margin over five years, with 100–150bps annual expansion. 1) Focus categories drive ~85% of sales, funding younger brands and BBlunt/Dr Sheth's 6–9 month refinement. 2) Mamaearth hero lines thrive (Rosemary shampoo ARR: >Rs1bn) as GT direct reach narrows to ~100 focus areas. 3) The Derma Co hit the Rs10bn ARR mark (80% online), BTM ARR reached Rs1.5bn, and Aqualogica gained Gen-Z traction (~45% cohorts). 4) Offline share grew (face wash up 350bps; shampoo up 160bps) with <30 days distributor inventory. 5) QC growth is brand-led via search velocity. 6) Flipkart impacts normalize in 2Q, with 1Q price hikes offsetting the 2Q inflation. 7) FIKN enters fine fragrances after 1.5 years of R&D (replacing Mamaearth's failed attempt). 8) Honasa Health targets a decadal nutrition opportunity via organic R&D and selective M&A.

Target Price – 12M	Jun-27
Change in TP (%)	**10.0**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	14.8

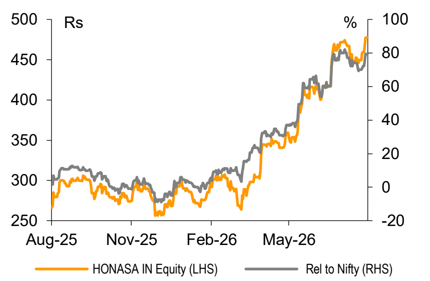
Stock Data	**HONASA IN**
52-week High (Rs)	491
52-week Low (Rs)	248
Shares outstanding (mn)	326.0
Market-cap (Rs bn)	156
Market-cap (USD mn)	1,636
Net-debt, FY27E (Rs mn)	(6,837.6)
ADTV-3M (mn shares)	2.2
ADTV-3M (Rs mn)	1,183.4
ADTV-3M (USD mn)	12.4
Free float (%)	64.8
Nifty-50	24,395.8
INR/USD	95.4

Shareholding,Jun-26	
Promoters (%)	35.5
FPIs/MFs (%)	13.6/21.6

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	1.4	38.0	68.0
Rel. to Nifty	0.7	32.4	69.5

1-Year share price trend (Rs)



Honasa Consumer: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	20,669	23,919	28,988	33,385	38,020
EBITDA	685	2,362	3,478	4,311	5,025
Adj. PAT	727	2,049	2,829	3,442	3,943
Adj. EPS (Rs)	2.2	6.3	8.7	10.6	12.1
EBITDA margin (%)	3.3	9.9	12.0	12.9	13.2
EBITDA growth (%)	(50.0)	244.6	47.3	23.9	16.6
Adj. EPS growth (%)	(36.6)	182.0	37.9	21.7	14.6
RoE (%)	6.4	15.8	19.0	20.8	21.4
RoIC (%)	8.3	45.4	53.2	71.9	77.3
P/E (x)	214.3	77.8	55.1	45.3	39.5
EV/EBITDA (x)	207.6	60.2	40.9	33.0	28.3
P/B (x)	13.2	11.0	10.0	8.9	8.0
FCFF yield (%)	0.4	(0.6)	1.8	1.8	2.1

Source: Company, Emkay Research

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Exhibit 1: Quarterly trend in key financials

(Rs mn)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)
Revenue	5,953	5,381	6,015	6,571	7,559	27.0	15.0
Cost of goods	1,714	1,588	1,893	1,950	2,291	33.6	17.5
Gross profit	4,238	3,793	4,123	4,621	5,269	24.3	14.0
Gross margin (%)	**71.2**	**70.5**	**68.5**	**70.3**	**69.7**	**-150bps**	**-60bps**
Employee expenses	604	598	710	714	664	9.9	(7.0)
Advertising expenses	2,060	1,800	1,860	2,000	2,410	17.0	20.5
Other expenses	1,117	918	897	1,135	1,093	(2.1)	(3.7)
EBITDA	**458**	**476**	**655**	**772**	**1,102**	**140.6**	**42.7**
EBITDA margin	**7.7**	**8.9**	**10.9**	**11.8**	**14.6**	**690bps**	**280bps**
Depreciation	108	117	110	108	105	(3.0)	(2.8)
EBIT	**350**	**359**	**545**	**664**	**997**	**185.0**	**50.1**
EBIT margin (%)	**5.9**	**6.7**	**9.1**	**10.1**	**13.2**	**730bps**	**310bps**
Interest cost	33	33	32	33	30	(8.0)	(9.2)
Other income	239	201	207	189	225	(5.8)	19.2
PBT	**556**	**527**	**719**	**820**	**1,192**	**114.4**	**45.4**
Tax	143	135	169	124	288	101.8	132.2
Tax rate (%)	25.7	25.6	23.5	15.1	24.2	(5.9)	59.7
Non-recurring items	0	0	48	4	1	nm	nm
PAT	**413**	**392**	**502**	**692**	**902**	**118.4**	**30.4**
Adj Profit	**6.9**	**7.3**	**8.3**	**10.5**	**11.9**	**500bps**	**140bps**
Net profit margin (%)	1.3	1.2	1.7	2.1	2.8	118.3	30.1

Source: Company, Emkay Research

Conference call takeaways

Growth strategy and portfolio

- **High-teens CAGR over 5 years: T**he company aspires to achieve this, with Management willing to reinvest behind opportunities that can accelerate growth; the strategy remains **input-led**, with focus on the right categories, products, communication, and distribution.
- **Focus categories grew >35% and now contribute ~85% of the portfolio:** Management continues to identify each brand's strongest differentiated proposition and disproportionately invests behind categories where it has the strongest right to win.
- **Younger brands continue to scale strongly:** This is on the back of >30% growth excluding BTM Ventures. Aqualogica's Gen-Z repositioning is gaining traction, while BBlunt and Dr Sheth's have further sharpened initiatives planned over coming 6-9M.
- Innovation remains **focused and disciplined:** Honasa tracks micro-trends and experiments across brands, but makes larger investments only after propositions are validated.

Mamaearth

- The company targets **double-digit growth over five years**; growth is driven by both online and offline channels, with GT growth above the company average and largely coming from existing geographies.
- Honasa has narrowed direct distribution to **~100 focus areas**, deepening store penetration within these markets; **Dewy is now the #1 face wash**, while Ubtan, Rosemary shampoo (>Rs1bn ARR) and suncare continue to perform strongly.

The Derma Co and BTM Ventures

- **The Derma Co has crossed the Rs10bn ARR mark**, with all-time-high brand searches, strong offline traction, and face cleansers at run-rate of >Rs2bn; ~80% of sales remain online versus ~20% offline, leaving significant runway for offline, with presence in ~50,000 GT outlets.

- **BTM Ventures has reached Rs1.5bn ARR**, nearly doubling since acquisition, supported by expansion into Maharashtra, a new category, and new channels; Management sees this as validation of its acquisition/scaling playbook.

GT/MT and distribution

- **Offline execution continues to improve**, with ~350bps share gain in face wash and ~160bps in shampoo, aided by better distribution, higher-quality distributors, and lower DOH.
- Management remains confident that GT/MT growth is **not inventory-led**, with distributor inventory below 30 days, strong collections, and healthy retail STRs.

E-commerce and Quick Commerce

- **The E-commerce focused categories grew >25%**, with Quick Commerce (QC) share gains and Tier-2+ expansion remaining key priorities.
- QC is increasingly **brand-led**, with branded searches driving purchases; Management expects brands with stronger brand equity and velocity to gain share, given constrained physical shelf space. QC share data is based on category-level data provided by platforms.
- Management does not disclose the split of e-commerce growth between its own website, QC, or other platforms.

Gross margin and EBITDA

- **1Q gross margin remained protected despite packaging inflation** due to inventory management; the impact is expected in 2Q, though it should be offset by the calibrated price hikes taken toward 1Q-end, with potential benefits in 2H if inflation reverses.
- EBITDA improvement was supported by a **profitable B2B mix, core-brand momentum, improving younger-brand competitiveness, operating leverage, and seasonality**, alongside a one-time opex benefit; absolute NP/A&P spending continued to rise.
- Management reiterated **100–150bps annual EBITDA-margin expansion toward 15% over five years**, with FY27 expected to see at least 150bps rise followed by another 100–200bps improvement; quarterly progression will not necessarily be linear.

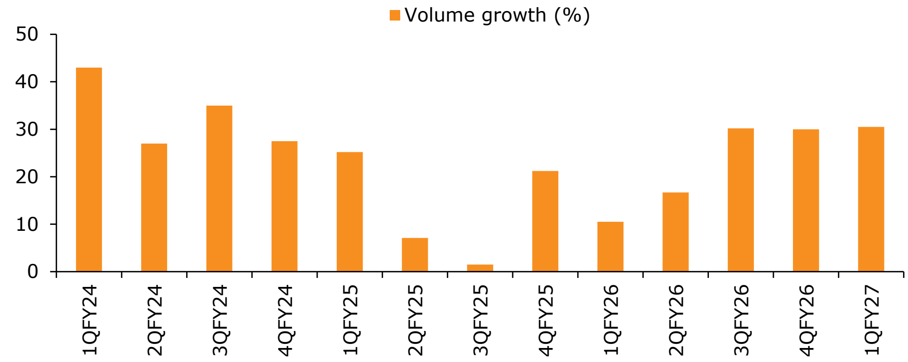
New categories

- **FIKN marks Honasa's entry into fragrance** after ~1.5 years of R&D; Management sees India as significantly underpenetrated and believes a fragrance-first brand with proprietary R&D/science is required to win. The earlier Mamaearth fragrance experiment was discontinued due to weak PMF.
- **Honasa Health** has been established as a separate subsidiary to pursue the nutrition wellness opportunity, which the management views as a decadal opportunity; organic/R&D-led development remains the priority, with possibility of selective M&A too.

Other clarification

- **Flipkart settlement impact normalizes from 2Q**, making reported and like-for-like growth comparisons cleaner.

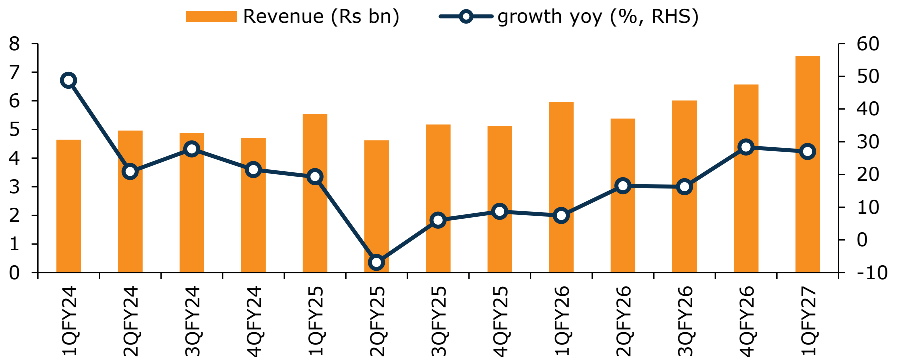
Exhibit 2: Volume growth came in strong at ~31% yoy



Source: Company, Emkay Research

Focus categories grew >35% and their contribution increased to ~85% of the business

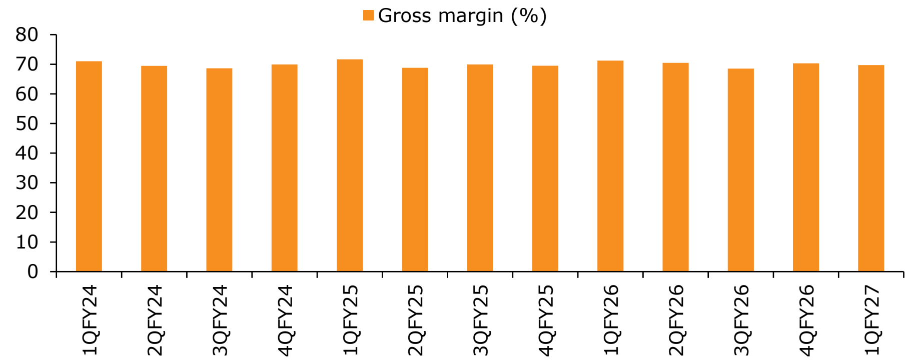
Exhibit 3: Revenue grew ~27% yoy (32% LFL) led by ~31% UVG



Source: Company, Emkay Research

The gross margin decline was protected by healthy inventory management in 1QFY27. Management has taken price hikes toward end-1Q, to offset any inflationary impact

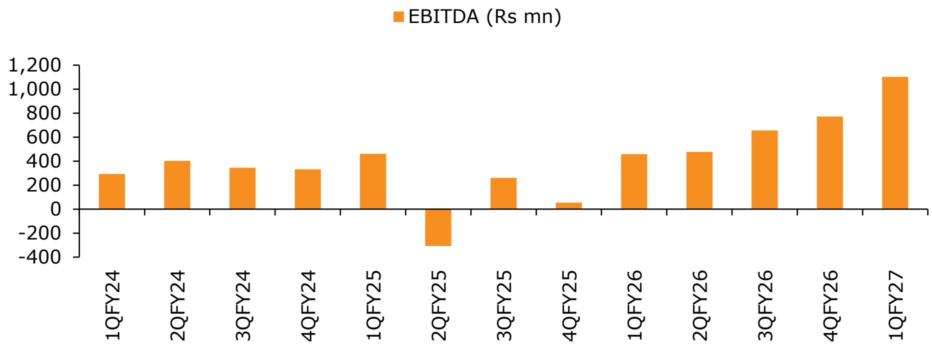
Exhibit 4: Gross margin declined by ~150bps yoy to 69.7% (-60bps qoq) due to higher packaging costs



Source: Company, Emkay Research

EBITDA growth continued to improve sequentially, in 1QFY27

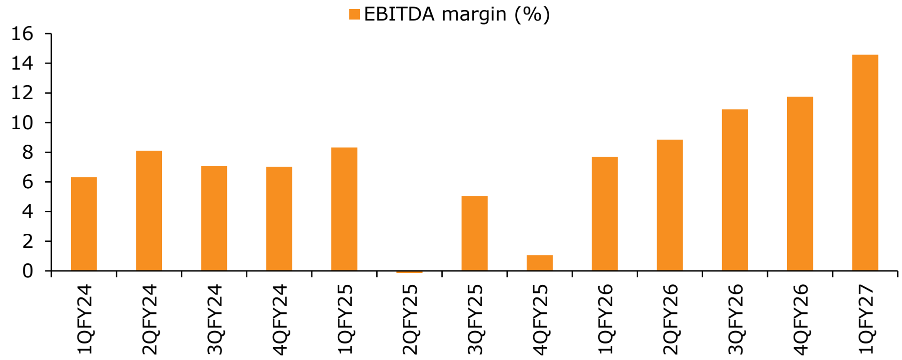
Exhibit 5: EBITDA grew 141% yoy and was 25-30% above our and consensus' estimates



Source: Company, Emkay Research

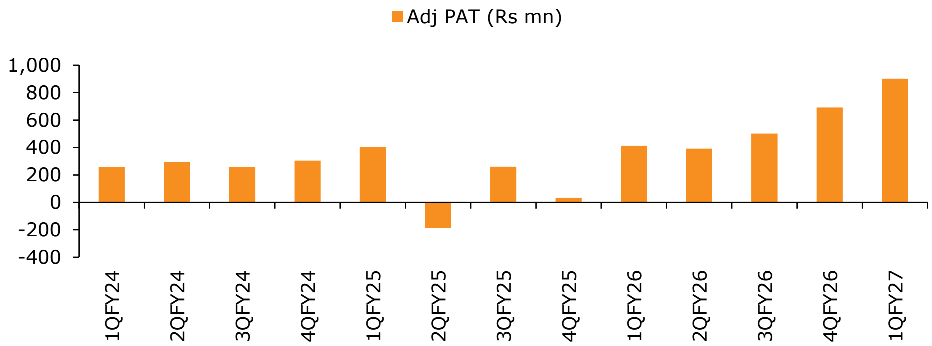
Adj EBITDA margin was 12.5%, which excludes the ~150bps impact of ESOP reversal in payroll costs

Exhibit 6: EBITDA margin at 14.6% expanded by ~690bps yoy on the back of operating leverage, further aided by mix improvement including seasonal benefit



Source: Company, Emkay Research

Exhibit 7: PAT grew 118% yoy, at 31% above our and consensus' estimates



Source: Company, Emkay Research

Exhibit 8: Changes in estimates

Rs mn	New			Old			Change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	28,988	33,385	38,020	28,441	32,765	37,326	-2%	-2%	-2%
EBITDA	3,478	4,311	5,025	3,055	3,868	4,579	14%	11%	10%
EBITDA margin	12.0%	12.9%	13.2%	10.7%	11.8%	12.3%	130bps	110bps	90bps
Adj PAT	2,829	3,442	3,943	2,497	3,110	3,609	13%	11%	9%
EPS (Rs)	8.7	10.6	12.1	7.7	9.6	11.1	13%	11%	9%

Source: Company, Emkay Research

Honasa Consumer: Consolidated Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**20,669**	**23,919**	**28,988**	**33,385**	**38,020**
Revenue growth (%)	7.7	15.7	21.2	15.2	13.9
EBITDA	**685**	**2,362**	**3,478**	**4,311**	**5,025**
EBITDA growth (%)	(50.0)	244.6	47.3	23.9	16.6
Depreciation & Amortization	450	444	466	288	334
EBIT	**235**	**1,918**	**3,012**	**4,023**	**4,690**
EBIT growth (%)	(77.9)	715.0	57.1	33.6	16.6
Other operating income	-	-	-	-	-
Other income	787	836	900	767	767
Financial expense	126	131	140	200	200
PBT	**896**	**2,622**	**3,772**	**4,589**	**5,257**
Extraordinary items	0	(48)	0	0	0
Taxes	169	571	943	1,147	1,314
Minority interest	0	(2)	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	**727**	**2,001**	**2,829**	**3,442**	**3,943**
PAT growth (%)	(34.2)	175.3	41.4	21.7	14.6
Adjusted PAT	**727**	**2,049**	**2,829**	**3,442**	**3,943**
Diluted EPS (Rs)	**2.2**	**6.3**	**8.7**	**10.6**	**12.1**
Diluted EPS growth (%)	(36.6)	182.0	37.9	21.7	14.6
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	3.3	9.9	12.0	12.9	13.2
EBIT margin (%)	1.1	8.0	10.4	12.0	12.3
Effective tax rate (%)	18.9	21.8	25.0	25.0	25.0
NOPLAT (pre-IndAS)	**191**	**1,500**	**2,259**	**3,017**	**3,518**
Shares outstanding (mn)	325	325	325	325	325

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	3,252	3,254	3,254	3,254	3,254
Reserves & Surplus	8,546	10,865	12,392	14,207	16,198
Net worth	**11,798**	**14,119**	**15,646**	**17,461**	**19,452**
Minority interests	-	-	-	-	-
Deferred tax liability (net)	0	0	0	0	0
Total debt	**0**	**0**	**0**	**0**	**0**
Total liabilities & equity	**13,162**	**15,472**	**17,135**	**19,099**	**21,253**
Net tangible fixed assets	1,097	936	1,441	1,893	2,298
Net intangible assets	1,025	1,806	755	585	415
Net ROU assets	-	-	-	-	-
Capital WIP	1	0	0	0	0
Goodwill	528	1,725	1,725	1,725	1,725
Investments [JV/Associates]	4,654	6,289	6,289	6,289	6,289
Cash & equivalents	**6,374**	**4,705**	**6,838**	**8,422**	**10,248**
Current assets (ex-cash)	3,850	5,043	5,859	6,673	7,542
Current Liab. & Prov.	4,739	5,453	6,430	7,315	8,262
NWC (ex-cash)	**(889)**	**(410)**	**(571)**	**(643)**	**(720)**
Total assets	**13,162**	**15,472**	**17,135**	**19,099**	**21,253**
Net debt	(6,374)	(4,705)	(6,838)	(8,422)	(10,248)
Capital employed	13,162	15,472	17,135	19,099	21,253
Invested capital	**2,133**	**4,478**	**4,008**	**4,388**	**4,716**
BVPS (Rs)	36.3	43.4	48.1	53.7	59.8
Net Debt/Equity (x)	(0.5)	(0.3)	(0.4)	(0.5)	(0.5)
Net Debt/EBITDA (x)	(9.3)	(2.0)	(2.0)	(2.0)	(2.0)
Interest coverage (x)	8.1	21.0	27.9	23.9	27.3
RoCE (%)	**9.0**	**21.2**	**26.3**	**28.9**	**29.6**

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT	109	1,786	2,872	3,823	4,490
Others (non-cash items)	-	-	-	-	-
Taxes paid	49	(603)	(943)	(1,147)	(1,314)
Change in NWC	358	(479)	161	72	77
Operating cash flow	**1,022**	**1,413**	**2,696**	**3,235**	**3,788**
Capital expenditure	(481)	(2,309)	(158)	(740)	(740)
Acquisition of business	(2,646)	(1,635)	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(1,451)**	**(171)**	**142**	**22**	**21**
Equity raised/(repaid)	48	4	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(8)	(10)	(140)	(200)	(200)
Dividend paid (incl tax)	-	-	-	-	-
Others	(351)	(374)	135	149	164
Financing cash flow	**(311)**	**(380)**	**(5)**	**(51)**	**(36)**
Net chg in Cash	(741)	863	2,834	3,206	3,773
OCF	1,022	1,413	2,696	3,235	3,788
Adj. OCF (w/o NWC chg.)	664	1,893	2,535	3,164	3,710
FCFF	541	(895)	2,539	2,495	3,048
FCFE	415	(1,027)	2,399	2,295	2,848
OCF/EBITDA (%)	149.1	59.9	77.5	75.1	75.4
FCFE/PAT (%)	57.1	(51.3)	84.8	66.7	72.2
FCFF/NOPLAT (%)	**283.6**	**(59.7)**	**112.4**	**82.7**	**86.6**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	214.3	77.8	55.1	45.3	39.5
P/CE(x)	132.3	62.4	47.3	41.8	36.4
P/B (x)	13.2	11.0	10.0	8.9	8.0
EV/Sales (x)	6.9	5.9	4.9	4.3	3.7
EV/EBITDA (x)	207.6	60.2	40.9	33.0	28.3
EV/EBIT(x)	604.7	74.2	47.2	35.4	30.3
EV/IC (x)	66.7	31.8	35.5	32.4	30.2
FCFF yield (%)	0.4	(0.6)	1.8	1.8	2.1
FCFE yield (%)	0.3	(0.7)	1.5	1.5	1.8
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	3.5	8.6	9.8	10.3	10.4
Total asset turnover (x)	1.6	1.7	1.8	1.8	1.9
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	**6.4**	**15.8**	**19.0**	**20.8**	**21.4**
DuPont-RoIC					
NOPLAT margin (%)	0.9	6.3	7.8	9.0	9.3
IC turnover (x)	8.9	7.2	6.8	8.0	8.4
RoIC (%)	**8.3**	**45.4**	**53.2**	**71.9**	**77.3**
Operating metrics					
Core NWC days	(15.7)	(6.3)	(7.2)	(7.0)	(6.9)
Total NWC days	**(15.7)**	**(6.3)**	**(7.2)**	**(7.0)**	**(6.9)**
Fixed asset turnover	5.3	5.1	5.1	5.2	5.3
Opex-to-revenue (%)	67.0	60.3	58.0	57.1	56.8

Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
05-Jul-26	462	500	Buy	Rajesh Kumar
11-Jun-26	418	500	Buy	Rajesh Kumar
10-Jun-26	415	500	Buy	Rajesh Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND

Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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