SELL Honasa Consumer

Getting its act together; aligning execution with demand key

Consumer Goods | Result Update | **November 13, 2025** | **CMP (Rs): 282 | TP (Rs): 250**

We retain SELL on Honasa, with Sep-26E TP of Rs250, on 3x sales (implied P/E: 35x; EV/EBITDA: 30x). Honasa's performance in Q2 was better than expected, wherein topline growth at 16.5% was in-line, while EBITDA margin at 8.9% surprised positively, driving the 18% EBITDA beat. Changes in settlement by Flipkart (mid-teen revenue mix) drove the change in logistic cost recognition (now adjusted with revenue), which led to a 140bps negative impact on gross margin (reported at 70.5%) and a 50bps positive impact on EBITDA margin (reported at 8.9%), in Q2. We cut topline by 3% for FY26 and by 1% for FY27 to factor in the changes, while we upgraded earnings by 6-15% over FY26-28E, given better margin delivery in Q2 and factoring in the accounting adjustments. In Q2, the Mamaearth brand saw growth recovery, while younger brands saw 20% growth. Also, Honasa has enhanced product upgrades and innovation. Q3 marks its entry into prestige skin care under the *Luminéve* organic brand.

Healthy topline delivery; actions in place to accelerate growth

Honasa has reported better-than-expected topline results with like-for-like growth at 22.5%. Reported revenue saw 16.5% growth (in-line), affected by Rs280mn lower revenue recognition from Flipkart (due to adjustment of logistics spends with revenue). Volume growth at 16.7% YoY stood better than our expectations of 16%. On a low base, Mamaearth returned to growth. Honasa's other 'younger' brands posted 20% growth in Q2. The Derma Co has reached the Rs7.5bn annual revenue run-rate milestone; the management targets crossing the Rs10bn milestone in the next couple of years. After a year of slump, the company has gradually enhanced its innovation funnel across focus categories. Also in Q2, it entered the prestige skin care segment with organic brand *Luminéve*. In line with our expectations, the company is looking at an oral-care segment entry with 25% stake (Rs100mn consideration; on 5.7x EV/Sales on Rs70mn ARR for FY26) in Couch Commerce Private, which operates prestige oral care brand 'Fang Oral'.

Better gross margin and lower A&P spend aids EBITDA margin delivery in Q2

Gross margin for Q2 stood at 70.5%, up by 170bps YoY. Had the company followed the old accounting of revenue recognition from Flipkart, gross margin would have been 71.9% (like-for-like), up by 320bps YoY. Reported EBITDA margin stood at 8.9% as against -6.6% in Q2FY25. Like-for-like EBITDA margin stood at 8.4%. We see a better sales mix and accounting changes helping the company sustain improved margin levels. Going ahead, we factor in the accounting impact for three quarters in FY26 and for one quarter in FY27. Such changes have driven the 6-15% earnings upgrade over FY26-28E.

Supply-chain stability and enhanced thrust on demand key for valuations

We see management actions in Q2 as strategic, wherein focus has been on addressing white spaces and enhancing execution. We maintain SELL with Sep-26E TP of Rs250, on 3x sales (implied P/E: 35x; EV/EBITDA: 30x).

Target Price – 12M	Sep-26
Change in TP (%)	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(11.3)

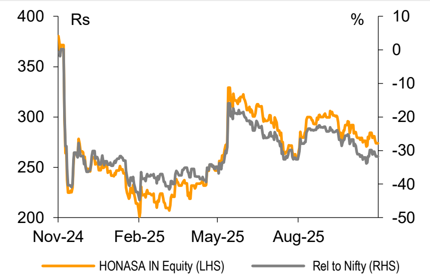
Stock Data	**HONASA IN**
52-week High (Rs)	388
52-week Low (Rs)	190
Shares outstanding (mn)	325.4
Market-cap (Rs bn)	92
Market-cap (USD mn)	1,035
Net-debt, FY26E (Rs mn)	(6,964.2)
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	229.0
ADTV-3M (USD mn)	2.6
Free float (%)	65.0
Nifty-50	25,875.8
INR/USD	88.6

Shareholding,Sep-25	
Promoters (%)	35.0
FPIs/MFs (%)	15.5/19.2

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	(3.4)	4.7	(24.6)
Rel. to Nifty	(5.6)	(0.9)	(30.4)

1-Year share price trend (Rs)



Honasa Consumer: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	19,199	20,669	23,228	27,406	32,322
EBITDA	1,371	685	1,981	2,568	3,396
Adj. PAT	1,105	727	1,637	2,018	2,650
Adj. EPS (Rs)	3.5	2.2	5.0	6.2	8.1
EBITDA margin (%)	7.1	3.3	8.5	9.4	10.5
EBITDA growth (%)	502.2	(50.0)	189.0	29.7	32.2
Adj. EPS growth (%)	810.1	(36.6)	125.2	23.3	31.3
RoE (%)	13.0	6.4	13.0	14.0	15.8
RoIC (%)	29.8	8.3	49.4	61.6	84.5
P/E (x)	79.9	126.2	56.0	45.4	34.6
EV/EBITDA (x)	58.8	117.6	40.7	31.4	23.7
P/B (x)	8.1	7.8	6.8	5.9	5.1
FCFF yield (%)	2.0	0.7	0.9	1.4	2.3

Source: Company, Emkay Research

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Management commentary

- The company delivered healthy topline growth, driven by core focus categories, which continued to outperform overall portfolio trends, validating the strategic reset toward fewer high-velocity segments.
- Focus category contribution rose from 70% to 75%, with the management consciously avoiding over-concentration beyond 80–85% to preserve growth balance across emerging categories.
- Mamaearth returned to growth, supported by improved traction in Ecom and Modern Trade, while GT recovery signals successful execution of the distribution revamp.
- Distribution model shift from super-stockists to direct distributors is now largely complete, with 80% of the business routed directly, enhancing efficiency and visibility.
- The Derma Co reached strong growth milestones and continues to gain share in sunscreen, serum, and moisturizer categories, reinforcing its leadership in active skincare.
- The company launched *Luminéve*, its first prestige skincare brand, focused exclusively on night care and beauty sleep — targeting six skin types and launched with Nykaa at ~2.5x current price points.
- Oral care marks the next frontier with a 25% stake in Fang Oral, positioning Honasa for an early-mover advantage in premium oral beauty — a segment yet to see meaningful premiumization.
- The management views oral care as a decadal opportunity, backed by multi-levers like clean-label positioning, Q-commerce acceleration, and right to increase stake over time.
- Gross margin profile remains structurally strong (~71%+), aided by better sourcing, premium mix and scaling efficiencies; the continued 50–100bps annual margin unlocks the expected from operating leverage.
- Simplification of the portfolio and focus on core categories are driving improved brand health; non-core offerings will gradually taper over the next 2–3 years, as capital is reallocated.
- Rice Facewash became the third >1,000mn product under Mamaearth, underscoring the brand's ability to create scalable blockbusters within natural skincare.
- The innovation funnel remains active, with superior ingredient-led launches under Dr Sheth, The Derma Co, and now *Luminéve* — with emphasis on science-backed formulations and differentiated claims.
- Quick Commerce now contributes ~10% of sales, emerging as the fastest-growing channel with healthy economics, especially around gifting and impulse-led beauty purchases.
- Colored beauty brands continue to grow in triple digits; supply-chain efficiencies and packaging localization have reduced earlier constraints tied to shade-led complexity.
- The management sees a medium-term opportunity in the wellness and beauty regimen trends; while still exploratory, the company is closely observing consumer adoption patterns to frame its playbook.
- The 'brand factory' approach underpins Honasa's model — cultivating new brands internally while using M&A selectively where in-house bandwidth is limited.
- Across categories, the company continues to drive premiumization and consumer-led propositions (natural, active, salon-grade) with clear segmentation across mass, premium, and luxury tiers.
- Luminéve and Fang Oral represent investments designed to capture high-margin adjacencies; both will be built gradually, as long-term brands with meaningful scale potential.

Q2FY26 performance

Exhibit 1: Honasa – Q2 performance

(Rs mn)	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	Emkay Est	Var.(%)	H1FY26	H1FY25	YoY (%)
Total income	5,381	4,618	16.5	5,953	(9.6)	5,348	0.6	11,333	10,159	11.6
Cost of goods	1,588	1,442	10.1	1,714	(7.4)	1,679	(5.5)	3,302	3,012	9.6
Employee expenses	598	515	16.3	604	(0.9)	615	(2.7)	1,202	1,009	19.2
A&P	1,800	1,830	(1.6)	2,060	(12.6)	1,900	(5.3)	3,860	3,830	0.8
Other expenses	918	1,139	(19.4)	1,117	(17.8)	750	22.4	2,035	2,154	(5.5)
EBITDA	**476**	**-307**	**(255.2)**	**458**	**4.0**	**404**	**18.0**	**934**	**154**	**506.2**
EBITDA margin (%)	**8.9**	**-6.6**	**1550bps**	**7.7**	**120bps**	**7.5**	**130bps**	**8.2**	**1.5**	**670bps**
Depreciation	117	106	11.1	108	8.5	125	(6.1)	226	200	12.9
EBIT	**359**	**-413**	**(187.0)**	**350**	**2.6**	**279**	**28.8**	**709**	**-46**	**(1654.6)**
EBIT margin (%)	**6.7**	**-8.9**	**1560bps**	**5.9**	**80bps**	**5.2**	**150bps**	**6.3**	**-0.4**	**670bps**
Interest cost	33	31	5.2	33	0.4	33	0.4	66	62	6.8
Other income	201	200	0.6	239	(15.7)	225	(10.5)	440	387	13.6
PBT	**527**	**-244**	**(316.4)**	**556**	**(5.1)**	**471**	**12.0**	**1,083**	**280**	**286.6**
Tax	135	-58	(333.2)	143	(5.2)	120	12.6	278	63	338.3
Tax rate(%)	25.6	23.8	7.8	25.7	(0.1)	25.5	0.5	25.6	22.6	13.4
Minority Interest	0	0		0		0		0	0	NA
Adj Profit	**392**	**-186**	**(311.2)**	**413**	**(5.1)**	**351**	**11.8**	**806**	**217**	**271.5**
Net margin (%)	**7.3**	**-4.0**		**6.9**		**6.6**		**7.1**	**2.1**	
EPS (Rs)	1.2	-0.6	(311.0)	1.3	(5.1)	1.1	11.8	2.5	1	269.9

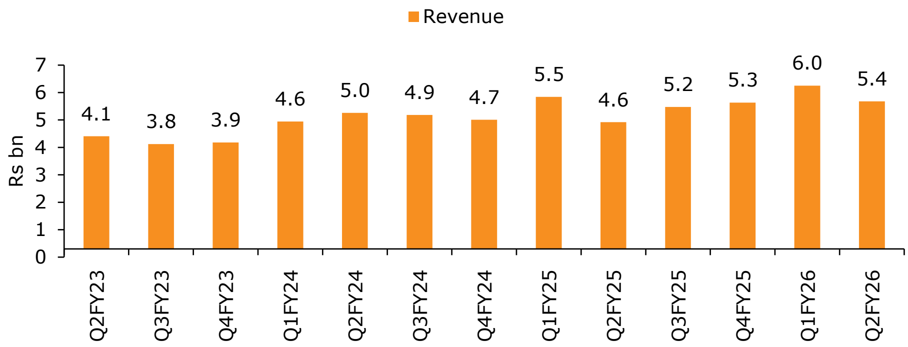
Source: Company, Emkay Research

Exhibit 2: Assessing Q2FY26 performance on reported and like to like basis

(Rs mn)	Like-for-like	Reported (after Flipkart adjustment)	Diff
Revenue	**5,661**	**5,381**	**-5%**
Cost of goods sold	1,588	1,588	0%
Gross profit	**4,073**	**3,793**	**-7%**
Gross margin	72.0%	70.5%	-150bps
Logistics (pertains to Flipkart and Myntra)	280		
Other Opex	3,317	3,317	0%
EBITDA	**476**	**476**	**0%**
EBITDA margin	8.4%	8.9%	40bps

Source: Company, Emkay Research

Exhibit 3: Quarterly revenue trend



Source: Company, Emkay Research

Exhibit 4: Key innovations in Q2FY26

Source: Company, Emkay Research

Exhibit 5: Investment of Rs100mn in FANG, a prestige oral care brand

Source: Company, Emkay Research

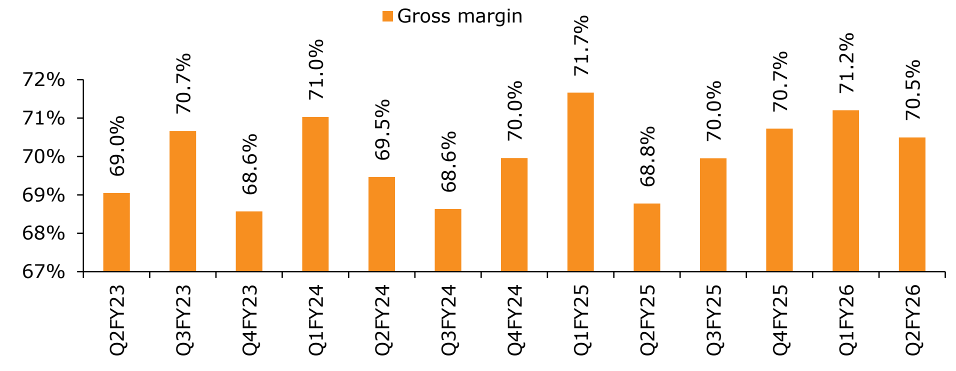
Exhibit 6: Honasa's entry into the prestige night-focused skin care brand

Source: Company, Emkay Research

Exhibit 7: Entry into prestige serum

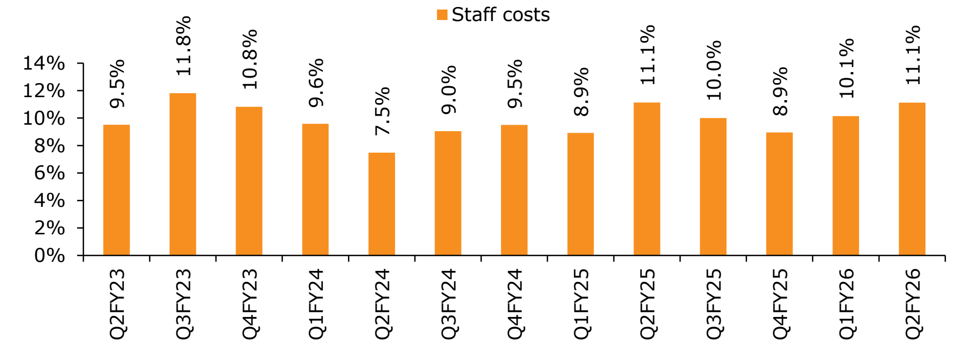
Source: Company, Emkay Research

Exhibit 8: Gross margin trend



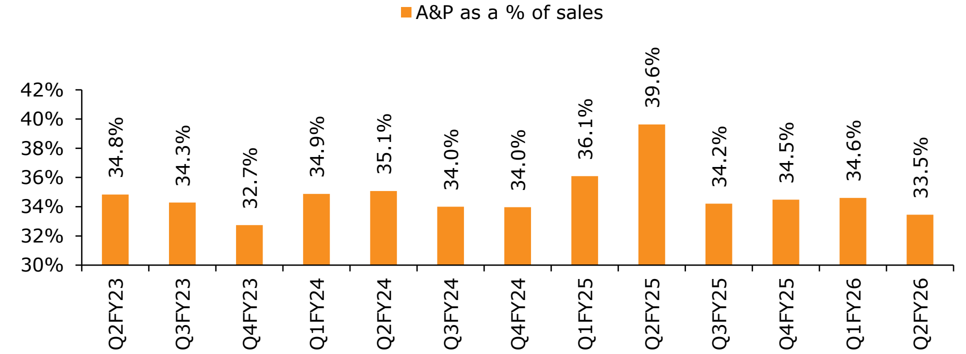
Source: Company, Emkay Research

Exhibit 9: Staff costs trend



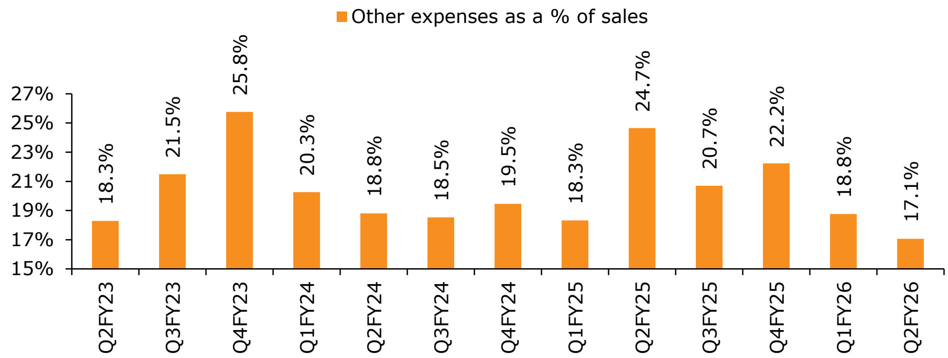
Source: Company, Emkay Research

Exhibit 10: A&P spending trend



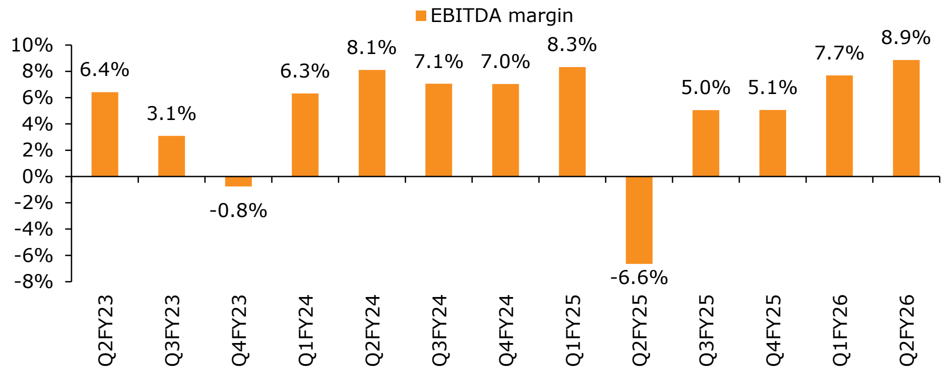
Source: Company, Emkay Research

Exhibit 11: Other operating expenses



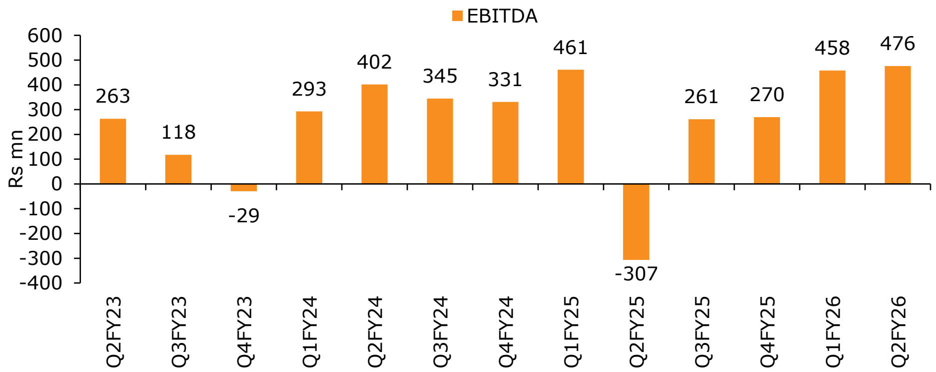
Source: Company, Emkay Research

Exhibit 12: EBITDA margin trend



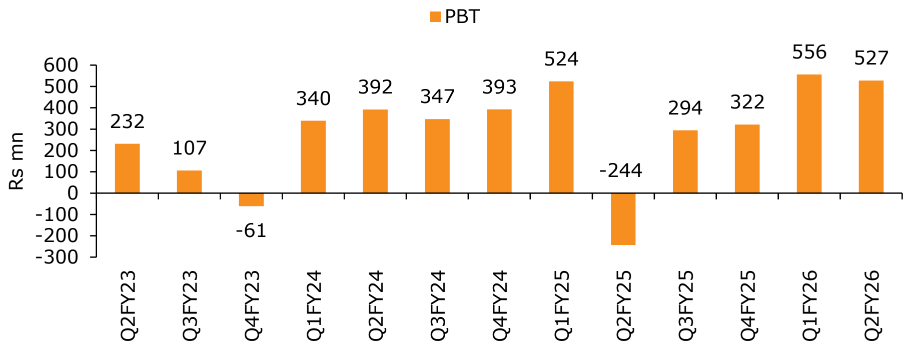
Source: Company, Emkay Research

Exhibit 13: Quarterly EBITDA trend



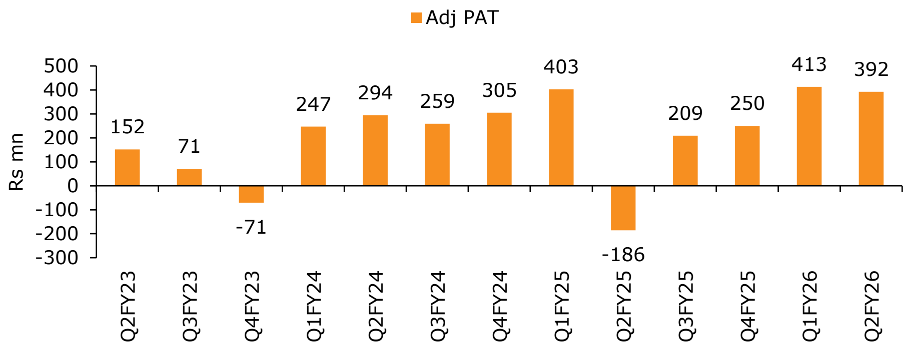
Source: Company, Emkay Research

Exhibit 14: Profit before tax



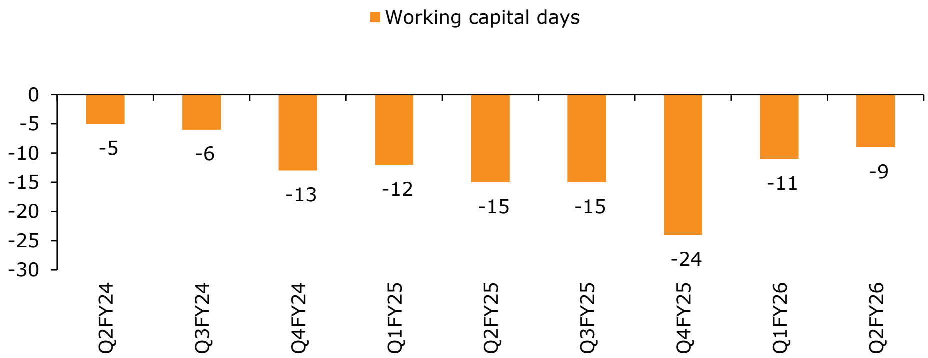
Source: Company, Emkay Research

Exhibit 15: Adjusted PAT



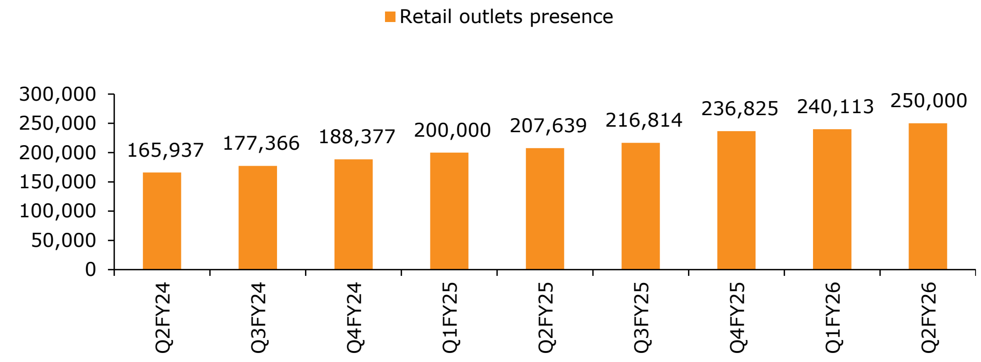
Source: Company, Emkay Research

Exhibit 16: Number of working capital days



Source: Company, Emkay Research

Exhibit 17: Honasa – Number of retail outlets



Source: Company, Emkay Research

Exhibit 18: Emkay estimates vs consensus

	New estimates			Old estimates			New vs old estimates		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net sales	23,228	27,406	32,322	24,068	27,686	32,322	-3%	-1%	0%
growth	12.4%	18.0%	17.9%	16.4%	15.0%	16.7%			
EBITDA	1,981	2,568	3,396	1,705	2,355	3,254	16%	9%	4%
growth	225.5%	27.5%	29.1%	148.7%	38.2%	38.2%			
EBITDA margin (%)	8.5%	9.4%	10.5%	7.1%	8.5%	10.1%			
Adj PAT	1,637	2,018	2,650	1,424	1,836	2,512	15%	10%	6%
growth	125.2%	23.3%	31.3%	95.9%	28.9%	36.8%			
EPS (Rs)	5.03	6.21	8.15	4.4	5.6	7.7	15%	10%	6%

Source: Company, Emkay Research

Exhibit 19: Key assumptions

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Income statement							
Total income growth	105.1%	58.2%	28.6%	7.7%	12.4%	18.0%	17.9%
Offline growth	214.3%	91.9%	20.1%	-23.2%	13.1%	13.5%	16.3%
Online growth	67.8%	9.0%	-2.8%	2.8%	-2.6%	1.5%	0.1%
Mamaearth growth	96.2%	34.7%	7.4%	-10.0%	4.0%	7.0%	8.0%
Other brands growth	258.0%	397.3%	320.7%	49.6%	27.4%	23.2%	24.5%
Gross margin	70.0%	70.1%	69.8%	70.3%	70.3%	70.0%	70.0%
Advertisement	41.5%	35.5%	34.4%	36.0%	34.2%	33.6%	33.2%
EBITDA margin	3.2%	3.4%	7.8%	3.3%	9.6%	10.4%	11.4%
Adj PAT growth	-101.1%	-74.2%	2863.2%	-34.2%	125.2%	23.3%	31.3%
EPS (Rs)	0.5	-4.7	3.5	2.2	5.0	6.2	8.1
Balance Sheet							
ROE	-3.0%	1.8%	13.0%	6.4%	13.0%	14.0%	15.8%
ROCE	5.2%	2.8%	16.2%	8.0%	16.7%	18.2%	20.6%
Inventory days (no of)	26	29	24	28	25	25	25
Receivable days (no of)	29	33	31	24	28	28	28
Payable days (no of)	67	50	57	64	65	65	65

Source: Company, Emkay Research

Honasa Consumer: Consolidated Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**19,199**	**20,669**	**23,228**	**27,406**	**32,322**
Revenue growth (%)	28.6	7.7	12.4	18.0	17.9
EBITDA	**1,371**	**685**	**1,981**	**2,568**	**3,396**
EBITDA growth (%)	502.2	(50.0)	189.0	29.7	32.2
Depreciation & Amortization	306	450	505	611	715
EBIT	**1,065**	**235**	**1,476**	**1,957**	**2,681**
EBIT growth (%)	0	(77.9)	527.3	32.6	37.0
Other operating income	-	-	-	-	-
Other income	497	787	871	952	1,127
Financial expense	90	126	150	200	250
PBT	**1,471**	**896**	**2,197**	**2,709**	**3,557**
Extraordinary items	0	0	0	0	0
Taxes	366	169	560	691	907
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	**1,105**	**727**	**1,637**	**2,018**	**2,650**
PAT growth (%)	0	(34.2)	125.2	23.3	31.3
Adjusted PAT	**1,105**	**727**	**1,637**	**2,018**	**2,650**
Diluted EPS (Rs)	**3.5**	**2.2**	**5.0**	**6.2**	**8.1**
Diluted EPS growth (%)	810.1	(36.6)	125.2	23.3	31.3
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	7.1	3.3	8.5	9.4	10.5
EBIT margin (%)	5.5	1.1	6.4	7.1	8.3
Effective tax rate (%)	24.9	18.9	25.5	25.5	25.5
NOPLAT (pre-IndAS)	**800**	**191**	**1,100**	**1,458**	**1,997**
Shares outstanding (mn)	313	325	325	325	325

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	3,242	3,252	3,252	3,252	3,252
Reserves & Surplus	7,710	8,546	10,183	12,202	14,852
Net worth	**10,953**	**11,798**	**13,435**	**15,453**	**18,104**
Minority interests	-	-	-	-	-
Deferred tax liability (net)	31	0	0	0	0
Total debt	**0**	**0**	**0**	**0**	**0**
Total liabilities & equity	**12,293**	**13,162**	**14,936**	**17,104**	**19,919**
Net tangible fixed assets	1,154	1,081	1,404	1,647	1,721
Net intangible assets	1,833	1,941	1,941	1,941	1,941
Net ROU assets	-	-	-	-	-
Capital WIP	5	1	1	1	1
Goodwill	528	528	528	528	528
Investments [JV/Associates]	2,008	4,654	5,654	6,654	7,654
Cash & equivalents	**7,793**	**6,374**	**6,964**	**8,033**	**9,953**
Current assets (ex-cash)	3,527	3,850	4,479	5,104	5,888
Current Liab. & Prov.	4,027	4,739	5,508	6,276	7,239
NWC (ex-cash)	**(500)**	**(889)**	**(1,029)**	**(1,172)**	**(1,351)**
Total assets	**12,293**	**13,162**	**14,936**	**17,104**	**19,919**
Net debt	(7,793)	(6,374)	(6,964)	(8,033)	(9,953)
Capital employed	12,293	13,162	14,936	17,104	19,919
Invested capital	**2,487**	**2,133**	**2,316**	**2,416**	**2,311**
BVPS (Rs)	35.0	36.3	41.3	47.5	55.7
Net Debt/Equity (x)	(0.7)	(0.5)	(0.5)	(0.5)	(0.5)
Net Debt/EBITDA (x)	(5.7)	(9.3)	(3.5)	(3.1)	(2.9)
Interest coverage (x)	17.3	8.1	15.6	14.5	15.2
RoCE (%)	**18.3**	**9.0**	**18.6**	**20.1**	**22.7**

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	974	109	1,326	1,757	2,431
Others (non-cash items)	-	-	-	-	-
Taxes paid	(324)	49	(560)	(691)	(907)
Change in NWC	871	358	140	143	179
Operating cash flow	**2,353**	**1,022**	**1,560**	**2,020**	**2,668**
Capital expenditure	(773)	(481)	(828)	(853)	(790)
Acquisition of business	(4,191)	(2,646)	(1,000)	(1,000)	(1,000)
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(4,698)**	**(1,451)**	**(2,458)**	**(2,403)**	**(2,165)**
Equity raised/(repaid)	3,633	9	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(8)	(126)	(150)	(200)	(250)
Dividend paid (incl tax)	-	-	-	-	-
Others	(257)	(351)	136	150	165
Financing cash flow	**3,369**	**(468)**	**(14)**	**(50)**	**(85)**
Net chg in Cash	1,024	(898)	(911)	(433)	418
OCF	2,353	1,022	1,560	2,020	2,668
Adj. OCF (w/o NWC chg.)	1,482	664	1,420	1,877	2,489
FCFF	1,580	541	732	1,167	1,878
FCFE	1,490	415	582	967	1,628
OCF/EBITDA (%)	171.7	149.1	78.8	78.7	78.6
FCFE/PAT (%)	134.8	57.1	35.6	47.9	61.4
FCFF/NOPLAT (%)	**197.6**	**283.6**	**66.6**	**80.0**	**94.0**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	79.9	126.2	56.0	45.4	34.6
P/CE(x)	62.6	77.9	42.8	34.9	27.3
P/B (x)	8.1	7.8	6.8	5.9	5.1
EV/Sales (x)	4.2	3.9	3.5	2.9	2.5
EV/EBITDA (x)	58.8	117.6	40.7	31.4	23.7
EV/EBIT(x)	75.7	342.4	54.6	41.2	30.1
EV/IC (x)	32.4	37.8	34.8	33.4	34.9
FCFF yield (%)	2.0	0.7	0.9	1.4	2.3
FCFE yield (%)	1.6	0.5	0.6	1.1	1.8
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	5.8	3.5	7.0	7.4	8.2
Total asset turnover (x)	2.0	1.6	1.7	1.7	1.7
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	**13.0**	**6.4**	**13.0**	**14.0**	**15.8**
DuPont-RoIC					
NOPLAT margin (%)	4.2	0.9	4.7	5.3	6.2
IC turnover (x)	7.2	8.9	10.4	11.6	13.7
RoIC (%)	**29.8**	**8.3**	**49.4**	**61.6**	**84.5**
Operating metrics					
Core NWC days	(9.5)	(15.7)	(16.2)	(15.6)	(15.3)
Total NWC days	**(9.5)**	**(15.7)**	**(16.2)**	**(15.6)**	**(15.3)**
Fixed asset turnover	5.7	5.3	5.2	5.1	5.2
Opex-to-revenue (%)	62.6	67.0	61.8	60.6	59.5

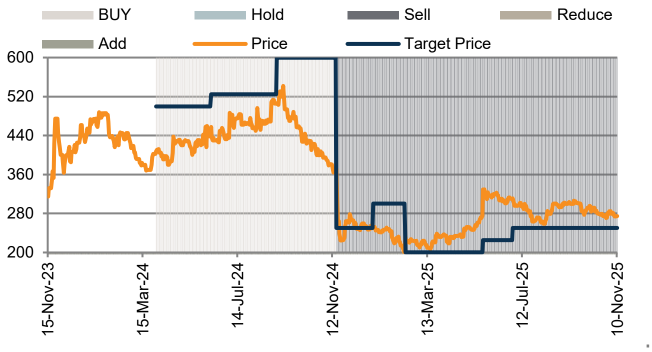
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
02-Oct-25	287	250	Sell	Nitin Gupta
16-Sep-25	306	250	Sell	Nitin Gupta
08-Sep-25	300	250	Sell	Nitin Gupta
12-Aug-25	269	250	Sell	Nitin Gupta
30-Jun-25	311	250	Sell	Nitin Gupta
23-May-25	329	225	Sell	Nitin Gupta
28-Mar-25	232	200	Sell	Nitin Gupta
17-Mar-25	207	200	Sell	Nitin Gupta
13-Feb-25	231	200	Sell	Nitin Gupta
03-Jan-25	253	300	Sell	Nitin Gupta
17-Nov-24	372	250	Sell	Nitin Gupta
02-Oct-24	455	600	Buy	Nitin Gupta
24-Sep-24	474	600	Buy	Nitin Gupta
02-Sep-24	505	600	Buy	Nitin Gupta
11-Aug-24	474	525	Buy	Nitin Gupta
07-Jul-24	482	525	Buy	Nitin Gupta
04-Jul-24	487	525	Buy	Nitin Gupta
26-Jun-24	444	525	Buy	Nitin Gupta
10-Jun-24	458	525	Buy	Nitin Gupta
04-Jun-24	416	500	Buy	Nitin Gupta

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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