Honasa Consumer | BUY

Strong quarter; upbeat outlook

Honasa's 3QFY26 print was inline on revenue performance, but once again profitability was significantly ahead of exceptions – LTL sales growth was 21.7% YoY (UVG of 30.2%). Key positives were a) Mamaearth sales growing in teens while young brands sustained momentum growing at 25%+ on YoY basis and b) scale leverage/marketing efficiencies led to LTL EBITDA margins expanding to 10.4% (vs JMFe:8.4% and 1HFY26 margins of c.8.1%). Management commentary remains positive – expects to sustain double digit growth momentum for Mamaearth and margin expansion of c.100bps YoY in FY27E. Clearly the initiatives around reviving growth in Mamaearth/scaling up younger brands and management's execution capabilities are showing promising results on revenue growth; working capital cycle remains negative too. Faster growth in higher margin Mamaearth brand, scale up in Young brands provides adequate levers for margin expansion going ahead too. Factoring strong Q3, we raise our FY26-28E by 12-13%. Maintain BUY with revised DCF based TP of INR 375 (earlier INR 330).

- **Revenue performance inline with our optimistic assumptions:** Consol. revenue grew 16.2% YoY to INR 6bn (inline with our and street estimates). Similar to 2Q, revenue recognition was lower due to change in settlement terms by flipkart (impact on revenue of INR 280mn as logistics & fulfilment costs are now netted off from revenue); however, there is no corresponding impact on profitability. On LFL basis, revenue growth stood at 21.7% YoY with UVG of 30.2% YoY. Focus categories (contributing to 75% of total revenue vs. 70% last year) grew by 25% YoY healthy secondary sales across channels (MT/e-commerce/GT channel saw 25%/20%/25% growth in secondary sales). Overall distribution reach was up increased to 270k+ (vs c.250k+ in Q2) outlets. We are factoring sales CAGR of 14% over FY26-28E led by improving growth in Mamaearth and c.20% sales growth in young brands

- **Mamaearth growth in teens; momentum for younger brands sustains:** Flagship brand – Mamaearth's strategic pivot continues to show signs of improvement with brand growing in teens in the quarter, aided by interventions around product superiority, stepped up investment in focus categories and distribution expansion. Market share gains were seen in key categories of Face Cleanser and Shampoo. Younger brands (The Derma Co., Aqualogica, Bblunt, Dr. Sheth's and Staze) grew 25% YoY (vs 20% YoY in 1H). Going ahead management remains optimistic about sustaining double digit growth in Mamaearth in FY27E.

- **Margin delivery positively surprises (ahead of our forecasts and management guidance) yet again:** LTL gross margin were flattish on YoY basis at 69.9%, QoQ drop in margins is more to do with product mix (recovery in Mamaearth and higher growth in winter products where margins are lower). Staff cost grew 37.2% YoY due to ESOP provisioning and higher incentives; same run-rate is likely to continue in 4QFY26E and then YoY growth should normalise in FY27E. A&P spends grew 5.1% YoY – a function of optimization from refreshed marketing playbooks delivering better marketing effectiveness. LTL other expenses grew by 10% YoY benefiting from better fixed cost absorption with improving scale. Resultant EBIDTA increased by 150.5% YoY to INR 655mn (30% above est) with LTL margins at 10.4% (vs 5.1% in base quarter and 8.4% in 2QFY26). Going forward, with improving scale/mix management expects c.100bps margin expansion per annum over the medium term.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	19,199	20,669	23,886	27,272	31,204
Sales Growth (%)	28.6	7.7	15.6	14.2	14.4
EBITDA	1,371	685	2,054	2,609	3,303
EBITDA Margin (%)	7.1	3.3	8.6	9.6	10.6
Adjusted Net Profit	1,118	727	1,740	2,269	2,934
Diluted EPS (INR)	3.4	2.2	5.4	7.0	9.0
Diluted EPS Growth (%)	295.3	-35.2	139.4	30.4	29.3
ROIC (%)	26.7	4.4	22.5	31.4	44.2
ROE (%)	13.1	6.4	14.0	16.5	19.4
P/E (x)	86.7	133.8	55.9	42.9	33.1
P/B (x)	8.9	8.2	7.5	6.7	6.1
EV/EBITDA (x)	65.2	132.5	43.5	33.5	25.9
Dividend Yield (%)	0.0	0.0	0.5	0.9	1.5

Source: Company data, JM Financial. Note: Valuations as of 12/Feb/2026

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Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	375
Upside/(Downside)	25.3%
Previous Price Target	330
Change	13.6%

Key Data – HONASA IN	
Current Market Price	INR299
Market cap (bn)	INR97.4/US$1.1
Free Float	46%
Shares in issue (mn)	325.2
Diluted share (mn)	325.2
3-mon avg daily val (mn)	INR382.2/US$4.2
52-week range	334/190
Sensex/Nifty	83,675/25,807
INR/US$	90.6

Price Performance			
%	1M	6M	12M
Absolute	4.3	11.1	46.2
Relative*	4.2	7.0	33.0

** To the BSE Sensex*

Exhibit 1. 3QFY26 result snapshot: Revenue inline while margin surprises positively along with scale leverage drives earnings beat

Consolidated financials (INR mn)	3QFY26	3QFY25	YoY growth	3QFY26E	% Var	9MFY26	9MFY25	YoY growth
Revenue from operations	**6,015**	**5,175**	**16.2%**	**6,003**	**0.2%**	**17,349**	**15,334**	**13.1%**
Gross Profit	**4,123**	**3,620**	**13.9%**	**4,316**	**-4.5%**	**12,154**	**10,767**	**12.9%**
Gross Profit Margin %	68.5%	70.0%	-142 bps	71.9%	-337 bps	70.1%	70.2%	-16 bps
Staff Cost	710	518	37.2%	606	17.2%	1,913	1,527	25.3%
A&P	1,860	1,770	5.1%	2,011	-7.5%	5,720	5,600	2.1%
Other Expenses	897	1,071	-16.2%	1,195	-24.9%	2,932	3,225	-9.1%
EBITDA	**655**	**261**	**150.7%**	**504**	**29.9%**	**1,589**	**415**	**282.6%**
EBITDA margin %	10.9%	5.0%	584 bps	8.4%	249 bps	9.2%	2.7%	645 bps
Depreciation	110	126	-12.4%	144	-23.3%	336	326	3.1%
EBIT	545	135	302.8%	360	51.2%	1,253	90	1299.0%
Interest Expense	32	33	-2.5%	35	-7.7%	98	95	3.5%
Financial Other Income	207	192	7.6%	200	3.4%	647	580	11.6%
PBT before exceptional	**719**	**294**	**144.4%**	**525**	**36.9%**	**1,802**	**574**	**213.8%**
PBT post exceptional	671	294	128.1%	525	27.8%	1,754	574	**205.4%**
Taxes	169	34	397.2%	132	27.6%	447	97	358.8%
Reported Net Profit	**502**	**260**	**92.9%**	**393**	**27.8%**	**1,308**	**477**	**174.1%**
Adjusted Net Profit	**538**	**260**	**106.7%**	**393**	**36.9%**	**1,343**	**477**	**181.6%**

Source: Company, JM Financial

Exhibit 2. Quarterly financial performance – on consolidated basis

INR mn	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Volume Growth (%)	**35.0%**	**27.5%**	**25.2%**	**7.1%**	**1.5%**	**21.2%**	**10.5%**	**16.7%**	**30.2%**
Sales	**4,882**	**4,711**	**5,541**	**4,618**	**5,175**	**5,336**	**5,953**	**5,381**	**6,015**
YoY	28%	21%	19%	-7%	6%	13%	7%	17%	16%*
Gross Profit	3,351	3,296	3,970	3,176	3,620	3,774	4,238	3793	4123
Staff cost	442	448	494	515	518	478	604	598	710
A&P spends	1,660	1,600	2,000	1,830	1,770	1,840	2,060	1,800	1,860
Other expenses	904	917	1,015	1,139	1,071	1,186	1,117	918	897
EBITDA	**345**	**331**	**461**	**(307)**	**261**	**270**	**458**	**476**	**655**
YoY	192%	NM	57%	-176%	-24%	-19%	-1%	NM	151%
Depreciation	81	98	94	106	126	124	108	117	110
Interest	26	31	30	31	33	32	33	33	32
Other income	110	190	187	200	192	208	239	201	207
PBT	**347**	**393**	**524**	**(244)**	**294**	**322**	**556**	**527**	**719**
YoY	226%	NM	54%	-162%	-15%	-18%	6%	NM	144%
Tax	88	88	121	(58)	34	72	143	135	169
PAT	**259**	**305**	**403**	**(186)**	**260**	**250**	**413**	**392**	**502**
YoY	174%	NM	55%	-163%	0%	-18%	3%	NM	93%
% to sales	**3QFY24**	**4QFY24**	**1QFY25**	**2QFY25**	**3QFY25**	**4QFY25**	**1QFY26**	**2QFY26**	**3QFY26**
Gross margin	68.6%	70.0%	71.7%	68.8%	70.0%	70.7%	71.2%	70.5%	68.5%*
Staff cost	9.0%	9.5%	8.9%	11.1%	10.0%	8.9%	10.1%	11.1%	11.8%
A&P spends	34.0%	34.0%	36.1%	39.6%	34.2%	34.5%	34.6%	33.5%	30.9%
Other expenses	18.5%	19.5%	18.3%	24.7%	20.7%	22.2%	18.8%	17.1%	14.9%
EBITDA margin	7.1%	7.0%	8.3%	-6.6%	5.0%	5.1%	7.7%	8.9%	10.9%*

Source: Company, JM Financial.
*LFL sales growth: 21.7%, LFL gross margin: 69.9% and LFL EBITDA margin: 10.4%.

Exhibit 3. Honasa's avg. EV/sales Band

Source: Bloomberg, Company, JM Financial

Exhibit 4. Our 12-month DCF based price target works out to INR 375/share

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Revenue	1,098	4,600	9,435	14,927	19,199	20,669	23,886	27,272	31,204	35,699	40,857	46,066	51,568	56,983	63,012	69,730
YoY growth		319.0%	105.1%	58.2%	28.6%	7.7%	15.6%	14.2%	14.4%	14.4%	14.4%	12.7%	11.9%	10.5%	10.6%	10.7%
EBITDA	-78	272	115	228	1,371	685	2,054	2,609	3,303	4,103	5,087	6,168	7,410	8,757	9,941	11,275
EBITDA margin %	-7.1%	5.9%	1.2%	1.5%	7.1%	3.3%	8.6%	9.6%	10.6%	11.5%	12.5%	13.4%	14.4%	15.4%	15.8%	16.2%
EBIT	-85	255	46	-22	1,065	235	1,598	2,089	2,711	3,434	4,338	5,335	6,489	7,744	8,827	10,050
EBIT margin %	-7.7%	5.5%	0.5%	-0.1%	5.5%	1.1%	6.7%	7.7%	8.7%	9.6%	10.6%	11.6%	12.6%	13.6%	14.0%	14.4%
Tax Rate	0.0%	-0.6%	35.6%	-7.0%	24.9%	18.9%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%
NOPAT	**-85**	**256**	**29**	**-24**	**800**	**191**	**1,194**	**1,561**	**2,025**	**2,566**	**3,240**	**3,985**	**4,847**	**5,784**	**6,593**	**7,507**
Depreciation	6	17	69	250	306	450	456	519	591	668	749	834	921	1,013	1,114	1,225
Capex	-4	-10	-1,176	-285	-123	-170	-358	-409	-468	-500	-531	-553	-567	-627	-693	-767
Net working capital investment	-42	-1	2	-1,187	-331	-2,505	-241	234	64	534	-587	310	-555	-572	-571	-639
Free Cash Flow	**-125**	**262**	**-1,075**	**-1,246**	**651**	**-2,034**	**1,050**	**1,905**	**2,213**	**3,268**	**2,871**	**4,577**	**4,645**	**5,599**	**6,444**	**7,327**
YoY Growth - %								81.4%	16.2%	47.7%	-12.1%	59.4%	1.5%	20.5%	15.1%	13.7%
Discounting Factor							1.00	0.97	0.88	0.79	0.71	0.64	0.58	0.52	0.47	0.42
Present Value of FCF							**1,050**	**1,856**	**1,942**	**2,584**	**2,045**	**2,937**	**2,686**	**2,916**	**3,024**	**3,097**

Fade period forecast	**FY36E**	**FY37E**	**FY38E**	**FY39E**	**FY40E**	**FY41E**	**FY42E**	**FY43E**	**FY44E**	**FY45E**	**FY36-45 CAGR**
FCF	**8,281**	**9,305**	**10,392**	**11,538**	**12,732**	**13,964**	**15,222**	**16,492**	**17,756**	**18,999**	**9.7%**
Discounting Factor	0.38	0.34	0.31	0.28	0.25	0.23	0.20	0.18	0.17	0.15	
Present Value of FCF	3,154	3,193	3,212	3,213	3,194	3,156	3,100	3,025	2,935	2,829	

12M Forward Equity Valuation	
PV of Cash Flow - Explicit Period	23,088
PV of Cash Flow - Fade Period	31,010
PV of Terminal Value	59,970
Enterprise Value	**1,14,068**
Debt	0
Cash	7,847
Net Debt	-7,847
Equity value	**1,21,914**
No of Shares (mn)	325
Target price (INR per share)	**375**

Source: Company, JM Financial

Exhibit 5. Revision in estimates

INR mn	Revised			Earlier			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	23,886	27,272	31,204	23,222	26,314	29,904	2.9%	3.6%	4.3%
EBITDA	2,054	2,609	3,303	1,847	2,406	3,100	11.2%	8.4%	6.5%
PAT	1,740	2,269	2,934	1,541	2,017	2,628	12.9%	12.5%	11.7%
EPS	5.4	7.0	9.0	4.7	6.2	8.1	12.9%	12.5%	11.7%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	19,199	20,669	23,886	27,272	31,204
Sales Growth	*28.6%*	*7.7%*	*15.6%*	*14.2%*	*14.4%*
Other Operating Income	0	0	0	0	0
Total Revenue	**19,199**	**20,669**	**23,886**	**27,272**	**31,204**
Cost of Goods Sold/Op. Exp	5,807	6,129	6,950	7,927	9,060
Personnel Cost	1,706	2,004	2,611	2,904	3,243
Other Expenses	10,315	11,851	12,271	13,833	15,599
EBITDA	**1,371**	**685**	**2,054**	**2,609**	**3,303**
EBITDA Margin	*7.1%*	*3.3%*	*8.6%*	*9.6%*	*10.6%*
EBITDA Growth	*502.2%*	*-50.0%*	*199.7%*	*27.0%*	*26.6%*
Depn. & Amort.	306	450	456	519	591
EBIT	1,065	235	1,598	2,089	2,711
Other Income	497	787	864	1,084	1,356
Finance Cost	90	126	133	136	139
PBT before Excep. & Forex	1,471	896	2,329	3,038	3,928
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,471	896	2,329	3,038	3,928
Taxes	366	169	589	769	994
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-12	0	0	0	0
Reported Net Profit	1,118	727	1,740	2,269	2,934
Adjusted Net Profit	**1,118**	**727**	**1,740**	**2,269**	**2,934**
Net Margin	*5.8%*	*3.5%*	*7.3%*	*8.3%*	*9.4%*
Diluted Share Cap. (mn)	324.2	325.2	325.2	325.2	325.2
Diluted EPS (INR)	**3.4**	**2.2**	**5.4**	**7.0**	**9.0**
Diluted EPS Growth	*295.3%*	*-35.2%*	*139.4%*	*30.4%*	*29.3%*
Total Dividend + Tax	0	0	522	908	1,467
Dividend Per Share (INR)	0.0	0.0	1.6	2.8	4.5

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	10,953	11,798	13,036	14,418	15,909
Share Capital	3,242	3,252	3,252	3,252	3,252
Reserves & Surplus	7,710	8,546	9,784	11,167	12,657
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	13	-95	-95	-95	-95
Total - Equity & Liab.	**10,966**	**11,703**	**12,940**	**14,323**	**15,814**
Net Fixed Assets	1,682	1,659	1,554	1,435	1,303
Gross Fixed Assets	1,593	1,767	2,125	2,534	3,002
Intangible Assets	528	528	528	528	528
Less: Depn. & Amort.	376	483	939	1,458	2,050
Capital WIP	-62	-153	-160	-169	-177
Investments	2,918	3,048	3,048	3,048	3,048
Current Assets	10,393	11,736	13,905	16,104	18,582
Inventories	1,228	1,583	1,701	1,868	2,052
Sundry Debtors	1,594	1,323	1,529	1,746	1,998
Cash & Bank Balances	4,857	3,313	4,799	6,613	8,448
Loans & Advances	2,410	5,176	5,494	5,454	5,617
Other Current Assets	304	341	382	423	468
Current Liab. & Prov.	4,027	4,739	5,566	6,264	7,120
Current Liabilities	3,841	4,171	4,556	5,147	5,823
Provisions & Others	186	568	1,010	1,117	1,297
Net Current Assets	6,366	6,997	8,339	9,840	11,463
Total – Assets	**10,966**	**11,703**	**12,940**	**14,323**	**15,814**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,471	896	2,329	3,038	3,928
Depn. & Amort.	306	450	456	519	591
Net Interest Exp. / Inc. (-)	-407	-661	-731	-948	-1,217
Inc (-) / Dec in WCap.	1,025	-53	-241	234	64
Others	282	340	0	0	0
Taxes Paid	-324	49	-204	-689	-845
Operating Cash Flow	**2,353**	**1,022**	**1,608**	**2,153**	**2,522**
Capex	-118	-199	-358	-409	-468
Free Cash Flow	*2,235*	*823*	*1,250*	*1,744*	*2,054*
Inc (-) / Dec in Investments	-4,482	-1,645	0	0	0
Others	-99	393	864	1,084	1,356
Investing Cash Flow	**-4,698**	**-1,451**	**506**	**675**	**887**
Inc / Dec (-) in Capital	3,633	48	19	21	23
Dividend + Tax thereon	0	0	-522	-908	-1,467
Inc / Dec (-) in Loans	0	0	0	0	0
Others	-265	-359	-125	-128	-130
Financing Cash Flow	**3,369**	**-311**	**-628**	**-1,014**	**-1,574**
Inc / Dec (-) in Cash	**1,024**	**-741**	**1,486**	**1,814**	**1,835**
Opening Cash Balance	3,833	4,053	3,313	4,799	6,613
Closing Cash Balance	4,857	3,313	4,799	6,613	8,448

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	5.8%	3.5%	7.3%	8.3%	9.4%
Asset Turnover (x)	2.2	1.8	1.9	1.9	2.0
Leverage Factor (x)	1.0	1.0	1.0	1.1	1.1
RoE	13.1%	6.4%	14.0%	16.5%	19.4%

Key Ratios

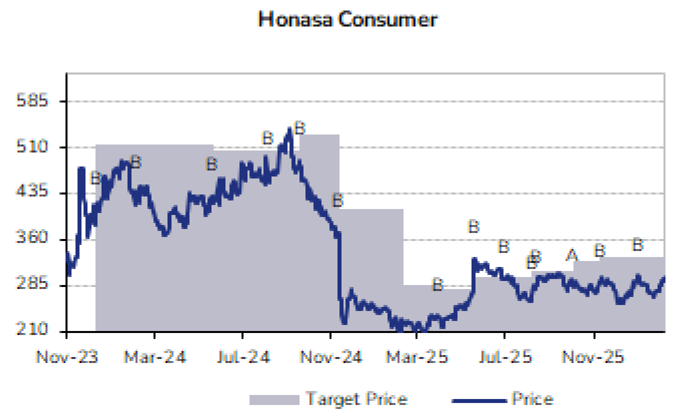
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	33.8	36.3	40.1	44.3	48.9
ROIC	26.7%	4.4%	22.5%	31.4%	44.2%
ROE	13.1%	6.4%	14.0%	16.5%	19.4%
Net Debt/Equity (x)	-0.7	-0.5	-0.6	-0.7	-0.7
P/E (x)	86.7	133.8	55.9	42.9	33.1
P/B (x)	8.9	8.2	7.5	6.7	6.1
EV/EBITDA (x)	65.2	132.5	43.5	33.5	25.9
EV/Sales (x)	4.7	4.4	3.7	3.2	2.7
Debtor days	30	23	23	23	23
Inventory days	23	28	26	25	24
Creditor days	79	76	76	76	76

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
15-Dec-23	Buy	515	
10-Feb-24	Buy	515	0.0
24-May-24	Buy	505	-1.9
9-Aug-24	Buy	505	0.0
23-Sep-24	Buy	530	5.0
15-Nov-24	Buy	410	-22.6
12-Feb-25	Buy	285	-30.5
4-Apr-25	Buy	280	-1.8
23-May-25	Buy	300	7.1
4-Jul-25	Buy	300	0.0
12-Aug-25	Buy	310	3.3
17-Aug-25	Buy	310	0.0
8-Oct-25	Add	325	4.8
13-Nov-25	Buy	330	1.5
6-Jan-26	Buy	330	0.0

Recommendation History



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating System: Definition of ratings	
Rating	**Meaning**
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