

FSN E-Commerce Ventures | BUY

Q2FY26 Revenue Update: Strong growth continues

Nykaa reported quarterly revenue update for Q2FY26, indicating a sustained growth in 1HFY26. While BPC NMV has sustained its momentum (c.25-27% YoY) as expected, Fashion NMV growth (higher mid-twenties YoY) has been better than expectation. Furthermore, the company pointed towards mid-twenties consolidated revenue growth. Overall, performance has been aided by renewed growth in Fashion, along with continued growth in beauty segment driven by strength in House of Nykaa brands. The growth is also benefitted by early start of festive season and recent GST and tax reforms further boosting discretionary spending. We expect the stock to continue outperforming as one of the cleanest consumption-led plays in India. We maintain 'BUY'.

- **BPC sustains strength:** Combined BPC NSV growth is expected to be in mid-twenties, broadly on expected lines. It is important to note that this was 10th consecutive quarter of sustained growth momentum. House of Nykaa brands have continued their accelerated growth trajectory with strong performance of home-grown as well as acquired brands. Net revenue is expected to grow in mid-twenties.
- **Nykaa Fashion improves:** Nykaa's fashion vertical is expected to deliver NSV growth of higher mid-twenties, indicating a strong improvement over the previous quarters and a decent beat on JMFe. The growth was driven by improving traction in the core platform business, supported by an expanding assortment and robust customer acquisition. Fashion vertical's net revenue growth is expected to improve to low twenties from low to mid-teens from last few quarters, though lower than the NSV growth due to lower advertising and marketing income.
- **Consolidated performance:** On a consolidated level, net revenue growth is expected to be mid-twenties aided by early start to festive season. GMV growth is expected to be higher than revenue growth, close to thirties. Fashion segment also strongly catching up and we expect it to breakeven in 3Q. With BPC continuing its growth momentum and fashion recovering stronger, operating leverage is further expected to improve. Hence we anticipate EBITDA margin expansion of +155bps YoY to 7.1% in 2Q.

Exhibit 1. 2QFY26 estimates post pre-quarter update

Particulars	2Q26E	2Q25A	Change (YoY)	1Q26A	Change (QoQ)
Total GMV (INR mn)	46,711	36,525	27.9%	41,820	11.7%
BPC	35,728	27,834	28.4%	32,080	11.4%
Fashion	10,856	8,633	25.8%	9,638	12.6%
Total NSV (INR mn)	23,559	18,432	27.8%	21,370	10.2%
BPC	20,106	15,661	28.4%	18,340	9.6%
Fashion	3,338	2,714	23.0%	2,940	13.5%
Revenue from operations (INR mn)	23,948	18,747	27.7%	21,549	11.1%
BPC	21,829	17,029	28.2%	19,754	10.5%
Fashion	1,852	1,486	24.6%	1,610	15.0%

Source: Company, JM Financial



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Rating	Meaning
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