

FSN E-Commerce Ventures | BUY

Growth momentum continues unabated

Nykaa reported 3QFY26 revenue update, indicating continued growth momentum with consolidated GMV/NSV growth expected in late twenties. BPC NSV/revenue picked up further from the healthy growth rate delivered in the past few quarters at 28-30%/26-27% YoY respectively, marginally better than JMFe. While Fashion NSV growth (c.24-26% YoY) is expected to be strong, revenue growth is expected in late-teens due to brand rationalisation in house of brands as well as base effect from higher mix of content income in 3QFY25. Baking in these estimates, we expect EBITDA margin to expand strongly by 130bps YoY, similar to 2Q. Overall, 3Q is expected to be a decent quarter led by strong seasonality and sustained execution. We expect the stock's recent outperformance to sustain as the company continues to deliver as one of the cleanest compounding story in India. We roll forward to Mar'27 TP of INR 325 (vs. earlier INR 310). Maintain 'BUY'.

- **BPC momentum sustained:** Combined BPC NSV growth is expected to be in late twenties YoY, broadly in-line with JMFe of ~28%. 3Q, being a seasonally strong quarter, has seen broad-based growth across businesses, driven by strong performance of House of Nykaa brands, a successful Pink Friday sale and robust new customer acquisition. Net revenue growth for the Beauty vertical is expected to be at the upper end of mid-twenties YoY, broadly in-line with JMFe of 26.5%. While eB2B would have seen GST-related impact in October, the business would likely have normalized in the remaining two months of the quarter. Hence, our triangulation suggests core BPC would largely have grown similar to combined BPC in 3Q.
- **Nykaa Fashion maintains growth trajectory:** Nykaa's fashion vertical is expected to deliver NSV growth in mid-twenties YoY, lower than JMFe as we were expecting the segment to further ramp-up growth. The growth in 3Q was supported by improved traction in core platform, new brand additions and healthy customer acquisition. However, net revenue growth is expected to be in late-teens YoY, lower than NSV growth due to ongoing channel optimisation of owned brands. It would also be impacted due to base effect as content income is unlikely to have kept pace with the pick-up in platform growth.
- **Consolidated performance:** On a consolidated level, net revenue growth is expected to be upper mid-twenties YoY, in-line with JMFe of 26%. GMV and NSV growth is expected to be in late twenties YoY, slightly better than JMFe of 28% YoY. On margin front, we expect BPC contribution margin (CM) to improve 70bps YoY (-30bps QoQ), whereas Fashion CM is expected to improve 80bps YoY (+10bps QoQ). EBITDA margin is expected to improve 130bps YoY, indicating sustenance of robust margin improvement delivered in H1FY26.
- **Reiterate 'BUY', roll forward to Mar'27 TP of INR 325:** Due to steady growth performance, we only make minor tweaks to segmental GMV/NSV estimates while lowering revenue conversion marginally in Fashion. Resulting operating deleverage results in a c.1% dip in EBITDA. We expect the company to sustain growth momentum with higher BPC profits getting unburdened of the losses in eB2B gradually and Fashion in early FY27, if not in Q4FY26 itself. Roll forward to Mar'27 with TP of INR 325 (vs. INR 310 earlier), implying 55x FY28E EBITDA multiple. Reiterate BUY with Nykaa being one of the cleanest long-term compounding stories in India.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	325
Upside/(Downside)	22.7%
Previous Price Target	310
Change	4.8%

Key Data – NYKAA IN

Current Market Price	INR265
Market cap (bn)	INR758.3/US\$8.4
Free Float	48%
Shares in issue (mn)	2,859.0
Diluted share (mn)	2,873.3
3-mon avg daily val (mn)	INR1,870.6/US\$20.7
52-week range	273/155
Sensex/Nifty	85,762/26,329
INR/US\$	90.2

Price Performance

%	1M	6M	12M
Absolute	3.7	33.6	57.8
Relative*	3.6	30.0	45.8

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	63,856	79,498	99,880	1,28,002	1,61,869
Sales Growth (%)	24.1	24.5	25.6	28.2	26.5
EBITDA	3,461	4,726	7,202	11,318	17,030
EBITDA Margin (%)	5.4	5.9	7.2	8.8	10.5
Adjusted Net Profit	362	664	2,221	5,140	9,373
Diluted EPS (INR)	0.1	0.2	0.8	1.8	3.3
Diluted EPS Growth (%)	56.2	83.4	234.6	131.4	82.3
ROIC (%)	5.3	7.1	15.4	30.0	48.5
ROE (%)	2.7	5.1	15.2	27.7	35.8
P/E (x)	2,104.2	1,147.0	342.8	148.1	81.2
P/B (x)	60.1	58.2	49.1	36.4	24.9
EV/EBITDA (x)	219.6	161.4	105.6	66.8	43.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 02/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Nykaa 3QFY26: JMFe

Particulars	3Q26E	3Q25A	Change (YoY)	2Q26A	Change (QoQ)	Estimate (Cons.)	Variance (vs. Cons.)
Total GMV (INR mn)	58,075	45,279	28.3%	47,440	22.4%	57,496	1.0%
BPC	43,321	33,899	27.8%	35,510	22.0%	42,980	0.8%
Fashion	14,584	11,299	29.1%	11,800	23.6%	14,335	1.7%
Others	170	81	110.0%	130	30.8%	182	-6.3%
Total NSV (INR mn)	28,422	22,190	28.1%	23,400	21.5%	28,295	0.4%
BPC	24,141	18,817	28.3%	19,810	21.9%	24,014	0.5%
Fashion	4,120	3,295	25.0%	3,460	19.1%	4,102	0.4%
Others	162	78	107.2%	130	24.3%	179	-9.7%
Revenue from operations (INR mn)	28,588	22,672	26.1%	23,460	21.9%	28,582	0.0%
BPC	26,062	20,600	26.5%	21,320	22.2%	26,031	0.1%
Fashion	2,364	1,990	18.8%	2,010	17.6%	2,395	-1.3%
Others	162	82	97.1%	130	24.3%	156	3.5%
Gross Profit (INR mn)	12,660	9,911	27.7%	10,535	20.2%	12,693	-0.3%
Gross margin	44.3%	43.7%	57 bps	44.9%	-62 bps	44.4%	-12 bps
Contribution Profit (INR mn)	5,614	4,296	30.7%	4,705	19.3%		
Contribution margin	19.6%	19.0%	69 bps	20.1%	-42 bps		
EBITDA (INR mn)	2,146	1,408	52.4%	1,590	35.0%	2,133	0.6%
EBITDA margin	7.5%	6.2%	130 bps	6.8%	73 bps	7.5%	4 bps
PAT ex-MI and Exceptional (INR mn)	778	261	197.7%	338	130.1%	615	26.4%

Source: Company, JM Financial estimates, Visible alpha (consensus) estimates.

Exhibit 2. Implied SoTP at our target price of INR 325

TP Date 31-Mar-2027						
Segment	Valuation Metric	Target Multiple (x)	Metric	FY28 Estimate (INR bn)	Valuation (INR bn)	Per Share (INR)
BPC	EV/EBITDA	53.0	Pre IndAS EBITDA	15	810	282
Fashion	EV/NSV	4.5	NSV	24	107	37
Others	EV/NSV	1.0	NSV	16	16	6
Cash		1.0	Net Cash	2	2	1
Target Market Cap (INR bn)					935	325

Source: JM Financial estimates

Reiterate BUY; TP raised to INR 325

Exhibit 3. What has changed in our estimates

	OLD				NEW				Change			
	FY26E	FY27E	FY28E	FY29E	FY26E	FY27E	FY28E	FY29E	FY26E	FY27E	FY28E	FY29E
Group GMV (INR bn)	200.3	254.8	319.4	395.5	200.1	254.3	318.6	394.4	-0.1%	-0.2%	-0.2%	-0.3%
Consolidated revenue (INR bn)	100.6	128.7	162.7	203.0	99.9	128.0	161.9	201.9	-0.7%	-0.5%	-0.5%	-0.5%
Revenue growth rate (YoY)	26.5%	27.9%	26.5%	24.7%	25.6%	28.2%	26.5%	24.7%	-86bp	23bp	-3bp	-3bp
Consolidated EBITDA (INR bn)	7.3	11.4	17.2	24.8	7.2	11.3	17.0	24.6	-1.4%	-1.0%	-1.1%	-1.1%
EBITDA margin	7.3%	8.9%	10.6%	12.2%	7.2%	8.8%	10.5%	12.2%	-7bp	-5bp	-6bp	-7bp
EBIT margin	4.2%	6.2%	8.1%	10.0%	4.1%	6.1%	8.1%	9.9%	-8bp	-5bp	-6bp	-7bp
PAT (INR bn)	2.29	5.22	9.53	15.69	2.22	5.15	9.41	15.5	-3.1%	-1.4%	-1.3%	-1.3%
Diluted EPS (INR)	0.80	1.82	3.32	5.46	0.77	1.79	3.27	5.4	-3.1%	-1.4%	-1.3%	-1.3%

Source: Company, JM Financial

Valuation Methodology: DCF

Exhibit 4. Key DCF assumptions

WACC	12.0%
Revenue CAGR (FY24-29)	25.9%
Revenue CAGR (FY29-34)	20.2%
Revenue CAGR (FY34-41)	13.6%
EBITDA CAGR (FY24-29)	48.0%
EBITDA CAGR (FY29-34)	29.7%
EBITDA CAGR (FY34-41)	16.6%
Tax Rate	42.2%
NPV of cash flow (2024-2041F)	356,432
Perpetual growth (%)	6.0%
Implied Exit FCF multiple (X)	16.7x
Terminal value (INR mn)	582,235
Enterprise value (INR mn)	938,667
Terminal value as % of Enterprise Value	62.0%
Net debt (INR mn, Mar'25E)	3,481
Minority Interest (INR mn, Mar'25E)	422
Equity value (INR mn)	934,764
Number of shares outstanding (diluted, million)	2,873
Equity value per share (INR)	325

Source: JM Financial

Exhibit 5. Sensitivity of Equity Value to WACC and Terminal growth rate

		Terminal Growth Rate				
WACC		5.0%	5.5%	6.0%	6.5%	7.0%
	10.5%	390	416	448	488	540
	11.0%	353	374	399	430	469
	11.5%	322	339	359	383	413
	12.0%	295	309	325	345	368
	12.5%	271	283	297	313	331
	13.0%	251	261	272	285	300
	13.5%	233	241	251	262	274

Source: JM Financial, Company

Exhibit 6. Sensitivity of Equity Value to Revenue Growth and EBITDA Margin

		Revenue Growth (% of JMFe)				
EBITDA Margin (% of JMFe)		60%	70%	80%	90%	100%
	60%	56	78	107	142	186
	70%	69	95	128	169	221
	80%	82	112	149	197	256
	90%	95	129	171	224	291
	100%	108	145	192	251	325

Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	63,856	79,498	99,880	1,28,002	1,61,869
Sales Growth	24.1%	24.5%	25.6%	28.2%	26.5%
Other Operating Income	0	0	0	0	0
Total Revenue	63,856	79,498	99,880	1,28,002	1,61,869
Cost of Goods Sold/Op. Exp	36,464	44,727	55,445	70,944	89,579
Personnel Cost	5,649	6,661	7,626	9,038	10,489
Other Expenses	18,282	23,385	29,607	36,702	44,771
EBITDA	3,461	4,726	7,202	11,318	17,030
EBITDA Margin	5.4%	5.9%	7.2%	8.8%	10.5%
EBITDA Growth	35.1%	36.5%	52.4%	57.2%	50.5%
Depn. & Amort.	2,242	2,664	3,095	3,490	3,956
EBIT	1,219	2,062	4,107	7,829	13,074
Other Income	-529	-801	-816	-528	-75
Finance Cost	0	0	0	0	0
PBT before Excep. & Forex	690	1,261	3,291	7,300	13,000
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	690	1,261	3,291	7,300	13,000
Taxes	253	538	1,053	2,117	3,575
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	75	60	16	43	52
Reported Net Profit	362	664	2,221	5,140	9,373
Adjusted Net Profit	362	664	2,221	5,140	9,373
Net Margin	0.6%	0.8%	2.2%	4.0%	5.8%
Diluted Share Cap. (mn)	2,873.3	2,873.3	2,873.3	2,873.3	2,873.3
Diluted EPS (INR)	0.1	0.2	0.8	1.8	3.3
Diluted EPS Growth	56.2%	83.4%	234.6%	131.4%	82.3%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	690	1,275	3,291	7,300	13,000
Depn. & Amort.	2,242	2,664	3,095	3,490	3,956
Net Interest Exp. / Inc. (-)	631	890	816	528	75
Inc (-) / Dec in WCap.	-2,513	211	568	-353	-514
Others	264	224	193	229	266
Taxes Paid	-1,312	-597	-1,258	-2,117	-3,575
Operating Cash Flow	3	4,666	6,706	9,077	13,208
Capex	-1,107	-1,272	-1,479	-2,019	-2,159
Free Cash Flow	-1,105	3,394	5,226	7,059	11,049
Inc (-) / Dec in Investments	788	-588	-589	0	0
Others	218	-195	429	701	1,203
Investing Cash Flow	-101	-2,054	-1,639	-1,317	-956
Inc / Dec (-) in Capital	172	-2,499	2	10	35
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	721	971	-2,040	-2,534	-2,843
Others	-451	-593	-800	-775	-726
Financing Cash Flow	443	-2,120	-2,838	-3,298	-3,534
Inc / Dec (-) in Cash	344	492	2,229	4,462	8,718
Opening Cash Balance	414	758	1,249	3,479	7,941
Closing Cash Balance	758	1,249	3,479	7,941	16,659

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	12,622	13,013	15,430	20,809	30,483
Share Capital	2,856	2,859	2,861	2,861	2,861
Reserves & Surplus	9,766	10,154	12,568	17,948	27,622
Preference Share Capital	0	0	0	0	0
Minority Interest	188	414	430	473	526
Total Loans	6,804	9,614	9,899	9,899	9,899
Def. Tax Liab. / Assets (-)	-2,690	-2,580	-2,551	-2,551	-2,551
Total - Equity & Liab.	16,924	20,461	23,208	28,630	38,356
Net Fixed Assets	6,979	8,716	9,754	11,247	12,788
Gross Fixed Assets	4,238	5,143	6,267	7,738	9,375
Intangible Assets	1,715	2,332	2,266	2,458	2,607
Less: Depn. & Amort.	1,881	2,425	3,330	4,302	5,404
Capital WIP	2,906	3,666	4,551	5,353	6,209
Investments	3,817	3,617	4,205	4,205	4,205
Current Assets	20,520	24,883	30,340	40,702	56,329
Inventories	11,920	14,175	16,168	19,843	24,206
Sundry Debtors	2,416	2,466	2,666	3,329	4,144
Cash & Bank Balances	758	1,249	3,479	7,941	16,659
Loans & Advances	0	0	0	0	0
Other Current Assets	5,426	6,993	8,027	9,589	11,320
Current Liab. & Prov.	14,392	16,755	21,091	27,523	34,966
Current Liabilities	6,758	9,941	12,289	15,956	20,297
Provisions & Others	7,634	6,814	8,802	11,568	14,669
Net Current Assets	6,128	8,128	9,249	13,179	21,363
Total - Assets	16,924	20,461	23,208	28,630	38,356

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	0.6%	0.8%	2.2%	4.0%	5.8%
Asset Turnover (x)	2.9	3.2	3.5	3.9	3.9
Leverage Factor (x)	1.7	1.9	2.0	1.8	1.6
RoE	2.7%	5.2%	15.6%	28.4%	36.5%

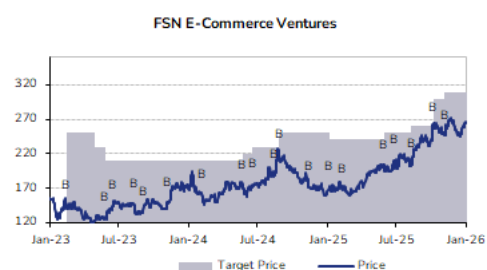
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	4.4	4.6	5.4	7.3	10.7
ROIC	5.3%	7.1%	15.4%	30.0%	48.5%
ROE	2.7%	5.1%	15.2%	27.7%	35.8%
Net Debt/Equity (x)	0.2	0.4	0.1	-0.1	-0.4
P/E (x)	2,104.2	1,147.0	342.8	148.1	81.2
P/B (x)	60.1	58.2	49.1	36.4	24.9
EV/EBITDA (x)	219.6	161.4	105.6	66.8	43.9
EV/Sales (x)	11.9	9.6	7.6	5.9	4.6
Debtor days	14	11	10	9	9
Inventory days	68	65	59	57	55
Creditor days	23	31	31	34	35

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Feb-23	Buy	250	
26-Apr-23	Buy	230	-8.0
25-May-23	Buy	210	-8.7
17-Jun-23	Buy	210	0.0
12-Aug-23	Buy	210	0.0
4-Sep-23	Buy	210	0.0
6-Nov-23	Buy	210	0.0
6-Feb-24	Buy	210	0.0
23-May-24	Buy	220	4.8
18-Jun-24	Buy	230	4.5
14-Aug-24	Buy	230	0.0
28-Aug-24	Buy	250	8.7
13-Nov-24	Buy	250	0.0
6-Jan-25	Buy	240	-4.0
11-Feb-25	Buy	240	0.0
31-May-25	Buy	250	4.2
27-Jun-25	Buy	250	0.0
12-Aug-25	Buy	260	4.0
8-Oct-25	Buy	300	15.4
8-Nov-25	Buy	310	3.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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