INTERNET & TELECOM PREVIEW

nuvama institutional equities

SECTOR UPDATE

Momentum intact; margins in focus

We reiterate our internet coverage shall continue to deliver healthy revenue growth in Q2FY26E. Eternal should lead in terms of revenue growth driven by sustained momentum in QC, while Info Edge, Nykaa and Eternal would log margin improvement. Staffing companies are likely to report moderate sequential growth in general staffing while the IT subcontracting business shall report stable growth.

Telecom operators shall witness moderate ARPU growth in absence of tariff hikes. Subscriber addition shall stay positive for Bharti and Jio, whereas VIL shall continue to lose subscribers. Route is expected to post sequential revenue growth with a marginal uptick in margins. STL is likely to report muted growth weighed down by tariff headwinds

Balancing growth and profitability

Eternal is likely to deliver 27% QoQ/89.7% YoY revenue growth. Food delivery GOV shall grow 4.9% QoQ/16.5% YoY while Blinkit would report 23% QoQ/137.1% YoY GOV growth. Food delivery revenue would grow 16.5% YoY while Blinkit is likely to deliver 315.2% YoY growth (elevated due to transition to 1P Model). Consolidated adjusted EBITDA margin to improve 30bp QoQ to 2.7% due to lower losses in Blinkit. Info Edge to report 0.6% QoQ/12.9% YoY growth driven by sustained momentum in the Non-Recruitment business. Recruitment shall grow 2.5% QoQ/12.2% YoY while Jeevansathi to sustain growth momentum. Margins to expand 320bp QoQ to 40.9%.

IndiaMART is likely to grow 4.2% QoQ/11.5% YoY driven by higher realisation. Subscriber addition shall gradually rise to ~1.5k QoQ. Margins to decrease 190bp QoQ to 34% due to increased marketing spends and ESOP expense. JustDial revenue would grow 1.4% QoQ/6% YoY. We expect EBITDA margin to decrease 50bp QoQ to 28.5% in Q2FY26E. For Nykaa, we expect revenue to jump 27% YoY supported by sustained growth in BPC and growth pickup in the fashion segment. We reckon EBITDA margin shall improve to 6.7% in Q2FY26 compared with 6.5% in Q1FY26.

TeamLease revenue would grow 2% QoQ/5.5% YoY while EBITDA margin would expand 10bp QoQ to 1.2%. Quess's revenue is likely to grow 3.7% QoQ/2.2% YoY while margins would improve 10bp QoQ. SIS's revenue would grow 11.3% YoY led by volumes while EBITDA margin would be ~4.5%.

Bharti Airtel is likely to report 1.3% QoQ growth in consolidated revenue with India mobile services business growing 1.2% QoQ led by moderate ARPU growth and 2mn subscriber addition. Consolidated EBITDA margin is likely to remain stable.

Vodafone Idea revenue to grow 0.5% QoQ led by ARPU growth, whereas subscriber losses are likely to persist. EBITDA margin is likely to remain flat QoQ. Tata Communications would report decent revenue growth of 6.1% YoY—with core/digital growing 1.3%/19.1% YoY. EBITDA margin would expand 260bp QoQ.

Route's revenue would grow +1.8% QoQ/-3.9% YoY. Margins would improve 20bp QoQ to 11.5%. STL's revenue shall decrease 2.8% YoY while margins would expand 30bp QoQ to 13.3%; growth is likely to be muted due to tariff-related headwinds.

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Exhibit 1: Quarterly preview: Internet sector

Company	Particular	Q2FY26E	Q1FY26	QoQ	Q2FY25	YoY	Key things to watch out for
		(INR mn)	(INR mn)	Growth (%)	(INR mn)	Growth (%)	
Info Edge	Revenue	7,406	7,364	0.6	6,561	12.9	We expect revenue to grow 0.6% QoQ/12.9% YoY, driven by growth in Non-Recruitment business. Recruitment business to report growth of 2.5% QoQ/12.2% YoY in Q2FY26. EBITDA margins expected to increase by 320bps QoQ.
	EBITDA	3,029	2,779	9.0	2,744	10.4	
	EBITDA margin (%)	40.9	37.7		41.8		
	Adjusted PAT	2,717	2,596	4.6	2,375	14.4	
Zomato	Revenue	91,020	71,670	27.0	47,990	89.7	We estimate 27.0% QoQ/89.7% YoY revenue growth for consolidated business in Q2FY26. Food delivery revenue to grow by +3.6% QoQ/+16.5% YoY, driven by volume growth. We expect consolidated adj EBITDA margin to increase by 30bps QoQ.
	EBITDA	2,060	1,150	79.1	2,260	(8.9)	
	EBITDA Margin (%)	2.3	1.6		4.7		
	Adjusted PAT	689	250	175.6	1,760	(60.8)	
Nykaa	Revenue	23,809	21,549	10.5	18,747	27.0	We expect 32%/25% YoY growth in BPC/Fashion GMV respectively. Overall, we expect revenues to increase 27.0% YoY to INR23.8bn. We expect EBITDA margin to increase 20bps QoQ to 6.7% in Q2FY26.
	EBITDA	1,595	1,407	13.4	1,037	53.9	
	EBITDA Margin (%)	6.7	6.5		5.5		
	Adjusted PAT	304	245	24.1	134	125.9	
IndiaMART	Revenue	3,877	3,721	4.2	3,477	11.5	We expect revenue growth of 4.2% QoQ/11.5% YoY, driven by elevated realization. Subscriber addition to be ~1.5k while collection growth expected to remain lower double digit. We expect EBITDA margin to contract 190bps QoQ.
	EBITDA	1,319	1,335	(1.2)	1,346	(2.0)	
	EBITDA Margin (%)	34.0	35.9		38.7		
	Adjusted PAT	1,496	1,535	(2.6)	1,351	10.7	
Just Dial	Revenue	3,020	2,979	1.4	2,848	6.0	We expect revenue to grow 1.4% QoQ/6.0% YoY. We expect EBITDA margins to decrease from 29.0% in Q1FY26 to 28.5% in Q2FY26.
	EBITDA	860	864	(0.5)	821	4.8	
	EBITDA Margin (%)	28.5	29.0		28.8		
	Adjusted PAT	1,475	1,597	(7.6)	1,541	(4.2)	

Source: Company, Nuvama Research

Exhibit 2: Quarterly preview: Telecom Sector

Company	Particular	Q2FY26E	Q1FY26	QoQ	Q2FY25	YoY	Key things to watch out for
		(INR mn)	(INR mn)	Growth (%)	(INR mn)	Growth (%)	
Bharti Airtel	Revenue	5,06,306	4,99,714	1.3	4,17,280	21.3	We build in 1.3% QoQ growth in revenue with 1.9% QoQ growth for the India business. India mobile services would grow 1.2% QoQ driven by subscriber addition while ARPU growth would remain moderate. Consolidated EBITDA margin would remain stable.
	EBITDA	2,84,319	2,83,475	0.3	2,21,009	28.6	
	EBITDA Margin (%)	56.2	56.7		53.0		
	Adjusted PAT	70,887	59,480	19.2	39,115	81.2	
VI	Revenue	1,10,723	1,10,225	0.5	1,09,322	1.3	We estimate revenue growth would be 0.5% QoQ, driven by moderate ARPU growth while subscriber base would decline further. EBITDA margin is likely to remain flat QoQ. Key variables: Progress on 5G rollout, fund-raise and progress on AGR plea.
	EBITDA	46,039	46,121	(0.2)	45,498	1.2	
	EBITDA Margin (%)	41.6	41.8		41.6		
	Adjusted PAT	-70,771	-66,081	NM	-71,759	NM	
TCOM	Revenue	61,207	59,599	2.7	57,674	6.1	We expect decent revenue growth of 6.1% YoY with core/digital expected to grow 1.3%/19.1% YoY. EBITDA margin would expand by 260bp QoQ. Key variables: growth trajectory in digital business, margin trajectory and any incremental updates on divestment of non-core subsidiaries.
	EBITDA	13,258	11,368	16.6	11,170	18.7	
	EBITDA Margin (%)	21.7	19.1		19.4		
	Adjusted PAT	3,925	2,104	86.6	1,843	113.0	
Route Mobile	Revenue	10,697	10,508	1.8	11,134	(3.9)	We expect Route to post revenue growth of +1.8% QoQ/-3.9% YoY. EBITDA margin is expected to expand by 20bp QoQ to 11.5%. Watch out for commentary on revenue synergy and guidance for FY26.
	EBITDA	1,231	1,186	3.8	1,352	(9.0)	
	EBITDA Margin (%)	11.5	11.3		12.1		
	Adjusted PAT	792	588	34.8	1,008	(21.3)	
Sterlite Tech	Revenue	10,431	10,190	2.4	10,730	(2.8)	We expect STL to report revenue growth of +2.4% QoQ. Optical to grow +2% QoQ while the Digital and Tech Solutions business would grow 5% QoQ. We expect EBITDA margin to expand by 30bp QoQ to 13.3%.
	EBITDA	1,386	1,320	5.0	1,200	15.5	
	EBITDA Margin (%)	13.3	13.0		11.2		
	Adjusted PAT	173	100	73.1	-110	NM	

Source: Company, Nuvama Research

Exhibit 3: Quarterly preview: Staffing sector

Company	Particular	Q2FY26E (INR mn)	Q1FY26 (INR mn)	QoQ Growth (%)	Q2FY25 (INR mn)	YoY Growth (%)	Key things to watch out for
SIS	Revenue	36,387	35,485	2.5	32,688	11.3	We expect revenue to grow 11.3% YoY largely driven by volume. EBITDA is expected to grow 12.4% YoY and margins to be about 4.5%.
	EBITDA	1,627	1,521	7.0	1,448	12.4	
	EBITDA Margin (%)	4.5	4.3		4.4		
	Adjusted PAT	1,004	929	8.1	688	46.0	
Quess Corp	Revenue	37,878	36,514	3.7	37,048	2.2	We expect revenue to grow 3.7% QoQ with General Staffing likely to grow 4% QoQ. Professional staffing revenue would grow 3% QoQ while the Overseas Business would grow 0.5% QoQ. EBITDA margin is expected to inch up 10bp QoQ.
	EBITDA	742	697	6.4	693	7.1	
	EBITDA Margin (%)	2.0	1.9		1.9		
	Adjusted PAT	544	528	3.0	509	6.9	
TeamLease	Revenue	29,493	28,914	2.0	27,968	5.5	We expect revenue to grow by 5.5% YoY, driven by Professional Staffing. EBITDA margins to expand 10bp QoQ to 1.2%.
	EBITDA	366	307	19.5	335	9.5	
	EBITDA Margin (%)	1.2	1.1		1.2		
	Adjusted PAT	295	266	10.9	246	19.9	

Source: Company, Nuvama Research

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