

NYKAA

FSN E-Commerce Ventures Ltd

Market's envy. Investors' pride



VENTURA

Kyon ki bhaiya, sabse bada rupaiya.

TABLE OF CONTENTS

Summary	3
Valuation and Peer Comparison	5
Bull & Bear Case Scenario	7
Financial Analysis and Projection	8
Story in Charts	10
How NYKAA business is structured	12
Humungous untapped opportunity in Beauty and Fashion	19
Key Management Persons	21
Risks & Concerns	22
Issue Structure and Offer Details	23
Financial Statement Analysis & Projections	24
Disclaimer	25

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Market's envy. Investors' pride

FSN E-Commerce Ventures Ltd (NYKAA) stands out as a unique investment opportunity in the digital world, given its proven track record of driving growth while simultaneously expanding profitability. Its laser sharp focus on unit economics and profitability is in sharp contrast to the other global digital aspirants who have embraced growth at the cost of profitability. This warrants a substantial premium for NYKAA's valuations, when compared with peers among the internet and platform stocks, in our view. We initiate coverage with a Subscribe for the Long term with a 24-month price target of INR 1,412 (10X FY24 EV/Sales) that represents an upside of 25.5% over the IPO price of INR 1,125

NYKAA's niche verticals of beauty and fashion are large market opportunities with limited penetration. Strong tail winds from a large aspirational population, rising affordability and the introduction of new brands, both domestic & global should sustain a +16% CAGR to USD\$140 bn by FY25 for both categories combined. With both categories well-suited for online, we expect faster growth leading to significant gains from the e-com share. At 8% penetration levels, there exists significant headroom for growth when benchmarked to the relatively more evolved digital markets of the US (25-40%) and China (40%). NYKAA, the largest e-tailer in the beauty space, with a 30-35% market share and fast ramping up its fashion business, is expected to be the biggest beneficiary.

NYKAA's beauty business is on track to achieve a GMV of INR 4,800 in FY22 and sustain a heady 28-29% CAGR growth over the next decade. More than 70% of its GMV is driven through repeat transactions & speaks volumes for its brand loyalty. This has emanated from a carefully crafted strategy based on its strong content ecosystem for customer acquisition, a wide and category deep portfolio of over +2 lac SKUS from over 2,500 partner brands & owned brand offerings (in white spaces) that enables product discovery and a predominantly inventory-led direct sourcing strategy that drives authenticity and profitability.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/EBITDA (X)	EV/Sales (X)
FY20	1,767.5	81.1	(16.4)	4.6	(0.9)	(0.3)	6.8	(5.0)	5.2	NA	657.5	30.2
FY21	2,440.9	161.4	64.1	6.6	2.6	1.4	10.4	12.2	21.9	829.7	329.2	21.8
FY22E	3,447.0	148.9	50.3	4.3	1.5	1.1	29.0	3.7	10.7	1,058.8	352.6	15.2
FY23E	5,065.5	369.5	225.8	7.3	4.5	4.8	33.8	14.1	28.9	235.6	142.2	10.4
FY24E	6,598.4	624.1	400.8	9.5	6.1	8.5	42.3	20.0	42.1	132.7	84.0	7.9

Industry	E-commerce
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Issue Details

Listing	BSE & NSE
Open Date	28 th Oct 2021
Close Date	1 st Nov 2021
Price Band	INR 1085-1125
Face Value	INR 1
Market Lot	12 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	88%
Fresh Issue	12%
Issue Size (Amt)	INR 5,352 cr
Issue Size (Shares)	47,575,326
QIB Share (%)	≥ 75%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 10%
Pre issue sh (nos)	467,324,550
Post issue sh (nos)	472,924,550
Post issue M Cap	INR 53,204 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	54.2	52.6
Institution	45.8	46.4
Public	0.0	1.0
TOTAL	100	100

NYKAA's success with its beauty business rollout is a playbook for its fledgling fashion business. However, the fashion business strategy has been tweaked to being a predominantly curated and managed market place (in contrast to the inventory-led beauty business) that sells full price products (against discounting strategy of its peers) with a far wider assortment of over 2 mn SKUs from 1,434 brands (that cater to men, women, kids and home). Nykaa Fashion's current GMV stands at INR 666 cr and is expected sustain a 44% CAGR over the next decade.

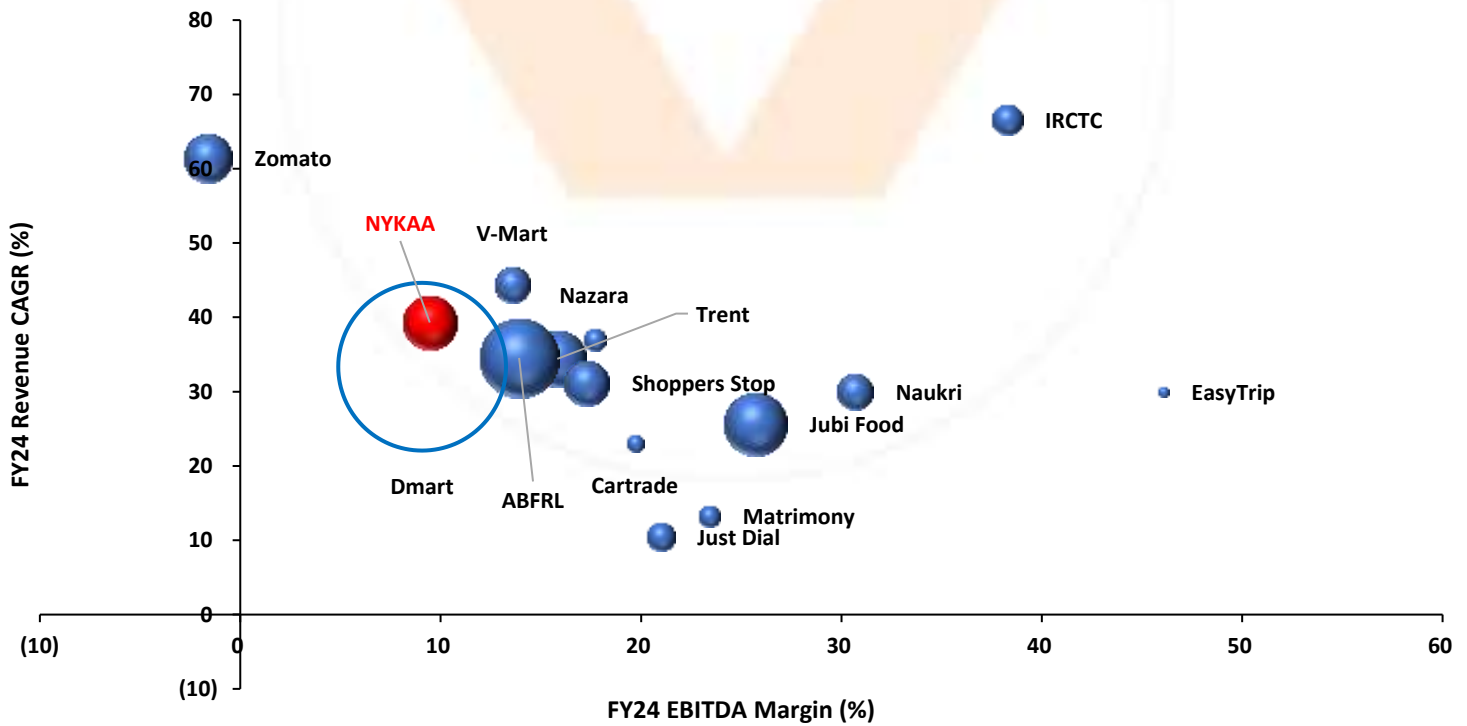
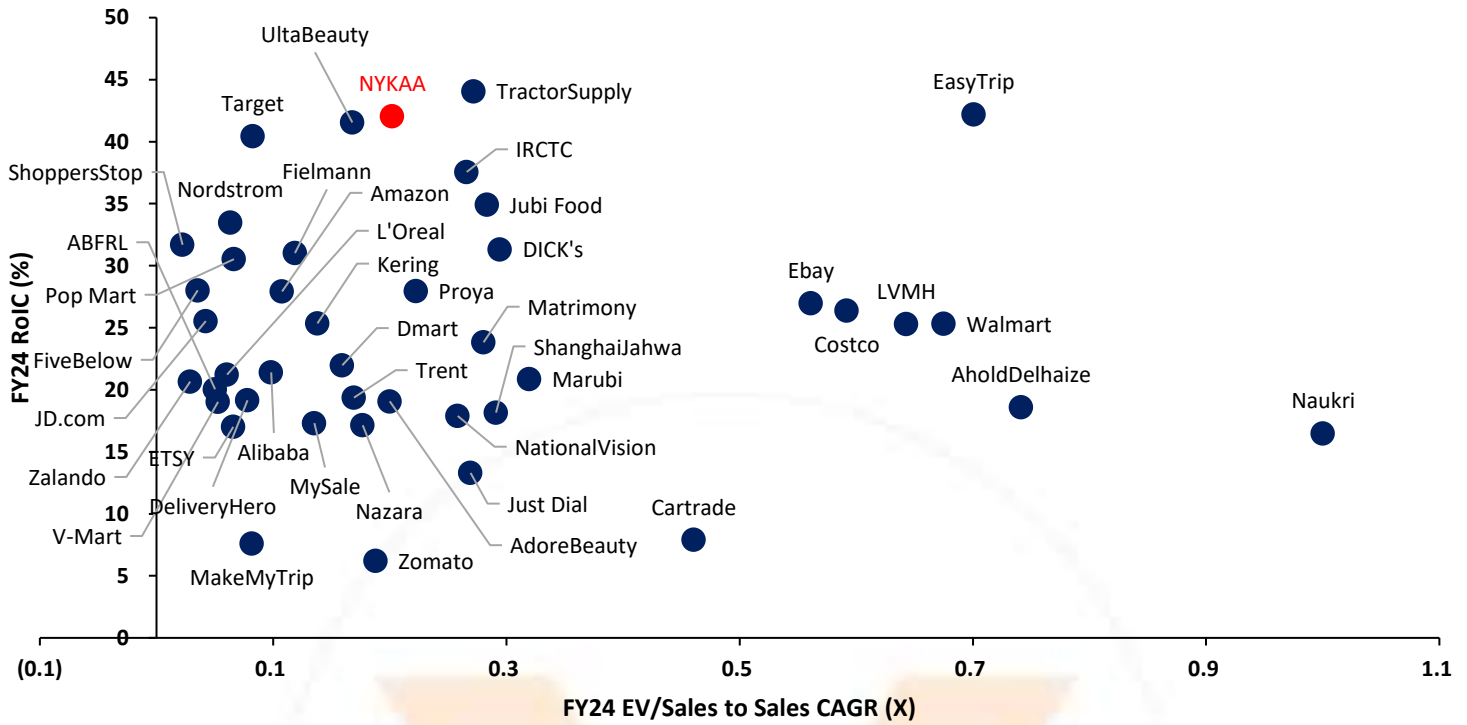
NYKAA with its 80 offline stores across 3 formats in 40 cities has already started rolling out its omni channel strategy. A part of the IPO proceeds (INR 630 crore) will be utilized for its retail store capex, apart from setting up new warehouses, debt repayment and enhancing the visibility and awareness of NYKAA brands. The stock market listing too will aid in brand discovery and proliferation.

Apart from the IPO, there is an INR 4,722 crore OFS from existing investors and promoters. The cumulative raise of INR 5,352 crore (IPO + OFS) at the upper price band of INR 1,125 per share values NYKAA's business at 7.9X FY24 EV/Sales. While the valuation is in line with other recently listed Indian digital/ internet stocks, we believe that the large market opportunity of NYKAA's business verticals, NYKAA's market leadership & strong brand equity, and strong growth and profitability outlook make a case for a premium valuation.

Valuation and Comparable Metric of Domestic and Global Online Platforms

Company Name	Mkt Cap	Price	EV/Sales (X)			EV/EBITDA (X)			P/E (X)			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
			2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Domestic Peers (fig in INR cr, unless specified)																										
FSN E-Commerce Ventures Ltd	53,204	1,125.0	15.2	10.4	7.9	352.6	142.2	84.0	1,058.8	235.6	132.7	3.7	14.1	20.0	10.7	28.9	42.1	3,447	5,065	6,598	4.3	7.3	9.5	1.5	4.5	6.1
Zomato Ltd	106,184	135.4	24.1	16.7	11.6	(101.1)	(124.7)	(706.5)	(132.3)	(268.6)	557.0	(5.0)	(2.6)	1.2	0.0	2.4	6.2	3,976	5,758	8,391	(23.9)	(13.4)	(1.6)	(20.2)	(6.9)	2.3
Jubilant Foodworks Ltd	48,894	3,705.0	10.7	8.7	7.3	42.4	34.0	28.3	100.6	75.6	59.9	27.4	29.2	29.9	32.4	34.2	34.9	4,531	5,514	6,570	25.4	25.7	25.7	10.7	11.7	12.4
Cartrade Tech Ltd	5,701	1,244.0	15.8	12.9	10.6	100.9	72.2	54.1	208.6	146.1	109.1	1.6	2.2	2.9	6.6	7.2	7.9	320	388	466	15.6	17.9	19.7	8.5	10.1	11.2
Info Edge (India) Ltd.	78,360	6,085.0	51.8	39.6	30.0	161.4	122.8	97.9	181.3	133.4	107.5	8.2	10.3	11.5	13.2	15.3	16.5	1,456	1,893	2,461	32.1	32.3	30.7	29.7	31.0	29.6
IRCTC Ltd	66,838	4,182.0	32.9	19.7	17.7	84.3	50.1	46.3	111.1	67.1	61.4	32.0	39.3	32.6	37.0	44.3	37.6	1,982	3,287	3,620	39.0	39.3	38.3	30.4	30.3	30.1
Nazara Technologies Ltd.	8,253	2,710.0	12.6	8.9	6.5	80.9	53.8	37.0	209.4	121.8	79.6	5.7	8.9	12.1	10.7	13.9	17.1	630	881	1,168	15.5	16.4	17.7	6.3	7.7	8.9
Easy Trip Planners Ltd.	5,172	476.0	35.5	27.3	21.0	83.2	61.6	45.7	62.8	46.5	34.5	37.3	37.2	37.2	42.3	42.2	42.2	139	181	235	42.7	44.3	46.1	59.2	61.5	63.8
Matrimony.Com Ltd.	2,271	993.0	4.8	4.2	3.7	22.4	17.0	15.9	40.2	28.8	27.8	18.2	21.5	18.8	23.2	26.5	23.8	428	484	549	21.3	24.8	23.4	13.2	16.3	14.9
Just Dial Ltd.	7,018	840.0	5.6	3.4	2.8	56.0	15.4	13.5	44.8	25.8	22.5	5.0	7.9	8.3	10.0	12.9	13.3	683	838	911	10.1	21.9	21.0	22.9	32.4	34.2
V-Mart Retail Ltd	7,978	4,043.2	4.7	2.9	2.3	39.6	21.8	17.3	205.2	66.9	50.8	4.5	12.3	14.0	9.5	17.3	19.0	1,631	2,648	3,239	11.9	13.3	13.6	2.4	4.5	4.8
Trent Ltd	36,711	1,032.7	10.0	6.9	5.8	72.3	43.0	36.8	611.4	137.7	100.7	2.6	10.4	14.4	7.6	15.4	19.4	3,731	5,339	6,297	13.8	16.0	15.8	1.6	5.0	5.8
Aditya Birla Fashion & Retail Ltd	23,882	254.8	3.0	2.3	1.7	22.4	15.7	12.5	(181.7)	99.8	49.4	(5.6)	9.2	15.0	(0.6)	14.2	20.0	7,613	10,523	12,783	13.2	14.5	13.9	(1.7)	2.3	3.8
Shoppers Stop Ltd	3,955	361.4	2.2	1.6	0.7	15.3	8.9	4.0	(39.0)	57.9	74.5	(179.8)	38.9	26.7	(174.8)	43.9	31.7	2,503	3,389	3,949	14.4	17.5	17.3	(4.0)	2.0	1.3
Avenue Supermarts Ltd	306,501	4,731.6	9.5	6.8	5.3	118.0	76.2	58.6	187.6	118.4	90.7	11.8	15.7	17.0	16.8	20.7	22.0	31,955	44,886	57,258	8.1	8.9	9.1	5.1	5.8	5.9
Global Peers (fig in USD mn, unless specified)																										
Adore Beauty Group Ltd (AUS)	331	3.5	2.0	1.6	1.4	58.5	44.3	32.3	112.3	88.6	62.5	10.3	11.6	14.1	15.3	16.6	19.1	156	185	221	3.4	3.7	4.2	1.9	2.0	2.4
MySale Group PLC (UK)	106	0.1	0.9	0.8	0.8	27.2	24.7	22.5	(161.6)	106.0	35.3	(3.3)	4.5	12.3	1.7	9.5	17.3	106	117	129	3.4	3.4	3.4	(0.6)	0.9	2.3
Nordstrom Inc (USA)	4,572	28.8	0.5	0.4	0.4	5.6	4.9	4.7	20.6	12.2	10.7	22.6	43.7	28.5	27.6	48.7	33.5	14,197	14,829	15,103	8.2	8.9	8.8	1.6	2.5	2.8
L'Oreal (France)	252,551	452.9	6.1	5.6	5.3	24.6	22.7	21.3	40.7	37.5	35.1	16.3	16.5	16.2	21.3	21.5	21.2	39,973	42,753	44,836	24.7	24.7	25.1	15.5	15.7	16.1
LVMH (USA)	389,178	774.2	5.0	4.6	4.1	15.5	13.7	13.2	28.6	25.8	24.2	22.9	21.9	20.3	27.9	26.9	25.3	79,637	85,808	91,053	32.4	33.2	31.2	17.1	17.6	17.7
Proya (China)	6,025	30.0	6.3	5.0	4.6	38.4	29.9	27.2	52.2	41.8	38.0	21.4	21.9	23.0	26.4	26.9	28.0	911	1,115	1,227	16.3	16.8	16.8	12.7	12.9	12.9
Marubi (China)	2,045	5.1	4.6	3.8	3.5	19.0	15.4	14.0	23.1	20.2	18.4	15.1	15.1	15.9	20.1	20.1	20.9	373	431	474	24.4	25.0	25.0	23.8	23.5	23.5
Shanghai Jahwa (China)	4,480	6.6	3.0	2.6	2.4	27.6	20.4	18.5	35.6	26.9	24.4	10.5	12.6	13.2	15.5	17.6	18.2	1,458	1,642	1,806	10.9	12.8	12.8	8.6	10.2	10.2
Alibaba (China)	462,063	170.0	2.7	2.2	1.8	13.2	10.3	8.0	18.6	15.7	12.8	16.5	16.3	16.4	21.5	21.3	21.4	142,811	171,237	202,743	20.7	21.1	22.0	17.4	17.1	17.8
Amazon Inc (USA)	1,709,779	3,376.1	3.2	2.8	2.5	20.0	16.2	14.3	38.0	28.1	22.9	24.9	25.7	22.9	29.9	30.7	27.9	562,956	660,307	747,488	15.9	17.1	17.7	8.0	9.2	10.0
Ebay Inc (USA)	51,029	78.5	4.8	4.6	4.4	12.6	12.1	11.9	18.3	17.2	16.8	23.9	24.6	22.0	28.9	29.6	27.0	10,945	11,410	11,888	38.2	38.2	37.5	25.5	26.0	25.5
Costco Wholesale Corporation (USA)	214,519	485.5	1.0	0.9	0.8	22.2	20.0	17.9	40.1	36.3	32.8	25.0	22.8	21.4	30.0	27.8	26.4	212,265	227,595	243,480	4.4	4.5	4.6	2.5	2.6	2.7
JD.com (China)	125,302	40.8	0.6	0.5	0.4	25.6	16.4	10.4	39.6	25.5	14.7	8.9	12.4	20.5	13.9	17.4	25.5	181,946	215,267	253,724	2.3	2.9	3.9	1.7	2.3	3.4
Target Corp (USA)	126,270	258.7	1.3	1.3	1.2	11.7	11.7	11.4	19.5	20.1	19.2	43.2	36.9	35.4	48.2	41.9	40.4	101,939	104,077	107,822	11.0	10.8	10.8	6.3	6.0	6.1
Kering SA (France)	92,977	743.7	4.3	3.9	3.4	11.8	10.4	8.8	21.8	19.6	17.7	23.5	22.6	20.4	28.5	27.6	25.4	21,525	23,340	25,293	36.5	37.4	38.3	19.8	20.4	20.8
Delivery Hero SE (Germany)	32,911	131.8	3.3	2.4	1.7	(59.0)	191.5	28.4	(25.8)	(54.1)	447.5	(135.4)	(59.9)	14.2	(130.4)	(54.9)	19.2	10,587	14,808	20,730	(5.7)	1.3	5.9	(12.0)	(4.1)	0.4
Koninklijke Ahold Delhaize (Netherlands)	34,298	32.8	0.5	0.5	0.5	6.5	6.3	6.2	13.9	13.7	13.4	14.8	14.0	13.6	19.8	19.0	18.6	85,836	87,597	90,768	8.2	8.2	8.3	2.9	2.9	2.8
Zalando SE (Germany)	24,593	93.9	1.6	1.4	1.4	24.9	19.8	18.5	68.4	51.1	34.7	11.1	12.9	15.7	16.1	17.9	20.7	14,205	16,837	19,601	6.5	6.9	7.5	2.5	2.9	3.6
ETSY Inc (USA)	31,330	247.5	10.8	8.5	6.8	38.5	28.8	21.6	52.3	40.9	32.2	27.3	20.3	12.0	32.3	25.3	17.0	2,762	3,369	4,053	27.9	29.7	31.6	21.7	22.7	24.0
MakeMyTrip (USA)	2,987	28.5	6.8	3.9	2.7	(179.5)	74.6	31.1	(70.5)	(164.1)	143.3	(5.1)	(2.3)	2.6	(0.1)	2.7	7.6	399	683	1,009	(3.8)	5.3	8.5	(10.6)	(2.7)	2.1
Ulta Beauty Inc (USA)	19,898	366.1	2.3	2.1	2.0	13.8	12.6	12.1	24.0	22.5	20.7	42.7	37.1	36.6	47.7	42.1	41.6	8,326	8,906	9,548	16.5	16.9	16.6	10.0	9.9	10.1
DICK'S Sporting Goods Inc (USA)	11,017	124.4	0.8	0.9	0.9	5.0	6.8	6.5	8.6	12.0	12.0	53.1	34.0	26.3	58.1	39.0	31.3	11,735	11,312	11,671	17.0	13.8	14.0	10.9	8.1	7.8
Five Below Inc (USA)	10,863	193.9	3.8	3.2	2.7	24.2	20.5	16.8	40.3	34.3	28.9	23.5	24.3	23.0	28.5	29.3	28.0	2,801	3,311	3,901	15.9	15.8	16.2	9.6	9.6	9.6
National Vision Holdings Inc (USA)	4,936	60.3	2.3	2.0	1.8	17.1	15.9	14.3	37.8	33.2	31.0	13.1	13.2	12.9	18.1	18.2	17.9	2,243	2,491	2,787	13.3	12.5	12.4	5.8	6.0	5.7
Tractor Supply Co (USA)	23,647	206.8	1.8	1.7	1.6	14.8	13.9	12.7	23.7	22.3	20.6	48.3	47.1	39.1	53.3	52.1	44.1	13,383	14,098	15,249	12.2	12.5	12.7	7.5	7.5	7.5
Walmart (USA)	414,789	148.8	0.8	0.8	0.7	11.9	11.5	11.3	23.2	22.4	21.6	21.1	20.3	20.3	26.1	25.3	25.3	564,126	579,593	600,343	6.6	6.6	6.5	3.2	3.2	3.2
Fielmann AG (Germany)	5,562	66.2	2.7	2.6	2.1	11.4	10.8	9.0	25.1	23.9	18.9	21.8	22.0													

NYKAA: Best-in-class RoIC and business growth potential at an attractive valuation

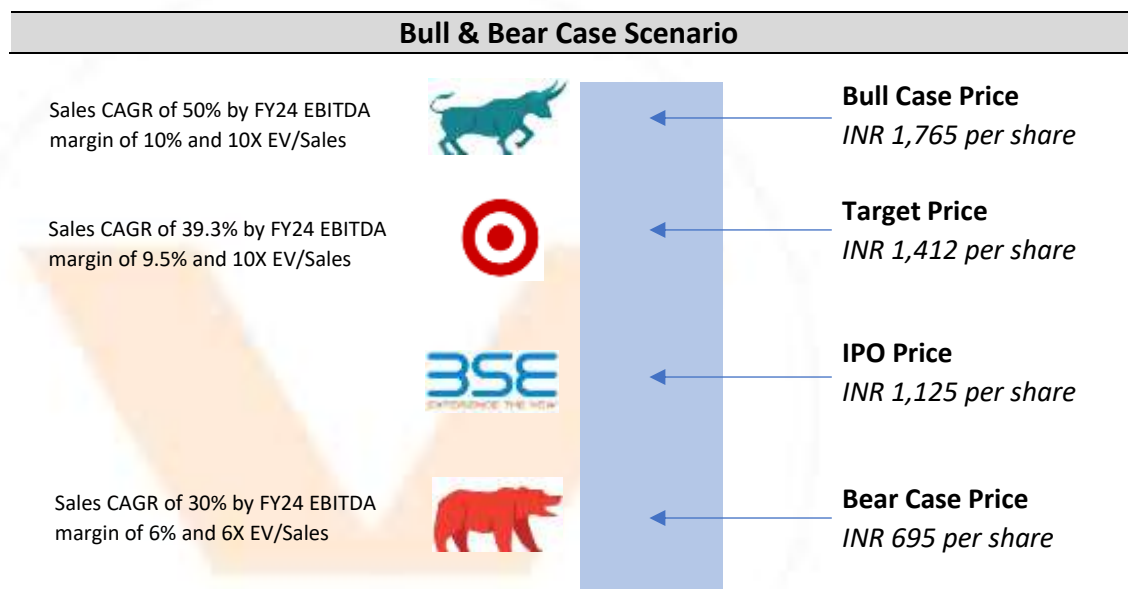


Source: Ventura Research, ACE Equity & Bloomberg

Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario based on NYKAA's FY24 Sales CAGR, EBITDA margins and EV to Sales valuation.

- **Bull Case:** We have assumed a 50% revenue CAGR to INR 8,238 cr by FY24 and EBITDA margin of 10%, along with the valuation re-rating to 10X EV/Sales, which will result in a Bull Case price target of INR 1,765 per share (an upside of 57% from the upper band IPO price of INR 1,125 per share).
- **Bear Case:** We have assumed a 30% revenue CAGR to INR 5,363 cr by FY24 and EBITDA margin of 6%, along with the valuation de-rating to 6X EV/Sales, which will result in a Bear Case price target of INR 695 per share (a downside of 38% from the upper band IPO price of INR 1,125 per share).



Investment Triggers

- NYKAA has a unique inventory-led business model with the tailwind of a large market opportunity with limited penetration across both its verticals.
- Strong focus on unit economics and profitability set it apart from its peers.

Catalysts

- Both categories of BPC and Fashion in the online space are expected to grow significantly faster than the category growth itself.
- Despite deeper penetration in Tier 2/3 cities, Avg Order Value (AOV) continues to remain buoyant, indicating significant pricing power of its brands.

Financial Analysis and Projections

During FY19-21, NYKAA demonstrated a robust GMV CAGR of 56.6% to INR 4,046 cr, driven by

- The BPC segment (GMV contribution 83.5%) growing at a 44.4% CAGR to INR 3,380 cr (Number of unique clients grew at a 26.5% CAGR to 5.6 mn, average order frequency remained flat at 3.1, AOV grew to INR 1,977 in FY21 from INR 1,475 in FY19)
- The fashion segment (GMV contribution 16.5%) grew at a 386.2% CAGR to INR 666 cr (Number of unique clients grew to 0.6 mn, average order frequency jumped to 4.0 in FY21, AOV grew to INR 2,773 in FY21 from INR 704 in FY19)

Over the same period, NYKAA's revenues grew at a CAGR of 48.2% to INR 2,441 cr. However, its revenue to GMV declined from 67.4% in FY19 to 60.3% in FY21 on account of higher discounts offered to sustain the business momentum during the pandemic. Contribution profit witnessed a CAGR growth of 46.3% to INR 735 cr, while the contribution margin stood at 30.1% (-80bps), over the same period.

Operating leverage helped in faster EBITDA growth of 180.5% CAGR to INR 161 cr (+477bps improvement in margins to 6.6%) and clocking its maiden net profit of INR 59.8 cr (net margin of 2.4%). Return ratios, RoE/RoIC stood at 12.2% / 21.9% respectively in FY21.

NYKAA is one of the few start-up ventures in the online retailing space which has achieved strong growth with profitability (unlike other online peers who have sacrificed profitability for growth). We expect the growth momentum to sustain while profitability is expected to ramp-up faster.

Over the forecast period FY21-24E, we expect the GMV to grow at a CAGR of 43.5% to INR 11,959 cr driven by

- The BPC segment (GMV contribution 74.6%) is expected to grow at 38.2% CAGR to INR 8,918 cr (Number of unique clients are forecasted to grow at a 29.6% CAGR to 12.2 mn, average order frequency is expected to improve to 3.4 in FY24 (from 3.1 in FY21), AOV is expected to grow to INR 2,150 in FY24 (from INR 1,977 in FY21))
- The fashion segment (GMV contribution 25.4%) is expected to grow at a 65.9% CAGR to INR 3,042 cr (Number of unique clients are forecasted to grow at a 53.1% CAGR to 2.2 mn, average order frequency is expected to improve to 4.2 in FY24 (from 4.0 in FY21), AOV is expected to grow to INR 3,380 in FY24 (from INR 2,773 in FY21))

EBITDA is expected to grow faster, at a CAGR of 56.9% to INR 624 cr (+284bps improvement in margins to 9.5%), while net profit is expected to grow at a CAGR of 88.6% to INR 401 cr (+363bps improvement in margins to 6.1%). Subsequently, return ratios, RoE/RoIC are expected to improve to 20.0% / 42.1%, respectively, by FY24. Total debt declined from INR 226 cr in FY19 to INR 186 cr in FY21. Part of the IPO proceeds are marked towards debt repayment and we expect the company to become debt free by FY22 itself.

NYKAA's Financial Summary

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
BPC GMV	1,621.9	2,498.1	3,380.4	4,624.8	6,868.1	8,917.6	11,385.3	14,349.3	17,841.5	21,944.1	26,753.1	32,380.5
Fashion GMV	28.2	186.8	665.6	1,554.8	2,129.6	3,041.6	4,236.5	5,784.5	7,774.8	10,319.1	13,557.1	17,664.2
Total GMV	1,650.1	2,684.9	4,046.0	6,179.6	8,997.7	11,959.2	15,621.8	20,133.7	25,616.3	32,263.2	40,310.2	50,044.6
<i>YoY Growth (%)</i>		62.7	50.7	52.7	45.6	32.9	30.6	28.9	27.2	25.9	24.9	24.1
BPC Unique Users (mn nos)	3.5	5.3	5.6	7.8	9.9	12.2	14.7	17.3	20.0	22.9	26.0	29.1
Fashion Unique Users (mn nos)	0.0	0.1	0.6	1.2	1.6	2.2	2.8	3.5	4.4	5.4	6.5	7.7
Total Unique Users (mn nos)	3.5	5.4	6.2	9.0	11.5	14.4	17.4	20.8	24.4	28.3	32.5	36.9
<i>YoY Growth (%)</i>		54.3	14.8	44.5	28.6	24.5	21.5	19.2	17.4	15.9	14.7	13.6
BPC Orders (mn nos)	11.0	17.0	17.1	23.6	32.7	41.5	51.3	62.2	74.1	87.1	101.3	116.5
Fashion Orders (mn nos)	0.4	1.1	2.4	4.8	6.5	9.0	12.2	16.1	20.7	26.4	33.0	40.7
Total Orders (mn nos)	11.4	18.1	19.5	28.4	39.2	50.5	63.5	78.2	94.8	113.5	134.2	157.2
<i>YoY Growth (%)</i>		58.8	7.7	45.6	37.9	28.9	25.7	23.2	21.3	19.6	18.3	17.1
BPC Avg Order Value (INR)	1,474.5	1,469.5	1,976.8	1,959.7	2,100.0	2,150.0	2,220.0	2,308.8	2,408.1	2,518.9	2,642.3	2,779.7
Fashion Avg Order Value (INR)	704.0	1,698.0	2,773.2	3,239.2	3,300.0	3,380.0	3,481.4	3,603.2	3,747.4	3,916.0	4,111.8	4,338.0
Total Avg Order Value (INR)	1,447.4	1,483.4	2,074.9	2,175.9	2,297.8	2,369.3	2,461.9	2,574.5	2,701.1	2,843.3	3,003.3	3,183.3
<i>YoY Growth (%)</i>		2.5	39.9	4.9	5.6	3.1	3.9	4.6	4.9	5.3	5.6	6.0
Sale of Products	973.9	1,583.8	2,180.9	2,978.5	4,423.8	5,743.9	7,333.4	9,242.5	11,491.9	14,134.5	17,232.0	20,856.7
Marketing Support Revenue	123.1	168.2	195.0	336.1	456.1	596.1	756.1	936.1	1,136.1	1,356.1	1,596.1	1,856.1
Income from Market Place Services	13.0	13.3	55.3	113.1	157.5	220.6	302.2	406.8	539.6	707.7	919.6	1,186.0
Logistics Services Income	1.4	2.0	8.7	17.0	24.7	33.4	44.1	57.0	72.6	91.2	113.3	139.4
Others	0.0	0.2	0.9	2.2	3.3	4.3	5.5	6.9	8.6	10.6	12.9	15.7
Revenue from Operations	1,111.4	1,767.5	2,440.9	3,447.0	5,065.5	6,598.4	8,441.3	10,649.4	13,248.9	16,300.2	19,873.9	24,053.8
<i>YoY Growth (%)</i>		59.0	38.1	41.2	47.0	30.3	27.9	26.2	24.4	23.0	21.9	21.0
<i>Revenue to GMV (%)</i>		67.4	65.8	60.3	55.8	55.2	54.0	52.9	51.7	50.5	49.3	48.1
Contribution Profit	343.7	580.3	735.4	1,011.0	1,615.9	2,137.9	2,777.2	3,503.7	4,358.9	5,362.8	6,538.5	7,913.7
<i>Contribution Margin (%)</i>	30.9	32.8	30.1	29.3	31.9	32.4	32.9	32.9	32.9	32.9	32.9	32.9
<i>Contribution Profit to GMV (%)</i>	20.8	21.6	18.2	16.4	18.0	17.9	17.8	17.4	17.0	16.6	16.2	15.8
EBITDA	20.5	81.1	161.4	148.9	369.5	624.1	978.0	1,321.1	1,739.3	2,270.9	2,910.4	3,672.6
<i>Margin (%)</i>	1.8	4.6	6.6	4.3	7.3	9.5	11.6	12.4	13.1	13.9	14.6	15.3
<i>EBITDA to GMV (%)</i>	1.2	3.0	4.0	2.4	4.1	5.2	6.3	6.6	6.8	7.0	7.2	7.3
Net Profit	(24.3)	(16.2)	59.8	50.3	225.8	400.8	656.4	911.8	1,231.1	1,645.0	2,153.2	2,770.0
<i>Margin (%)</i>	(2.2)	(0.9)	2.4	1.5	4.5	6.1	7.8	8.6	9.3	10.1	10.8	11.5
<i>Net Profit to GMV (%)</i>	(1.5)	(0.6)	1.5	0.8	2.5	3.4	4.2	4.5	4.8	5.1	5.3	5.5
Adjusted EPS (INR)	(0.5)	(0.3)	1.3	1.1	4.8	8.5	13.9	19.3	26.0	34.8	45.5	58.6
<i>P/E (X)</i>	(2,190.5)	(3,277.9)	890.2	1,058.8	235.6	132.7	81.1	58.3	43.2	32.3	24.7	19.2
Adjusted BVPS (INR)	4.9	6.8	10.4	29.0	33.8	42.3	56.2	75.4	101.5	136.3	181.8	240.4
<i>P/BV (X)</i>	230.8	165.2	108.6	38.8	33.3	26.6	20.0	14.9	11.1	8.3	6.2	4.7
Enterprise Value	53,282.7	53,295.9	53,143.8	52,506.0	52,555.2	52,415.4	52,054.7	51,479.6	50,628.4	49,413.2	47,747.7	45,533.0
<i>EV/GMV (X)</i>	32.3	19.9	13.1	8.5	5.8	4.4	3.3	2.6	2.0	1.5	1.2	0.9
<i>EV/Sales (X)</i>	47.9	30.2	21.8	15.2	10.4	7.9	6.2	4.8	3.8	3.0	2.4	1.9
<i>EV/EBITDA (X)</i>	2,597.9	657.5	329.2	352.6	142.2	84.0	53.2	39.0	29.1	21.8	16.4	12.4
Net Worth	230.6	322.1	489.9	1,373.0	1,598.8	1,999.6	2,656.0	3,567.8	4,798.9	6,443.9	8,597.1	11,367.1
<i>Return on Equity (%)</i>	(10.5)	(5.0)	12.2	3.7	14.1	20.0	24.7	25.6	25.7	25.5	25.0	24.4
Capital Employed	456.2	589.7	677.4	1,373.0	1,598.8	1,999.6	2,656.0	3,567.8	4,798.9	6,443.9	8,597.1	11,367.1
<i>Return on Capital Employed (%)</i>	(2.3)	3.7	13.9	5.3	17.2	25.5	31.7	32.5	32.3	31.9	31.0	29.8
Invested Capital	309.2	414.1	429.7	674.9	950.0	1,210.9	1,506.7	1,843.4	2,223.3	2,653.1	3,140.8	3,696.0
<i>Return on Invested Capital (%)</i>	(3.4)	5.2	21.9	10.7	28.9	42.1	55.8	62.9	69.8	77.4	84.7	91.7
Cash Flow from Operations	(99.7)	6.2	149.8	(69.7)	89.6	294.6	532.7	766.1	1,062.7	1,449.2	1,924.0	2,500.2
Cash Flow from Investing	(162.0)	14.9	(129.7)	95.4	(88.8)	(104.4)	(122.1)	(142.4)	(165.3)	(191.3)	(220.5)	(253.3)
Cash Flow from Financing	235.7	68.7	(37.7)	588.8	(50.0)	(50.4)	(49.9)	(48.6)	(46.2)	(42.7)	(38.1)	(32.2)
Net Cash Flow	(26.0)	89.8	(17.6)	614.5	(49.2)	139.8	360.6	575.2	851.2	1,215.2	1,665.5	2,214.7
Free Cash Flow	(134.6)	(39.6)	106.2	(119.7)	34.6	234.1	466.2	692.9	982.2	1,360.6	1,826.6	2,393.0
<i>FCF to Net Profit (%)</i>	554.4	243.7	177.6	(238.2)	15.3	58.4	71.0	76.0	79.8	82.7	84.8	86.4
<i>FCF to Net Worth (%)</i>	(58.4)	(12.3)	21.7	(8.7)	2.2	11.7	17.6	19.4	20.5	21.1	21.2	21.1
Total Debt	225.6	267.5	187.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	78.7	91.9	(60.2)	(698.0)	(648.8)	(788.6)	(1,149.3)	(1,724.5)	(2,575.6)	(3,790.8)	(5,456.3)	(7,671.0)
<i>Net Debt to Equity (X)</i>	0.3	0.3	(0.1)	(0.5)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)
<i>Net Debt to EBITDA (X)</i>	3.8	1.1	(0.4)	(4.7)	(1.8)	(1.3)	(1.2)	(1.3)	(1.5)	(1.7)	(1.9)	(2.1)

Source: Company Reports

NYKAA's GMV build-up

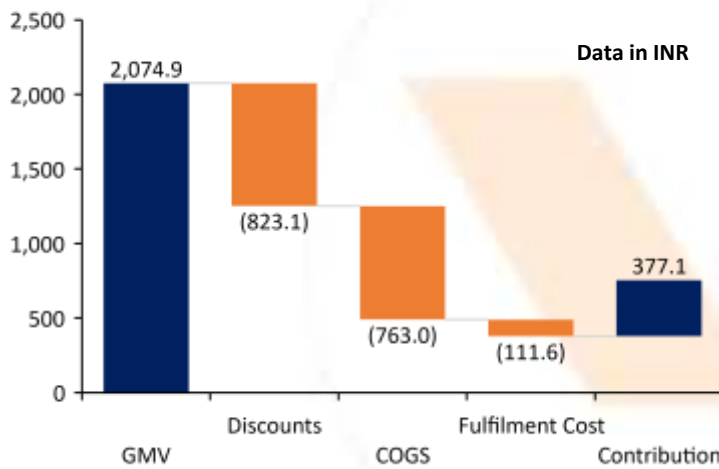
BPC segment	FY19	FY20	FY21	FY22E	FY23E	FY24E
Annual Unique Transacting Users (mn) - A	3.5	5.3	5.6	8.1	10.4	12.9
Ordering Frequency (nos) - B	3.1	3.2	3.1	3.2	3.3	3.4
No of Orders (mn) - A x B = C	11.0	17.0	17.1	25.8	34.2	43.9
Avg Order Value (INR) - D	1,474.5	1,469.5	1,976.8	1,997.2	2,100.0	2,200.0
GMV (INR Cr) - C x D	1,621.9	2,498.1	3,380.4	5,153.6	7,187.5	9,661.8

Fashion segment	FY19	FY20	FY21	FY22E	FY23E	FY24E
Annual Unique Transacting Users (mn) - A	0.0	0.1	0.6	0.9	1.2	1.4
Ordering Frequency (nos) - B	0.0	11.0	4.0	5.0	5.0	5.0
No of Orders (mn) - A x B = C	0.4	1.1	2.4	4.5	5.8	7.2
Avg Order Value (INR) - D	704.0	1,698.0	2,773.2	3,239.2	3,500.0	3,750.0
GMV (INR Cr) - C x D	28.2	186.8	665.6	1,451.2	2,016.7	2,691.0

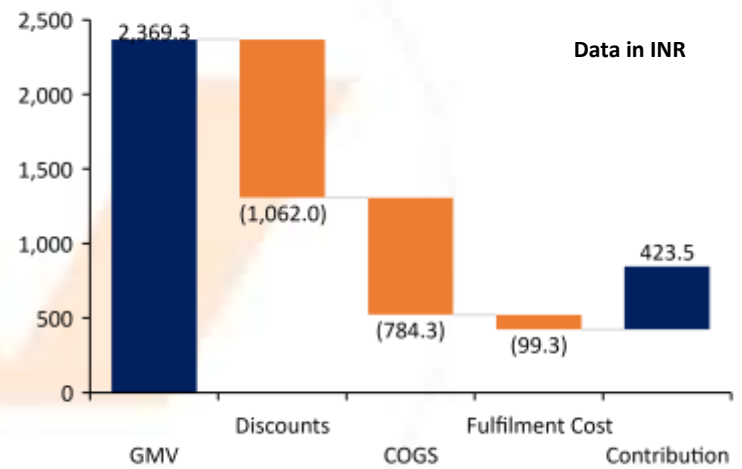
Source: Company Reports & Ventura Research

NYKAA Unit Economics

FY2021 per unit economics



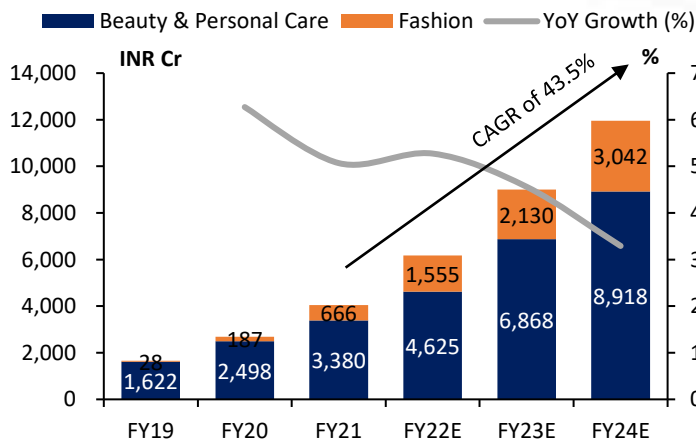
FY2024 per unit economics



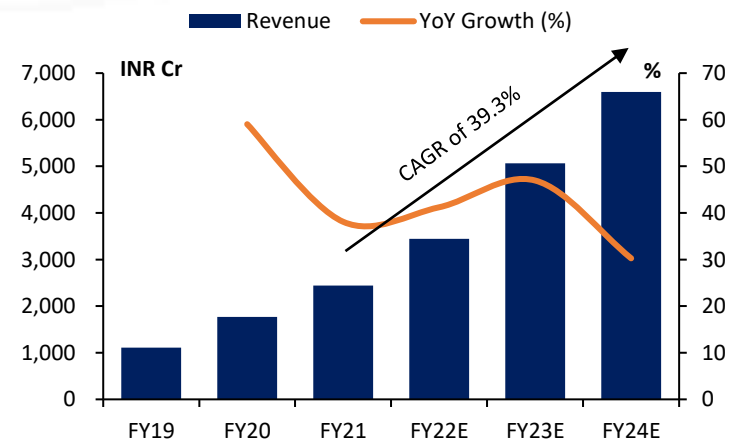
Source: Company Reports & Ventura Research

NYKAA's Financial Performance

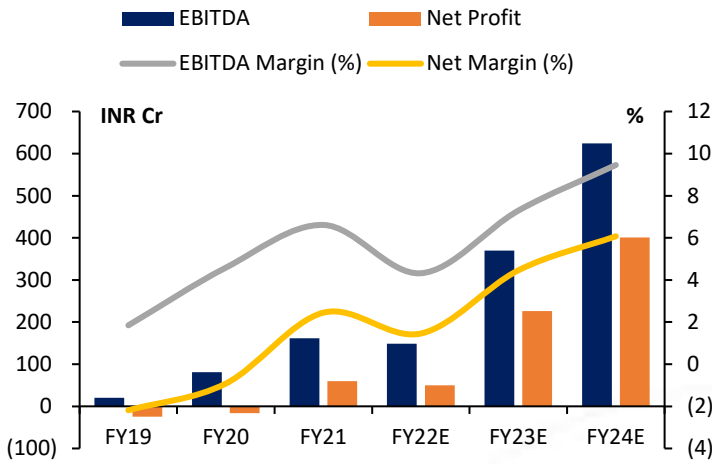
GMV growth to remain robust



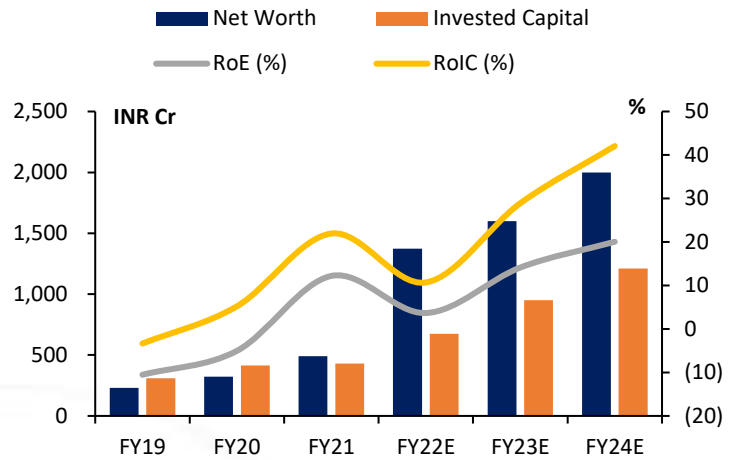
Revenue performance to follow GMV



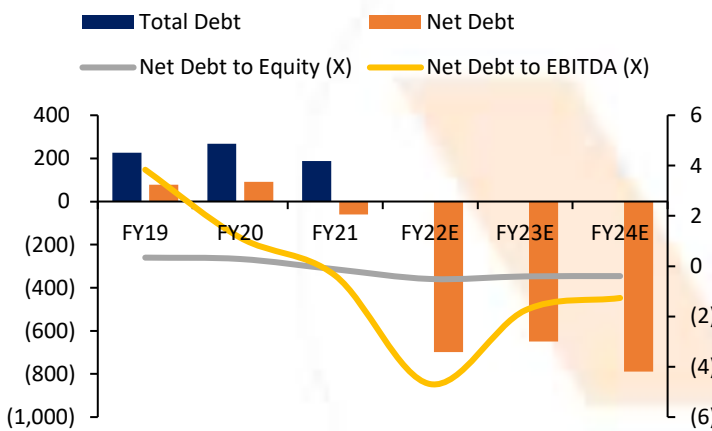
Operating leverage to improve profitability



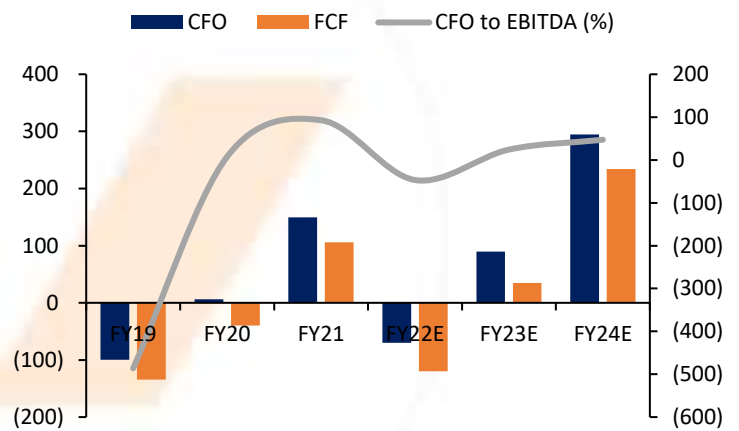
Better profitability to drive return ratios



IPO proceeds and improvement in cash to make the balance sheet debt free



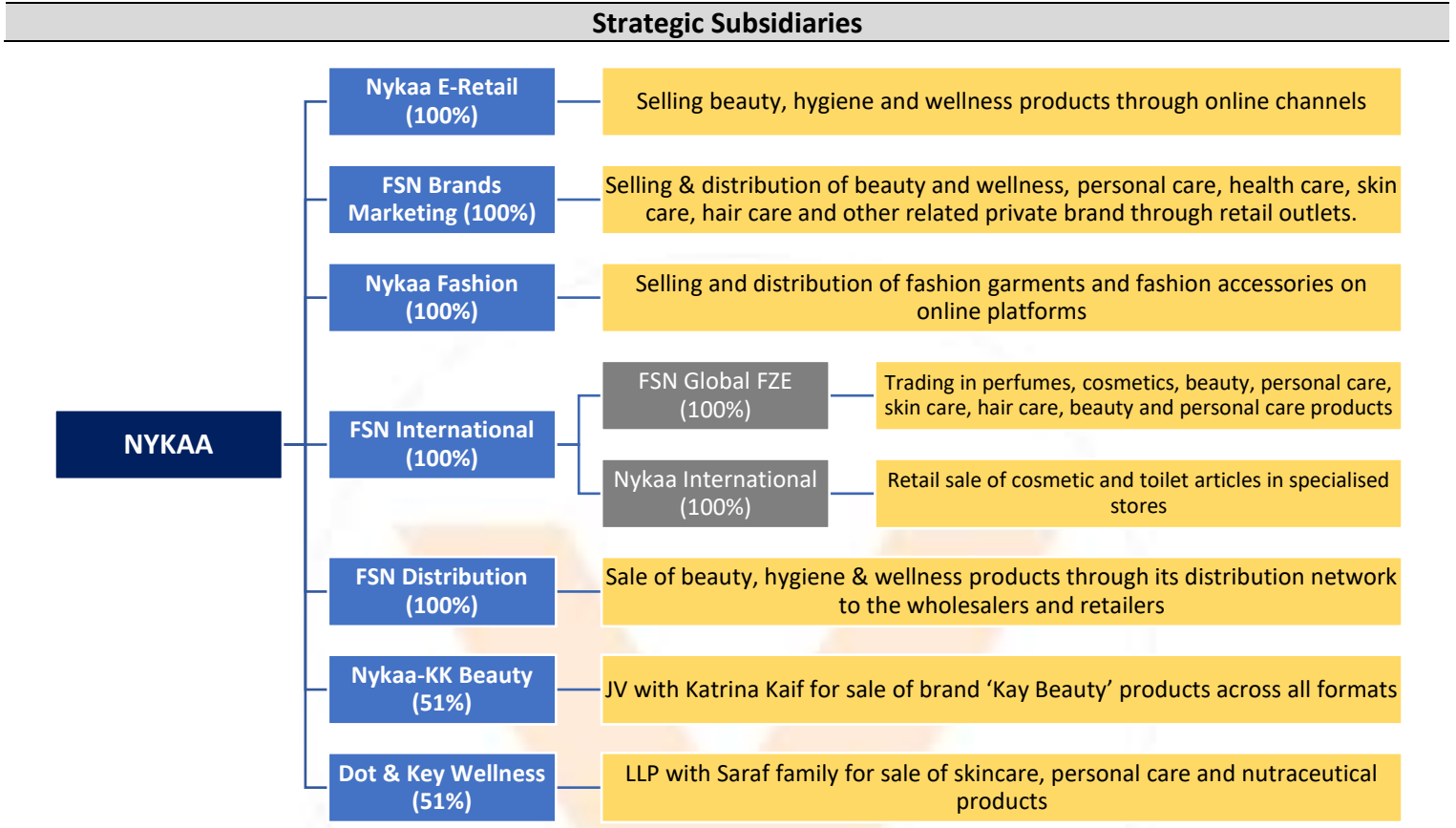
Lower capex requirements and improving profitability to drive cash flows



Source: Company Reports

How NYKAA’s business is structured

NYKAA has 7 direct subsidiaries and 2 step-down subsidiaries to source and markets its products on both online and offline channels.



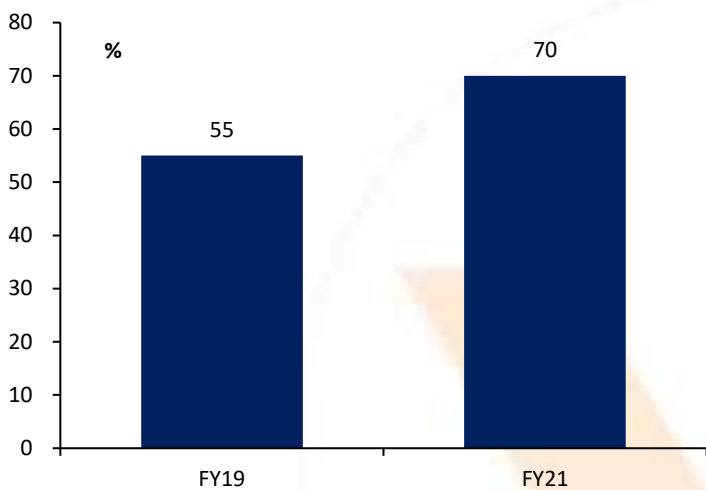
Source: Company Reports

Understanding the business model of NYKAA

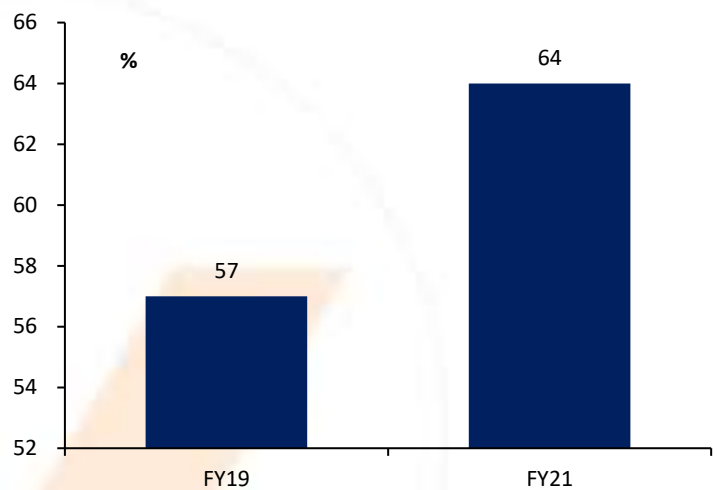
NYKAA is a vertical e-tailer operating in the niche categories of beauty and fashion. This sets it apart from the other horizontal platforms, like Amazon and Flipkart, which cater to several product categories. NYKAA primarily started off as a go-to platform for Beauty & Personal Care products. Over the years it has garnered a large loyal customer franchise to emerge as a market leader in this space. The fact that over 70% of its GMV is generated through existing customers is testimony to the brand loyalty that NYKAA has built.

Despite its growing business in Tier 2/3 cities, NYKAA's brand loyalty has increased both GMV and AOV

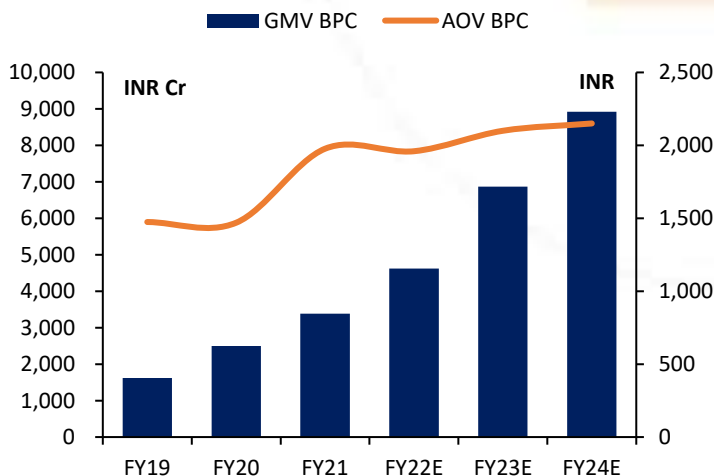
Share of existing customers in GMV



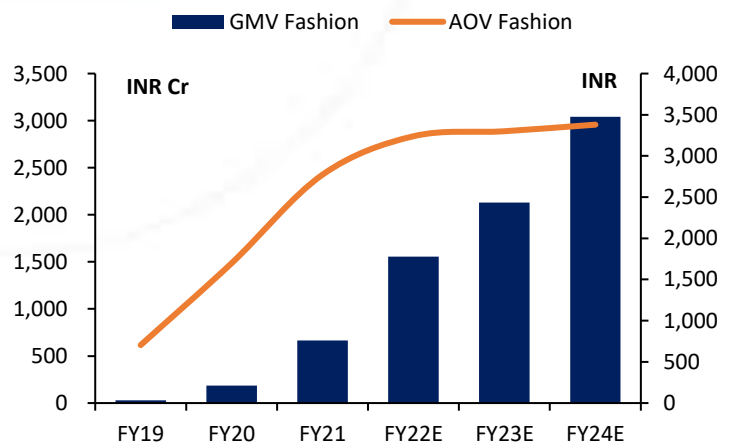
Share of Tier 2 & 3 cities in GMV



BPC to business growth to remain robust



Fashion is new segment, GMV growth would be faster

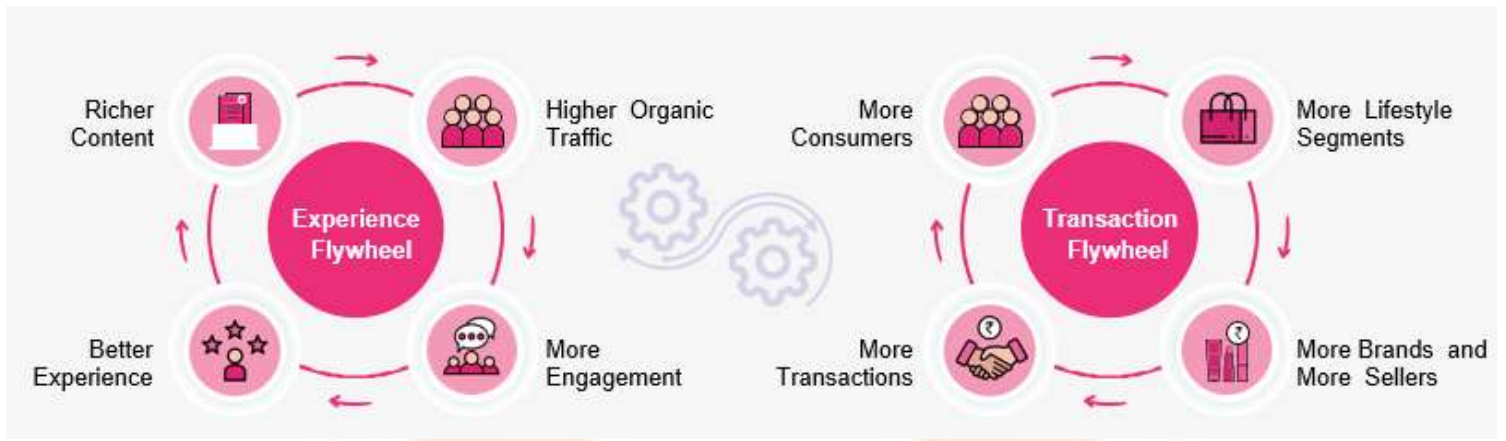


Source: Company Reports

NYKAA’s strong brand loyalty has emanated from its select strategy of focusing on

- Leveraging content to drive traffic. This creates a virtuous cycle of attracting prospective consumers, generating user engagement, converting them into brand fanatics through platform purchases which in turn contribute user generated content. This strengthens the content ecosystem, leverages the benefits of network effects and builds strong customer retention.

Self reinforcing flywheels driving strong network effects



Source: Company Reports

- A wide range of branded products (@2500+) and over 200,000 SKUs is at the base of a product discovery process that can be leveraged to provide a highly customized shopping experience to the customer using analytics based on the latter’s online activity. The rich product discovery experience that a niche e-tailer like NYKAA provides (using category relevant filters) is unmatched when compared with horizontal platforms (which provides a few generic product filters).

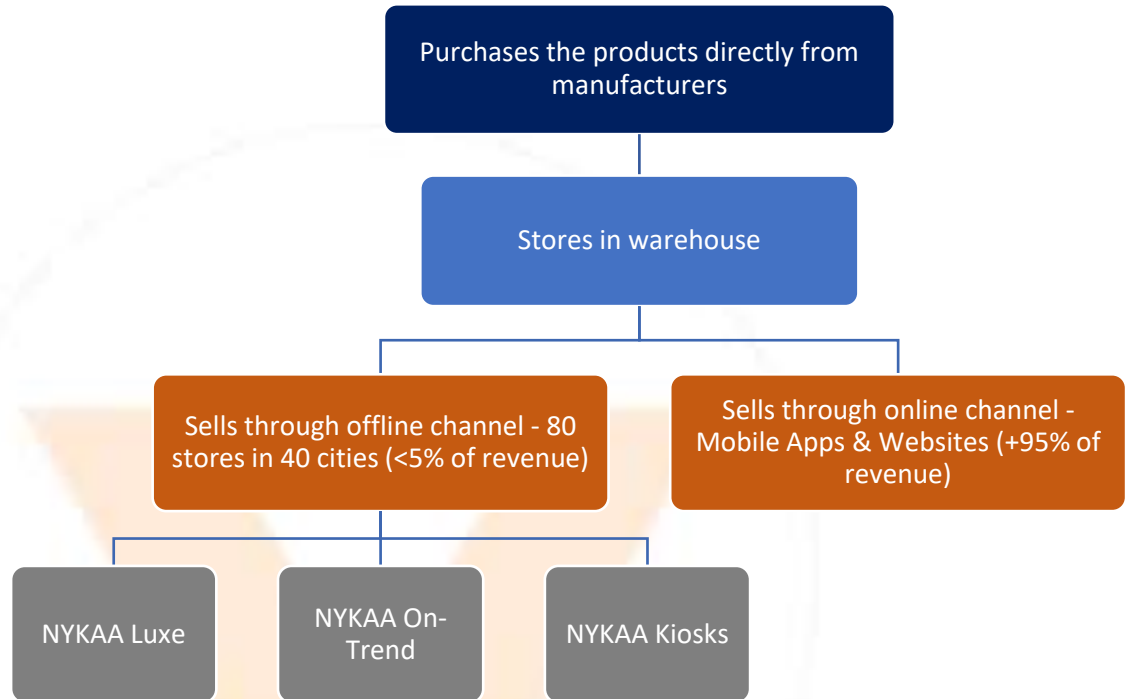
Brand across luxury, prestige and value categories selling on NYKAA’s platform



Source: Company Reports

- NYKAA is one of the few e-commerce brands that follows a predominantly inventory-based business model purchasing products directly from reputed brands (or their authorized distributors). This ensures that the customer purchases only authentic products and thereby helps cement customer trust. The twin strategy of owning inventory and authenticity enables NYKAA to manage pricing and generate better contribution margins.

Inventory led business model manages demand-supply and pricing



Source: Company Reports & Ventura Research

- The salutary effect of its content driven strategy (pull based), large range of authentic product offerings & SKUs and sticky customer profile has ensured that brands in the BPC space make a beeline for listings with NYKAA. NYKAA with its customer rich data works closely with its partner brands to optimize strategies around customer engagement. In turn, NYKAA benefits through ad-based revenues contributed by the partner brands.
- Due to its category deep product strategy, NYKAA has been able to onboard several international brands with exclusivity in India offerings. This further facilitates in differentiating NYKAA from similar niche online businesses further adding to the NYKAA brand.
- NYKAA, with its deep understanding of user preferences and customer insights, is able to identify white spaces which its partner brands do not fulfill. NYKAA has used these learnings to launch its own private labels that serve to fulfill unmet customer needs. Today, NYKAA has a portfolio of 15 owned brands (across both its categories) that have a high brand recall value. Manufacturing of its private labels' portfolio is entirely outsourced.

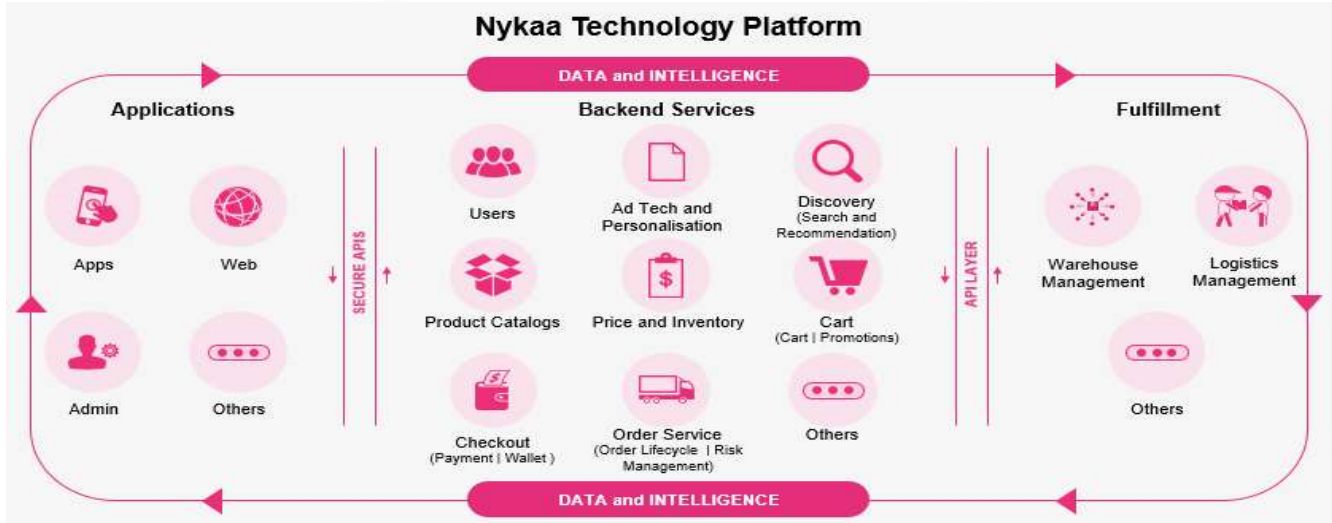
Some of the leading owned brands of NYKAA

- ❖ **Nykaa Cosmetics:** It is a comprehensive makeup and beauty accessories brand present across lips, face, nails, eyes and beauty tools.
- ❖ **Nykaa Naturals:** It is a naturally derived ingredient-focused brand for skincare products such as bath and body offerings, masks and haircare.
- ❖ **Kay Beauty:** It offers a premium range of beauty products across lips, eyes, face and nails categories.
- ❖ **Dot & Key:** It offers premium skincare products across serums, toners, cleansers and face masks and has recently expanded into nutraceuticals.
- ❖ **Twenty Dresses:** The apparel product line includes western wear across dresses, jumpsuits, tops, pants skirts as well as footwear, bags, and accessories.
- ❖ **Nyk by Nykaa:** It offers lingerie and includes bras, panties, sleepwear, shapewear and athleisure.
- ❖ **Pipa Bella:** It offers on-trend aesthetic jewellery such as earrings, necklaces, bracelets, rings and hair accessories.
- ❖ **RSVP:** It offers a wide and premium collection of dresses, jumpsuits, tops and skirts as well as footwear and bags.
- ❖ **Gajra Gang:** It offers a wide and premium range of kurta sets, ethnic dresses, saree, tops and accessories.

Source: Company Reports & Ventura Research

- This private brand strategy has spawned into partnerships with cine artiste Katrina Kaif for ‘Kay Beauty’ and Indian fashion designer Masaba Gupta for the make-up range ‘Masaba by NYKAA’.
- NYKAA’s distribution capabilities enable it to reach customers residing in over 26,727 pin codes (89.2% coverage of all the serviceable India pin codes). An algorithm driven fulfillment model uses a pan India network of 20 warehouses (combined storage of 6,65,371 sq ft) to ensure optimized delivery time, inventory management and shipping costs. The fulfillment is enacted through renowned 3rd party couriers that execute delivery from warehouse to the consumer pin.

NYKAA’s Technology Platform – An algorithm driven fulfillment model



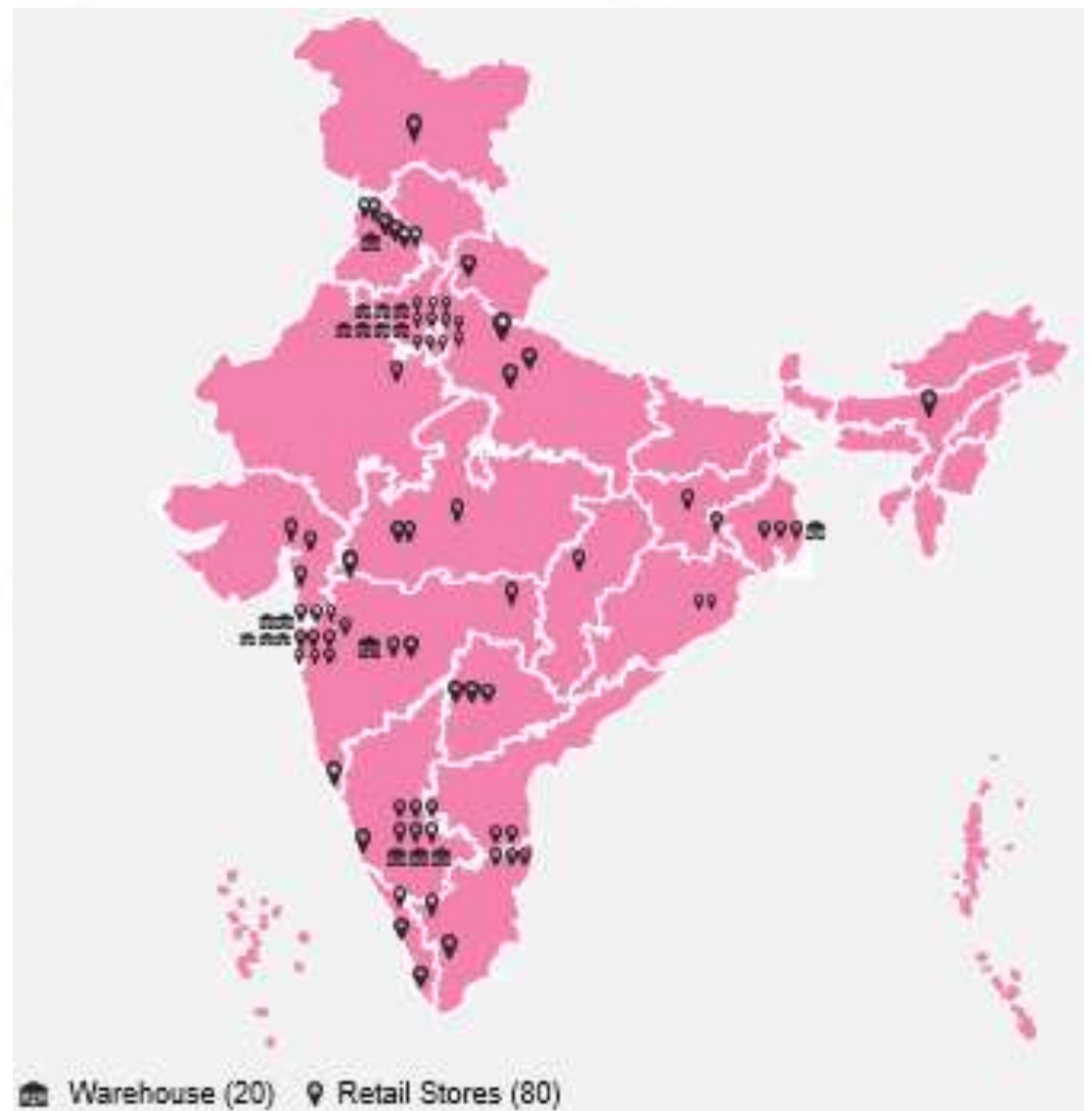
Source: Company Reports

- Leveraging its distribution capabilities, NYKAA has put in place its offline retail strategy, thereby establishing a footprint of a future omnichannel player. Today, NYKAA has 80 stores across 40 cities making it the largest offline multi-brand BPC platform.

Three store formats adorn its retail strategy –

- ‘Nykaa Luxe’ for premium international brands (38 stores, typical size 1,134 sq ft),
- ‘Nykaa On Trend’ for differentiated consumer experience for the premium to up-market segments offering best-selling products across categories (32 stores, typical size 732 sq ft), and
- ‘Nykaa Kiosks’ are free-standing units in the atriums of shopping malls (10 stores)

NYKAA’s Stores and Warehouse Footprints



Source: Company Reports & Ventura Research

- Nykaa Fashion is predominantly a curated and managed market place unlike NYKAA BPC which is a largely inventory led model. The Nykaa Fashion business model has been tweaked as fashion requirement needs a far wider assortment of SKUs compared to the BPC segment. Nykaa Fashion has offerings from 1,434 brands and 2.8 mn SKUs that cater to men, women, kids & home. The brands housed are established national brands, international brands, luxury brands and designer labels.

Product curation is a key differentiator for Nykaa Fashion which helps build uniqueness around its offerings (in the online platform space). This enables the company in selling full priced products (as against the common strategy of discounting pursued by its peers), which in turn leads to higher AOVs.

Barring the above tweaks Nykaa Fashion has replicated the success of the BPC playbook strategy of customer acquisition, content creation and mining consumer data. It has also leveraged the customer base of its BPC vertical and launched its own private labels to plug product gaps. The setting up of its first offline store in NCR is a precursor to mirror the omnichannel approach of the BPC vertical.

To further deepen focus on the fashion vertical, a separate online presence via website and mobile app for Nykaa Fashion has been set up, rather than embedding it within the existing app. This is another key differentiator adopted by NYKAA that goes against the common strategy of other (online businesses) that enter adjacent verticals via the existing apps. We believe that this differentiated strategy is a key winning enabler for verticals that have several product sub-categories with large SKUs.

- Among the ecommerce players in India, NYKAA stands out for having achieved strong profitability earlier in its life cycle while continuing to grow exponentially. This is in sharp contrast to the other internet-based business models which have been burning cash to buy growth and thereby sacrificing profitability.

NYKAA's unique business model of focusing on

- high margin retail categories,
- inventory led sourcing,
- content driven customer acquisition,
- higher AOVs given the primarily branded product offerings

leads to lower fulfillment cost and emphasis on differentiation (rather than discounting) has resulted in strong unit economics.

This unique business model has enabled NYKAA to generate multiple revenue streams viz

- income from product sales,
- commissions from branded product offerings,
- marketing support revenue and
- delivery charges.

This enables NYKAA to have higher contribution margins compared to peers. And this, coupled with higher AOV, has ensured sustenance of the unit economics.

BPC and Fashion are large market categories with limited potential provide for humungous untapped opportunity

The BPC market in India was sized at INR 1,267 bn in CY19, growing at a CAGR of 13% in the last 3 years. Though the market fell to INR 1,120 bn in 2020 as a result of reduced spending during the first COVID-19 wave, it is projected to grow at a CAGR of 12% to reach INR 1,981 bn in CY25 implying a CAGR of 7.7% from the pre-COVID-19 market in CY19.

Online penetration in the Indian BPC market is only 8% compared to 40% in China and 25% in the US. Given the rising internet usage, there is a significant growth opportunity in the online space. With a leading share of ~35% in India's online BPC space, NYKAA is expected to emerge as the biggest beneficiary.

During CY16-19, the Indian fashion market grew at a 12% CAGR to INR 5,838 bn. It declined by 35% in CY20 during the first COVID-19 wave, driven by the reduction in discretionary spending and disruption in the supply chain due to the lockdown. However, it is projected to recover strongly and grow at an 18% CAGR over the next 5 years to reach INR 8,702 bn by CY25.

TAM and SAM for BPC and Fashion market

BPC segment	FY19	FY20	FY21	FY22E	FY23E	FY24E
Annual Unique Transacting Users (mn) - A	3.5	5.3	5.6	7.8	9.9	12.2
Ordering Frequency (nos) - B	3.1	3.2	3.1	3.2	3.3	3.4
No of Orders (mn) - A x B = C	11.0	17.0	17.1	24.9	32.7	41.5
Avg Order Value (INR) - D	1,474.5	1,469.5	1,976.8	1,959.7	2,100.0	2,150.0
GMV (INR Cr) - C x D	1,621.9	2,498.1	3,380.4	4,888.3	6,868.1	8,917.6

Fashion segment	FY19	FY20	FY21	FY22E	FY23E	FY24E
Annual Unique Transacting Users (mn) - A	0.0	0.1	0.6	1.2	1.6	2.2
Ordering Frequency (nos) - B	0.0	11.0	4.0	4.0	4.0	4.2
No of Orders (mn) - A x B = C	0.4	1.1	2.4	4.7	6.5	9.0
Avg Order Value (INR) - D	704.0	1,698.0	2,773.2	3,239.2	3,300.0	3,380.0
GMV (INR Cr) - C x D	28.2	186.8	665.6	1,509.2	2,129.6	3,041.6

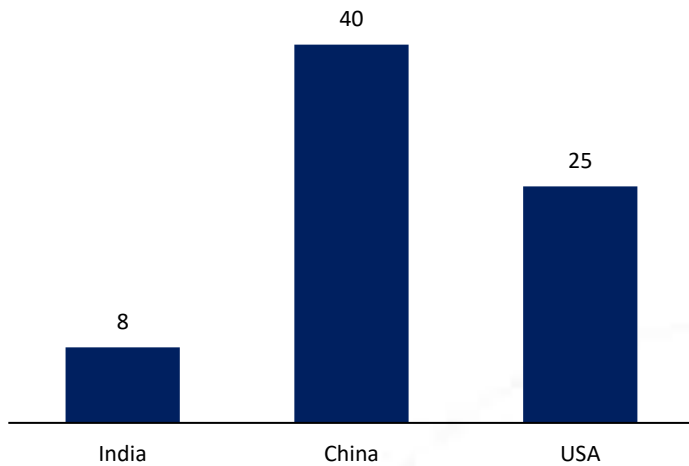
TAM – Total Addressable Market; SAM – Serviceable Addressable Market

Source: Company Reports & Ventura Research

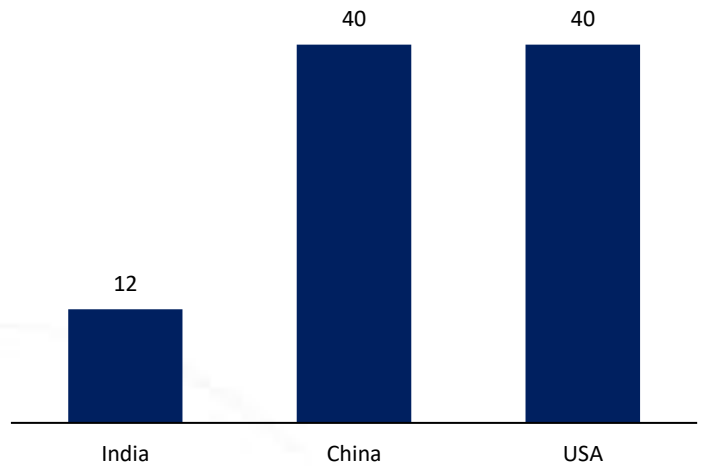
Online penetration in the Indian fashion market is ~12% compared to 40% in China and the US. Given the rising internet usage, there is a significant growth opportunity for online players. This is a fragmented and ultra-competitive market with many unorganized players. NYKAA entered this space in FY18 and in a short span of 3 years it was able to garner a market share of 1.5-2.0%.

Online penetration of BPC and Fashion in India, China and the USA

Online BPC penetration in India (%)



Online Fashion penetration in India (%)



Source: Company Reports

In the Indian BPC and Fashion vertical, NYKAA competes with organized multi-brand and exclusive retailers, unorganized merchants, horizontal online platforms like Amazon, Flipkart, Paytm Mall among others and vertical online platforms such as Myntra, Purplle, Myglamm, etc.

To improve its market penetration, NYKAA is focusing on Tier 2 & 3 cities, where the company has increased its GMV contribution from 57% in FY19 to 64% in FY21. The growth in Tier 2 & 3 cities is expected to be driven by the affordability of the internet, continuous improvement in telecom infrastructure, the rising popularity of social media, competitively priced online offerings and growing trust and adoption of online payment platforms.

India's digitization trend

	India Online Consumer Funnel (Million of population, % of total population)		China Online Consumer Funnel (Million of population as % total population)	
	2020	2025P	2020	
Access to Internet Total population with access to internet (including shared devices)	660 – 690 48 – 50%	970 – 1,000 67 – 69%	950 – 1,000 68 – 71%	
Online Services Users Uses payments/ banking, online ticketing, recharges	280 – 310 20 – 22%	700 – 750 49 – 52%	750 – 800 54 – 57%	
Online Shoppers Transacts on online retail platforms	150 – 180 11 – 13%	350 – 400 24 – 28%	650 – 700 46 – 50%	
Smartphone Users	475 – 525 34 – 38%	750 – 850 52 – 59%	900 – 950 64 – 68%	

Source(s): RedSeer Estimates

Source: Company Reports

Management Team

Key Person	Designation	Details
Ms Falguni Nayar	Founder, Executive Chairperson, MD & CEO	She holds a PGDBM degree from IIM Ahmedabad and has over 26 years of experience in e-commerce, investment banking and broking. Prior to founding Nykaa, she was associated with Kotak Mahindra Capital for 18 years where she also served as a MD. She has also served on the boards of various companies, including Tata Motors and Aviva Life Insurance. Presently, she serves as an independent on the boards of various companies including, Kotak Securities, ACC and Dabur India.
Ms Adwaita Nayar	Chairperson & CEO of Nykaa Fashion	She co-founded Nykaa and has been involved in the areas of marketing, operations and product development. She holds a bachelor's degree in applied mathematics from the Yale University where she graduated Cum Laude and a MBA with distinction from the Harvard Business School.
Mr Anchit Nayar	Chairman & CEO of Nykaa E-Retail	He holds a bachelor's degree from Columbia University. Anchit has previously served as the VP of the Investment Banking Division at Morgan Stanley, New York. He is currently responsible for the beauty business and also serves as a member of the investor relations team.
Mr Arvind Agarwal	CFO	He holds a bachelor's degree in commerce from the Jai Narain Vyas University, Jodhpur. He has completed the senior management programme from the IIM Ahmedabad. He is an associate member of the ICAI. He is a qualified CS from the ICSI and has over 21 years of experience in various fields, including accounting, finance, regulatory and strategic planning.
Mr Manoj Jaiswal	Chief Officer-Supply Chain of Nykaa E-Retail	He holds a BBA and MBA degree from the All Institute of Engineering & Management. He has over 8 years of experience in supply chain management.
Mr Nihir Parikh	CEO of Nykaa Man (a business arm of Nykaa E-Retail)	He holds a bachelor's degree in chemical engineering from University of Mumbai and a master's degree in business administration from INSEAD. He has over 11 years of experience in technology and e-commerce sector.
Ms Reena Chhabra	CEO - Private label division	She holds a bachelor's degree in arts (general) from Punjab University. She has more than 23 years of experience in cosmetic industry and e-commerce sector.
Mr Sanjay Suri	CTO - Nykaa E-Retail	He holds a bachelor's degree in arts in mathematics (honours) from St. Stephens College, University of Delhi and master's degree in science in computer science from University of California. He has over 14 years of experience in the technology sector.
Mr Vikas Gupta	CEO - eB2B business	He holds a bachelor's degree in mechanical engineering from the University of Delhi and a PGDBM from the Indian Institute of Management Society, Lucknow. He has over 23 years of experience in marketing sector.
Mr Kingshuk Basu	SVP - Retail operations	He holds a bachelor's degree in technology in electrical engineering from the IIT, Kanpur and master's degree in business administration from the Michigan State University. He has over 18 years of experience in retail operations, marketing, sales and e-commerce.
Mr Gopal Asthana	Chief Business Officer (Fashion) of Nykaa Fashion	He holds a bachelor's degree in electrical engineering from Rani Durgavati Vishwavidyalaya, Jabalpur and a PGDBM from the ISB. He is a member of the Council of CFA. He has completed the course on 'Competitive Marketing Strategy & Corporate Development: M&A from the Wharton School, University of Pennsylvania. He has over 22 years of experience in retail & ecommerce.

Source: Company Reports

Key Risks & Concerns

- NYKAA generates >95% of its revenue from the online channel, which doesn't require any major capex on fixed assets and distribution networks. In terms of consumption growth, India is next to China and US, and the country could attract global product delivery companies to set up the base. With deep pockets, they can sustain over the long term and play price wars with NYKAA.
- NYKAA's business depends on its ability to maintain and scale its technology, which could handle rising numbers of users on its app and web platforms. Any interruptions or delays in service on mobile applications or websites or any undetected errors or design faults could result in a limited capacity, reduced demand, processing delays, and loss of consumers, suppliers or sellers.
- NYKAA's online platform manages and stores personal information of its customers, such as phone number, e-mail ID, address, etc. Such platforms are susceptible to security breaches and cyber-attacks.
- NYKAA purchases inventory in anticipation of sales, which is based on historical patterns and algorithms. Any deviation from the predicted sales could end up with unsold inventory which could incur inventory carrying costs for the company. Inventories are also subject to damages.

Issue Structure and Offer Details

The proposed issue size of NYKAA's IPO is INR 5,352 cr, out of which INR 630 cr is a fresh issue and the rest INR 4,722 cr is an offer for sale. The price band for the issue is in the range of INR 1,085-1,125 and the bid lot is 12 shares and multiples thereof.

Issue Structure		
Category	No of Share Offered	Allocation
QIB	At least 35,493,996	At least 75% of public issue
Non Institutional Bidders	Not more than 7,098,798	Not more than 15% of public issue
Retail	Not more than 4,732,532	Not more than 10% of public issue
Employee Resevation	Not more than 250,000	Aggregating upto INR 26 cr

Number of shares based on higher price band of INR 1,125

Source: Company Reports

Shareholding Pattern		
Category	Pre Issue Holding (%)	Post Issue Holding (%)
Promoters & Promoter Group	54.22	52.56
Institution	45.78	46.44
Public	0.00	1.00
Total	100.00	100.00

Source: Company Reports

Financial Analysis & Projections

Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E	Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Per share data & Yields					
Revenue	1,767.5	2,440.9	3,447.0	5,065.5	6,598.4	Adjusted EPS (INR)	(0.3)	1.4	1.1	4.8	8.5
YoY Growth (%)	59.0	38.1	41.2	47.0	30.3	Adjusted Cash EPS (INR)	0.9	2.8	2.7	6.8	10.9
Raw Material Cost	1,014.2	1,487.8	2,047.7	3,039.3	3,959.0	Adjusted BVPS (INR)	6.8	10.4	29.0	33.8	42.3
RM Cost to Sales (%)	57.4	61.0	59.4	60.0	60.0	Adjusted CFO per share (INR)	0.1	3.2	(1.5)	1.9	6.2
Employee Cost	195.6	283.6	366.5	530.9	643.3	CFO Yield (%)	0.0	0.3	(0.1)	0.2	0.6
Employee Cost to Sales (%)	11.1	11.6	10.6	10.5	9.7	Adjusted FCF per share (INR)	(0.8)	2.2	(2.5)	0.7	4.9
Other Expenses	476.7	508.0	883.9	1,125.8	1,372.0	FCF Yield (%)	(0.1)	0.2	(0.2)	0.1	0.4
Other Exp to Sales (%)	27.0	20.8	25.6	22.2	20.8	Solvency Ratio (X)					
EBITDA	81.1	161.4	148.9	369.5	624.1	Total Debt to Equity	0.8	0.4	0.0	0.0	0.0
Margin (%)	4.6	6.6	4.3	7.3	9.5	Net Debt to Equity	0.3	(0.1)	(0.5)	(0.4)	(0.4)
YoY Growth (%)	295.2	99.2	(7.7)	148.1	68.9	Net Debt to EBITDA	1.1	(0.4)	(4.7)	(1.8)	(1.3)
Depreciation & Amortization	59.5	67.1	76.8	94.9	114.9	Return Ratios (%)					
EBIT	21.5	94.3	72.2	274.6	509.2	Return on Equity	(5.0)	12.2	3.7	14.1	20.0
Margin (%)	1.2	3.9	2.1	5.4	7.7	Return on Capital Employed	3.7	13.9	5.3	17.2	25.5
YoY Growth (%)	(307.9)	337.7	(23.5)	280.5	85.5	Return on Invested Capital	5.2	21.9	10.7	28.9	42.1
Other Income	10.3	11.7	17.7	44.1	44.1	Working Capital Ratios					
Finance Cost	44.3	30.7	24.6	16.8	17.4	Payable Days (Nos)	65	47	38	38	38
Interest Coverage (X)	0.5	3.1	2.9	16.3	29.2	Inventory Days (Nos)	92	74	73	73	73
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	20	11	9	9	9
PBT	(12.4)	75.3	65.3	301.9	535.9	Net Working Capital Days (Nos)	48	39	44	44	44
Margin (%)	(0.7)	3.1	1.9	6.0	8.1	Net Working Capital to Sales (%)	13.0	10.6	12.1	12.1	12.1
YoY Growth (%)	(60.8)	(706.1)	(13.3)	362.0	77.5	Valuation (X)					
Tax Expense	3.9	13.4	15.3	76.1	135.0	P/E	(3,234.5)	829.7	1,058.8	235.6	132.7
Tax Rate (%)	(31.5)	17.8	23.4	25.2	25.2	P/BV	165.2	108.6	38.8	33.3	26.6
PAT	(16.3)	61.9	50.0	225.8	400.8	EV/EBITDA	657.5	329.2	352.6	142.2	84.0
Margin (%)	(0.9)	2.5	1.5	4.5	6.1	EV/Sales	30.2	21.8	15.2	10.4	7.9
YoY Growth (%)	(33.4)	(479.1)	(19.2)	351.2	77.5	Cash Flow Statement					
Min Int/Sh of Assoc	(0.1)	2.2	0.2	0.0	0.0	PBT	(12.4)	75.3	65.3	301.9	535.9
Net Profit	(16.4)	64.1	50.3	225.8	400.8	Adjustments	132.2	115.9	37.3	58.9	78.6
Margin (%)	(0.9)	2.6	1.5	4.5	6.1	Change in Working Capital	(109.7)	(28.0)	(157.0)	(195.1)	(184.8)
YoY Growth (%)	(33.6)	(489.8)	(21.6)	349.3	77.5	Less: Tax Paid	(3.9)	(13.4)	(15.3)	(76.1)	(135.0)
Balance Sheet						Cash Flow from Operations					
Share Capital	14.6	15.1	47.3	47.3	47.3	Net Capital Expenditure	(45.7)	(43.7)	(50.0)	(55.0)	(60.5)
Total Reserves	307.6	474.9	1,325.7	1,551.5	1,952.3	Change in Investments	60.6	(86.1)	145.4	(33.8)	(43.9)
Shareholders Fund	322.1	489.9	1,373.0	1,598.8	1,999.6	Cash Flow from Investing	14.9	(129.7)	95.4	(88.8)	(104.4)
Long Term Borrowings	0.2	1.7	0.0	0.0	0.0	Change in Borrowings	42.9	(79.3)	(187.5)	0.0	0.0
Long Term Lease Liabilities	130.3	107.4	105.6	104.9	101.9	Less: Finance Cost	(44.3)	(30.7)	(24.6)	(16.8)	(17.4)
Long Term Provisions	5.3	7.3	9.5	13.7	16.7	Proceeds from Equity	103.2	102.3	832.8	0.0	0.0
Total Liabilities	457.8	606.3	1,488.0	1,717.4	2,118.2	Payment of Lease Liabilities	(33.1)	(30.0)	(31.9)	(33.2)	(33.0)
Net Block	70.1	68.7	94.5	117.2	136.2	Dividend Paid	0.0	0.0	0.0	0.0	0.0
Intangibles & Capital WIP	2.0	2.4	0.0	0.0	0.0	Cash flow from Financing	68.7	(37.7)	588.8	(50.0)	(50.4)
Right of Use Assets	144.0	138.9	140.8	139.8	135.6	Net Cash Flow	89.8	(17.6)	614.5	(49.2)	139.8
Goodwill & Other Intangibles	12.9	23.6	29.0	33.5	36.9	Forex Effect	(0.0)	0.0	0.0	0.0	0.0
Deferred Tax Assets	50.6	78.0	116.0	153.7	190.4	Opening Balance of Cash	11.4	101.2	83.6	698.0	648.8
Non Curr Inv & Fin Assets	14.4	17.5	22.8	33.6	43.7	Closing Balance of Cash	101.2	83.6	698.0	648.8	788.6
Non Current Tax Assets	11.0	8.6	10.6	10.6	10.6						
Other Non Current Assets	3.9	1.4	1.9	2.8	3.7						
Net Current Assets	148.8	267.4	1,072.3	1,226.2	1,561.1						
Total Assets	457.8	606.3	1,488.0	1,717.4	2,118.2						

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