FSN E-Commerce Ventures

In fine style

Core BPC – Growth at faster clip

FSN E-Commerce Ventures’ omni channel play, Nykaa, is set to grow its Beauty and Personal Care (BPC) revenue at a higher 32.4% clip in CY20-25E even as India’s online BPC market likely posts a lower 17.3% CAGR, in the same period. Nykaa may maintain its dominance with a 26.8% market share in online BPC, led by high repeat customers/usage base.

Fashion is also an emerging segment for Nykaa, with a 3.3% market share in the online fashion space. Here too, Nykaa’s revenue CAGR may be 60.4% in FY23E-25E, on a smaller base. India’s online penetration is lower at 8%/12% for online BPC/fashion, versus global counterparts (the US/China at 20/35%). Thus, the scope for India to move to premiumization/online shopping is immense. **Initiate with BUY.**

Profitability – Operating efficiency in BPC to continue

Nykaa is the only profitable online BPC play versus peers – Myntra, Purplle and MyGlamm, despite being launched at the same. This was led by a larger scale – Nykaa’s revenue CAGR was 50.3% in FY19-22. Nykaa’s operating efficiency in BPC may continue in the medium term as well, on levers such as: 1) higher share of private labels, 2) rising marketing support revenue and 3) lower fulfilment costs. These may drive Nykaa’s BPC EBITDA margin to 13.1%/14.5% by FY25E/28E. On key metrics (total visits, time spent), Nykaa is much ahead of peers due to trust/reliability in the premium products category.

Fashion and NykaaMan – Two big emerging segments

Nykaa continues to have the ‘premium customer base’ edge due to its compelling BPC play, which will help cross-sell its fashion/NykaaMan offerings. Concerns persist in fashion – 1) higher product returns, 2) fragmented online fashion market, 3) absence of first-mover edge and 4) higher discounting. But Nykaa’s impetus on private labels/niche offerings in fashion may aid healthy growth. Expect the fashion segment to break even in FY25E and to move to 10.5% EBITDA margin through to FY28E.

Valuations

Traditional BPC/fashion companies are trading at an EV/EBITDA of 38x/44x (past five years’ average), despite a revenue growth of 5.3%/14% in FY16-22. Nykaa has grown 50.3% in the same period, helped by better growth in online shopping. Expect growth outperformance to continue in the medium too, as Nykaa penetrates deeper in tier II/III cities in India. We arrive at a target EV/EBITDA of 50x/55x for Nykaa’s BPC/fashion segments, which is a premium of 25%/1% over the average of the traditional companies, due to premium growth rates for the former. We initiate with a **BUY** and a March 2027E SoTP TP of INR 2,211 – implying a 14.1% CAGR over next four years (our Mar’24 SoTP TP is INR 1,431).

**Rating: Buy**

**Target Price:** INR 2,211* (Mar’27)
INR 1,431 (Mar’24)

**Upside:** 70%

**CMP:** INR 1,305 [as on 3 October 2022]

**Key data**

- **Bloomberg / Reuters Code:** NYKAA IN/FSNE.BO
- **Current / Dil Shares O/S (mn):** 474 / 474
- **Mkt Cap (INR bn / USD mn):** 619 / 7,567
- **Daily Volume (3M NSE Avg):** 412,254
- **Face Value (INR):** 1

**1 USD = INR 81.9**

Note: * as on 3 October 2022; Source: Bloomberg

**Price & Volume**

- **Source:** Bloomberg

**Shareholding (%)**

- **Q3FY22:** 52.6
- **Q4FY22:** 52.4
- **Q1FY23:** 9.2
- **Promoter:** 9.1
- **Institutional Investor:** 25.3
- **Other Investor:** 25.2
- **General Public:** 13.0
- **Source:** BSE

**Price performance (%)**

- **3M:** 7.2
- **6M:** [4.4]
- **12M:** [3.7]
- **Sensex:** [23.0]

**FNSE- E-Commerce Ventures**

Source: Bloomberg

**Price performance**

- **Source:** Bloomberg

**Key Financials**

<table>
<thead>
<tr>
<th>YE March</th>
<th>Revenue (INR mn)</th>
<th>YoY (%)</th>
<th>EBITDA (INR mn)</th>
<th>EBITDA Margin (%)</th>
<th>Adj. PAT (INR mn)</th>
<th>YoY (%)</th>
<th>Fully DEPS (INR)</th>
<th>RoE (%)</th>
<th>RoCE (%)</th>
<th>P/E (x)</th>
<th>EV/EBITDA (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY22</td>
<td>37,739</td>
<td>54.6</td>
<td>1,633</td>
<td>4.3</td>
<td>1,115</td>
<td>(2.8)</td>
<td>0.9</td>
<td>12.2</td>
<td>15.2</td>
<td>1,498.5</td>
<td>380.6</td>
</tr>
<tr>
<td>FY23E</td>
<td>49,789</td>
<td>31.9</td>
<td>4,376</td>
<td>8.8</td>
<td>2,993</td>
<td>168.4</td>
<td>3.8</td>
<td>20.9</td>
<td>24.4</td>
<td>347.0</td>
<td>142.0</td>
</tr>
<tr>
<td>FY24E</td>
<td>67,445</td>
<td>35.5</td>
<td>6,739</td>
<td>10.0</td>
<td>4,746</td>
<td>58.6</td>
<td>6.7</td>
<td>28.3</td>
<td>33.5</td>
<td>193.6</td>
<td>92.2</td>
</tr>
<tr>
<td>FY25E</td>
<td>93,659</td>
<td>38.9</td>
<td>9,725</td>
<td>10.4</td>
<td>6,883</td>
<td>45.0</td>
<td>10.7</td>
<td>32.9</td>
<td>40.2</td>
<td>121.5</td>
<td>63.9</td>
</tr>
</tbody>
</table>

Note: Pricing as on 3 October 2022; Source: Company, Elara Securities Estimate

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FSN E-Commerce Ventures

Valuation summary
- Market leader in BPC segment with many niche offerings.
- Huge addressable market in fashion will drive the segment’s revenue. Private labels to help expand EBITDA margin.

Valuation triggers
1. Focus on private labels and niche offerings in the fashion segment will lead to healthy growth.
2. Overall revenue of INR 93,659mn and EBITDA margin of 10.4% by FY25E.

Key risks
- High competition in BPC category with D2C brands. High competition in the Fashion business as well with well-established player such as Myntra already there in the category.
- Slow tech penetration may lead to lower transactions, which may in turn hit revenues.
- Fashion business is still in the nascent stage and may take some time to turn EBITDA positive.

Our assumptions
- Nykaa BPC/Fashion revenue CAGR of 23.7%/50.4% in FY23E-28E. Fashion growth higher due to large addressable market.
- Nykaa BPC EBITDA margin to scale up to 13.1%/14.5% by FY25E/28E, respectively. Nykaa Fashion’s EBITDA to turn positive by FY25E.

Valuation overview

<table>
<thead>
<tr>
<th></th>
<th>FY25E</th>
<th>FY28E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BPC business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>9,851</td>
<td>17,745</td>
</tr>
<tr>
<td>Multiple (x)</td>
<td>65.0</td>
<td>50.0</td>
</tr>
<tr>
<td>EV</td>
<td>640.310</td>
<td>887.268</td>
</tr>
<tr>
<td><strong>Fashion business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>584</td>
<td>5,242</td>
</tr>
<tr>
<td>Multiple (x)</td>
<td>35.0</td>
<td>25.0</td>
</tr>
<tr>
<td>EV</td>
<td>20,424</td>
<td>131,050</td>
</tr>
<tr>
<td>Total EV</td>
<td>660,735</td>
<td>1,018,318</td>
</tr>
<tr>
<td>Total debt</td>
<td>3,330</td>
<td>3,330</td>
</tr>
<tr>
<td>Total cash</td>
<td>21,053</td>
<td>33,498</td>
</tr>
<tr>
<td>Value of equity (INR mn)</td>
<td>678,457</td>
<td>1,048,485</td>
</tr>
<tr>
<td>No. of shares</td>
<td>474.1</td>
<td>474.1</td>
</tr>
<tr>
<td>TP (INR)</td>
<td>1,431</td>
<td>2,211</td>
</tr>
</tbody>
</table>

Source: Elara Securities Estimate

Stock price (INR)

Projected TP (INR)

Valuation drivers

Nykaa—BPC EBITDA margin to reach 14.5% by FY28E

Source: Elara Securities Estimate

Investment summary

Valuation trigger
- Overall revenue of INR 93,659mn and EBITDA margin of 10.4% by FY25E

Focus on private labels and niche offerings in the fashion segment will lead to healthy growth

Source: Bloomberg, Elara Securities Estimate
Financials (YE March)

**Income Statement (INR mn)**

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenues</td>
<td>37,739</td>
<td>49,789</td>
<td>67,445</td>
<td>93,659</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,633</td>
<td>4,376</td>
<td>6,739</td>
<td>9,725</td>
</tr>
<tr>
<td>Add: Non operating Income</td>
<td>270</td>
<td>297</td>
<td>326</td>
<td>359</td>
</tr>
<tr>
<td>OPBDITA</td>
<td>1,902</td>
<td>4,673</td>
<td>7,065</td>
<td>10,084</td>
</tr>
<tr>
<td>Less: - Depreciation &amp; Amortization</td>
<td>262</td>
<td>646</td>
<td>718</td>
<td>790</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,640</td>
<td>4,027</td>
<td>6,347</td>
<td>9,294</td>
</tr>
<tr>
<td>Less: - Interest Expenses</td>
<td>465</td>
<td>437</td>
<td>530</td>
<td>704</td>
</tr>
<tr>
<td>PBT</td>
<td>1,175</td>
<td>3,590</td>
<td>5,817</td>
<td>8,590</td>
</tr>
<tr>
<td>Adjusted PAT</td>
<td>1,115</td>
<td>2,993</td>
<td>4,746</td>
<td>6,883</td>
</tr>
<tr>
<td>Reported PAT</td>
<td>1,115</td>
<td>2,993</td>
<td>4,746</td>
<td>6,883</td>
</tr>
</tbody>
</table>

**Balance Sheet (INR mn)**

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>474</td>
<td>474</td>
<td>474</td>
<td>474</td>
</tr>
<tr>
<td>Reserves</td>
<td>12,925</td>
<td>14,708</td>
<td>17,904</td>
<td>22,997</td>
</tr>
<tr>
<td>Deferred Tax (Net)</td>
<td>(1,152)</td>
<td>(1,152)</td>
<td>(1,152)</td>
<td>(1,152)</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>15,577</td>
<td>17,360</td>
<td>20,556</td>
<td>25,650</td>
</tr>
<tr>
<td>Net Block</td>
<td>5,077</td>
<td>6,027</td>
<td>6,827</td>
<td>7,527</td>
</tr>
<tr>
<td>Other non current assets</td>
<td>960</td>
<td>1,230</td>
<td>1,432</td>
<td>1,935</td>
</tr>
<tr>
<td>Net Working Capital</td>
<td>9,540</td>
<td>10,103</td>
<td>12,296</td>
<td>16,187</td>
</tr>
<tr>
<td>Total Assets</td>
<td>15,577</td>
<td>17,360</td>
<td>20,556</td>
<td>25,650</td>
</tr>
</tbody>
</table>

**Cash Flow Statement (INR mn)**

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash profit adjusted for non cash items</td>
<td>5,296</td>
<td>4,834</td>
<td>7,606</td>
<td>11,088</td>
</tr>
<tr>
<td>Add/ Less: Working Capital Changes</td>
<td>(8,345)</td>
<td>260</td>
<td>[1,330]</td>
<td>(3,284)</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>(3,048)</td>
<td>5,094</td>
<td>6,276</td>
<td>7,527</td>
</tr>
<tr>
<td>Less: Capex</td>
<td>(1,905)</td>
<td>(1,096)</td>
<td>(1,168)</td>
<td>(1,240)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>(4,953)</td>
<td>3,998</td>
<td>5,108</td>
<td>6,564</td>
</tr>
<tr>
<td>Financing Cash Flow</td>
<td>(6,028)</td>
<td>(3,320)</td>
<td>(4,155)</td>
<td>(5,586)</td>
</tr>
<tr>
<td>Investing Cash Flow</td>
<td>6,893</td>
<td>(8,101)</td>
<td>(4,415)</td>
<td>2,268</td>
</tr>
<tr>
<td>Net change in Cash</td>
<td>(2,184)</td>
<td>(6,327)</td>
<td>(2,294)</td>
<td>4,486</td>
</tr>
</tbody>
</table>

**Ratio Analysis**

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Growth</td>
<td>54.6</td>
<td>31.9</td>
<td>35.5</td>
<td>38.9</td>
</tr>
<tr>
<td>EBITDA Growth</td>
<td>4.2</td>
<td>168.1</td>
<td>54.0</td>
<td>44.3</td>
</tr>
<tr>
<td>PAT Growth</td>
<td>(2.8)</td>
<td>168.4</td>
<td>58.6</td>
<td>45.0</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>4.3</td>
<td>8.8</td>
<td>10.0</td>
<td>10.4</td>
</tr>
<tr>
<td>Net Margin</td>
<td>3.0</td>
<td>6.0</td>
<td>7.0</td>
<td>7.3</td>
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</table>

**Return & Liquidity Ratios**

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Debt/Equity (x)</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>12.2</td>
<td>20.9</td>
<td>28.3</td>
<td>32.9</td>
</tr>
<tr>
<td>ROCE (%)</td>
<td>15.2</td>
<td>24.4</td>
<td>33.5</td>
<td>40.2</td>
</tr>
</tbody>
</table>

**Per Share data & Valuation Ratios**

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted EPS (INR/Share)</td>
<td>0.9</td>
<td>3.8</td>
<td>6.7</td>
<td>10.7</td>
</tr>
<tr>
<td>EPS Growth (%)</td>
<td>(36.9)</td>
<td>331.8</td>
<td>79.3</td>
<td>59.4</td>
</tr>
<tr>
<td>DPS (INR/Share)</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>P/E Ratio (x)</td>
<td>1498.5</td>
<td>347.0</td>
<td>193.6</td>
<td>121.5</td>
</tr>
<tr>
<td>EV/EBITDA (x)</td>
<td>380.6</td>
<td>142.0</td>
<td>92.2</td>
<td>63.9</td>
</tr>
<tr>
<td>EV/Sales (x)</td>
<td>16.5</td>
<td>12.5</td>
<td>9.2</td>
<td>6.6</td>
</tr>
<tr>
<td>BVP/S (INR)</td>
<td>28.3</td>
<td>32.0</td>
<td>38.8</td>
<td>49.5</td>
</tr>
<tr>
<td>Price/Book (x)</td>
<td>46.2</td>
<td>40.8</td>
<td>33.7</td>
<td>26.4</td>
</tr>
<tr>
<td>Dividend Yield (%)</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Note: Pricing as on 3 October 2022; Source: Company, Elara Securities Estimate

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**Revenue & margin growth trend**

Source: Company, Elara Securities Estimate

**Adjusted profit growth trend**

Source: Company, Elara Securities Estimate

**Return ratios**

Source: Company, Elara Securities Estimate
Online BPC/fashion segments – Potential high

- Strong presence in BPC; fashion catching up
- India online BPC – >35% CAGR in the next five years
- India fashion market size to reach INR 8,702bn by CY25E

Strong presence in BPC; fashion catching up

Nykaa enjoys a strong presence in the BPC category. Its presence in the fashion category is also growing. The BPC market was INR 1,267bn in CY19 and should likely post an 8% CAGR to reach INR 1,981bn in CY25E. The Fashion market is even larger at INR 5,938bn and is expected to post a 7% CAGR to INR 8,702bn by CY25E.

Both these categories are seeing healthy growth on the back of a burgeoning middle class, rising income levels, increasing demand from tier III-IV cities and rural markets, millennials’ favorable spending patterns, and the entry of new Indian/global brands in product categories, and are expected to post a 16.8% CAGR in CY20-25 to USD 152bn, according to RedSeer. Bulk of these categories are unorganized. The strong category growth rates along with potential share gains from traditional channels augur well for new age/organized players in the offline and online space.

COVID-19 resulted in a boost to the internet economy as intermediaries across the value chain (including consumers, suppliers, wholesalers/distributors) came to appreciate the importance of convenience, efficiencies and safety derived from internet-enabled solutions. While India’s digital journey has been remarkable, there is significant headroom for growth – Expected to be bolstered by the availability of internet access and the push provided by the Government of India towards digital inclusion.

Redseer estimated internet users in India at ~660-690mn in CY20. This is expected to reach 970-1,000mn by CY25E. Online shoppers in India are expected to more than double from 150-180mn in CY20 to 350-400mn in CY25E. India’s retail market was sized at INR 55tn in CY20, reflecting a CAGR of 4.6% in the past four years. This growth was driven by the following factors – Rising income levels, upgradation in consumer behaviour, surge in demand from tier III/IV cities and rural markets, increased youth spending, improved infrastructure and the entry of new Indian/global brands across product categories. As the pandemic eases out, the retail market is expected to bounce back in the coming years to post a CAGR of 11%, to reach INR 91tn by CY25E.
India online BPC market to post 35% CAGR in next five years

India BPC market is still in a nascent stage and, hence, much smaller in comparison with the markets in China or the US. India BPC market size was INR 1,267bn in CY16, but declined 12% to reach INR 1,120bn in CY20 due to COVID-19 wave but is expected to post a CAGR of 12% over CY20-25E to reach INR 1,981bn in CY25E. The category is still nascent in India, evident from the strong historical growth rate. In CY16-19, BPC posted a 13% CAGR, led by multiple factors.

Online platforms are able to use technology in bringing efficiencies in supply chain, quality control, access to a wider selection, original content and advice, door-step deliveries, and wider geographic reach. BPC is well suited for online because of many characteristics unique to the category, including high value density (high-value, low-volume), low perishability and high channel margin. Online channel grew at a fast clip in the recent years. Online contribution was low at 2% in CY16. But through CY16-19, the channel saw a strong 71% CAGR, resulting in a jump in penetration to 6% of the BPC market in CY19, to reach INR 70bn in size. The growth continued in CY20, despite Covid, as the channel saw a further 30% growth to reach INR 91bn and 8% penetration in the overall BPC market. India online BPC market is expected to post a CAGR of 35% in the next five years.

The above drivers have resulted in a rapid rise in online BPC user base in metros and beyond. Despite the rising penetration in non-metros, average order values (AOVs) also continued to rise, indicating the depth/wider acceptance in tier II+ cities.

Another AOV driver has been the growth of the prestige category. Customer trust on vertical e-tailing platforms specializing in the BPC space spiked, driving demand, along with the willingness of premium/niche brands to sell on these platforms, supporting supply-side dynamics. Though the penetration levels have sharply spiked in the recent years, headroom is large for further rise, evident from the higher penetration in the developed markets, including the US (15-20%) and China (25-35%).
Exhibit 8: Nykaa – BPC growth drivers

Growth in BPC spend by youth
- Consumers in the 25-35 years age-group are the most active BPC buyers. They are more inclined to having a relatively sophisticated make-up and skincare regime, wherein their purchase decisions tend to be influenced by trends. This segment also experiments with newer product categories.
- Consumers between the 18-24 years age-group are a digitally-native generation and engage via social media to discover, adopt and socialize brands and behaviors.

Increasing BPC spend from non-Metro cities
- This is enabled by rising disposable incomes, increasing female workforce participation, growing popularity and influence of social media, and evolving lifestyle choices. BPC spending from tier-II+ cities is projected to grow faster than metro cities.

Rise in spend on specialized BPC categories
- Some specialized BPC categories such as deep skin and derma care, fragrances, nutraceuticals, men’s grooming, sexual wellness and hygiene have found their way into consumers’ repertoire, steered by a cultural shift in metro and tier-1 cities.

Emergence of a sizable Prestige BPC segment
- In the recent years, the prestige segment grew at a much faster rate than the mass segment and overall BPC market. The premium BPC segment comprises 4.2% of the total segment in India and premiumization opportunities are multiplying at a higher pace. Globally, this segment is as high as 20-40%.

Rise in popularity of online content-led discovery
- Online content has become the primary levers of BPC purchase decisions, which effectively facilitates discovery and understanding of BPC products/brands. This has given a significant push to the market as Gen-Z and millennial consumers (most active BPC buyers) continue to remain active consumers of online content on social media platforms. The live e-commerce market, which comprises influencers, merchants and key opinion leaders selling directly to consumers on the platform via video live streaming, is likely to become an important facilitator of discovery in the BPC category.

Growth of Men’s segment
- In recent years, men have become more aware of appearance and conscious of hygiene. This has led to the grooming category for men expanding beyond shaving to beardcare, shower gels, face wash, personal hygiene products. In the past few years, many brands focused on men have entered the market. Influencers normalizing the use of these products have also played a key role in driving adoption of these different products and categories.

Source: Company DRHP, Elara Securities Research

Exhibit 9: CY20 online penetration at 8%

India: Traditional versus online BPC market

Source: Company DBHP, Elara Securities Research

Exhibit 10: India beauty and personal care market size to reach INR 1,981bn in CY25E

Source: Company DBHP, Elara Securities Estimate

Exhibit 11: India online BPC market size USD 16bn in CY20

Source: Company DRHP, Elara Securities Research

Exhibit 12: India online BPC market – Nykaa has 26.8% share

Source: Elara Securities Research
India fashion market size to reach INR 8,702bn by CY25E

The Indian fashion market was INR 5,838bn in CY19 but declined 35% in CY20 due to COVID-19 to reach INR 3,794bn and is expected to post an 18% CAGR through CY20-25E to become an INR 8,702bn market by CY25E. Apparel is projected to continue driving ~73% of the market in CY25E. The Indian fashion market posted a CAGR of 12% through CY16-19 (CY16 size: INR 4,186bn) before hitting a trough in CY20 due to COVID, which led to a reduction in spending and supply chain disruption.

The Indian fashion market is expected to recover sharply by CY25. The unorganized channel has always dominated the Indian fashion market, but the share is expected to dip to 40% in CY25E from 63% in CY20, with the organized market’s share likely spiking to 40% in CY25E from 26% in CY20. The unorganized market is expected to decline as traditional channels cater to the mass taste/preferences and hence, slowly respond to changing trends in contrast with new-age players.

Online fashion platforms have been effective in solving many customer pain-points, with the use of technology, including wider assortments, geographic reach, transparency, door-step deliveries, ease of returns, content, quality etc. This has resulted in a sharp rise in e-commerce channel penetration. From just 4% in CY16, the online penetration in Fashion doubled to 8% by CY19, with higher penetration in the footwear and accessories categories compared with traditional channels.

COVID-induced lockdown improved the online penetration to 12% in CY20 from 8% in CY19. The rapid growth was supported by a growing online shopper base in tier II+ cities, digital maturity of Generation Z and millennial consumers, product discovery through social media/influencers, rise of digital-first brands, e-commerce adoption by premium/designer brands, increased assortment available across sub-categories and convenience of online shopping along with hassle-free returns.

Exhibit 14: India fashion market size to grow to INR 8,702bn in CY25E

![India fashion market size growth chart]

Source: Company DRHP, Elara Securities Research

Exhibit 15: Online penetration reached 12% in CY20

![Online penetration reached 12% in CY20 chart]

Source: Company DRHP, Elara Securities Research

Exhibit 13: Nykaa Fashion – Growth drivers

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in Fashion spend by youth</td>
<td>Consumers in the 20-35 years age-group are the most active fashion buyers, who aspire to express their individuality through fashion choices. These consumers possess decent paying capacity, high awareness of latest trends and strong digital maturity.</td>
</tr>
<tr>
<td>Increasing spend on Fashion from tier II+ cities</td>
<td>Demand from tier II+ cities has grown rapidly in the past few years, propelled by consumers shifting from unbranded products to value-branded products and availability of value-focused brands and retail stores to serve this demand. Spend on fashion from tier-II+ cities is projected to grow faster than the market.</td>
</tr>
<tr>
<td>Rising influence of social media</td>
<td>Consumers tend to be influenced by the latest trends through their network on social media platforms. This not only educates them on the latest trends in the market, but also pushes them to aspire for newer products and brands to stay updated in their social circle. This eventually translates into increasing spend on fashion products.</td>
</tr>
<tr>
<td>Growth of Men’s and Kids’ segments</td>
<td>The men’s segment, though slightly smaller, has grown at a faster pace than the women segment, led by a rise in assertive male spenders with high disposable incomes and the need to look and feel good. Besides, the kids’ segment has grown rapidly between 2016 and 2020, given the consistent demand for clothes and footwear for growing kids.</td>
</tr>
<tr>
<td>Emergence of occasion-centric demand</td>
<td>Along with casual fashion, occasion-centric fashion is seeing a considerable rise in demand, wherein both western and ethnic wear are used widely. In western wear, shirts and trousers or skirts for formal/corporate occasions, business suits for interviews/events, tuxedos and gowns for parties and designer suits for weddings, have become the ongoing fashion trends and are seeing high demand. On the ethnic wear side, there is a growing fondness and respect for the category, especially during the wedding and festive seasons.</td>
</tr>
</tbody>
</table>

Source: Company DRHP, Elara Securities Research
Exhibit 16: India online fashion market size INR 450bn in CY20

% online penetration of fashion market

<table>
<thead>
<tr>
<th>Year</th>
<th>INR bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY16</td>
<td>186</td>
</tr>
<tr>
<td>CY19</td>
<td>439</td>
</tr>
<tr>
<td>CY20</td>
<td>450</td>
</tr>
</tbody>
</table>

Source: Company DRHP, Elara Securities Research

Exhibit 17: India online fashion market size USD 83bn in CY19

Overall online fashion: Market size in CY19

% penetration

<table>
<thead>
<tr>
<th>Region</th>
<th>USD bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>83</td>
</tr>
<tr>
<td>China</td>
<td>394</td>
</tr>
<tr>
<td>USA</td>
<td>422</td>
</tr>
</tbody>
</table>

Source: Company DRHP, Elara Securities Research

Exhibit 18: Nykaa has 0.3% share in India online fashion market

Revenue share breakdown: Online Fashion market, FY21

- Nykaa, 0.3%
- Myntra, 5.3%
- Others, 94.3%

Source: Elara Securities Research
Nykaa surpasses Indian peers on profitability

- Nykaa recorded highest revenue in FY22 compared with Myntra
- Nykaa, leader among BPC category peers

Scale/growth edge despite good base

Nykaa has gained a strong head-start to become the largest BPC retailer in India. Curated assortments, engagement-led platform and omnichannel play with a concentrated focus on consumer experience may keep Nykaa’s market share stable.

However, there are various companies which are foraying into the segment – Myntra, Purplle and Good Glamm Group – after Nykaa’s success. Although Nykaa and Myntra had a similar revenue print in FY21 (INR 24,409mn and INR 24,074mn respectively), Nykaa recorded INR 37,739mn revenue in FY22. Companies such as Purplle and My Glamm recorded INR 1,272mn and INR 446mn, miniscule when compared with Nykaa.

Revenue CAGRs of Nykaa/Myntra/Purplle/MyGlamm were 83.8%/112.7%/56.2%/34.1% respectively, through FY17-21. Even when compared on parameters such as absolute EBITDA and marketing & advertisement expenses, Nykaa performed reasonably well among them. Nykaa is the only company in this segment which saw a positive profit after tax (PAT) in FY21.

Exhibit 19: Nykaa profitable among peers

<table>
<thead>
<tr>
<th>Company</th>
<th>Launch year</th>
<th>Revenue CAGR (FY17-21, %)</th>
<th>Profitable or non-profitable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nykaa</td>
<td>2012</td>
<td>83.8</td>
<td>Profitable</td>
</tr>
<tr>
<td>Myntra</td>
<td>2007</td>
<td>112.7</td>
<td>Non-profitable</td>
</tr>
<tr>
<td>Purplle</td>
<td>2012</td>
<td>56.2</td>
<td>Non-profitable</td>
</tr>
<tr>
<td>MyGlamm</td>
<td>2017</td>
<td>34.1</td>
<td>Non-profitable</td>
</tr>
</tbody>
</table>

Source: Elara Securities Research

Exhibit 20: Nykaa – FY22 revenue INR 37,739mn

While most e-commerce players in India have been burning cash to acquire new customers and drive adoption/penetration, Nykaa stands out, given its strong focus on unit economics. Nykaa reported 43.6% gross margin and 4.3% EBITDA margin in FY22. The EBITDA is expected to gradually improve every year, with break-
even achieved in FY19. EBITDA margin stood at 4.0% in Q1FY23 (Nykaa’s FY21 margin 6.4% due to cut in advertisement and promotional spends). Competitors such as Myntra, Purplle and MyGlamm are all EBITDA negative, though the EBITDA margins of Myntra and MyGlamm are gradually improving. Myntra’s and MyGlamm’s EBITDA margins were (15.9%) and (72.9%) respectively in FY21. Purplle’s EBITDA margin declined to (42.4%) in FY21 due to increase in other expenses.

Exhibit 24: Nykaa – FY22 EBITDA margin 4.3%

Source: Company, Elara Securities Research

Exhibit 25: Myntra – FY21 EBITDA margin (15.3%)

Source: Company, Elara Securities Research

Exhibit 26: MyGlamm – FY21 EBITDA margin (72.9%)

Source: Company, Elara Securities Research

Nykaa’s marketing expense stood at INR 4,781mn in FY22 (12.7% of revenue), though it was subdued in FY21 due to the pandemic. Myntra’s marketing expenses were INR 7,683mn in FY21 (31.9% of revenue), way higher than Nykaa’s.

Post Covid, Nykaa accelerated customer acquisitions via investments in marketing. Hence, the marketing expenses are not expected to be subdued in the near future. Nykaa is choosing to drive for better-quality customers, with better optimisation and customer retention. Marketing expenses are expected to be higher due to Nykaa’s ambition of acquiring customers, though as a percentage of revenues, it may be at the same level.

Exhibit 27: Purple – FY21 EBITDA margin (42.4%)

Source: Company, Elara Securities Research

Exhibit 28: Nykaa – FY22 marketing expense up sharply to INR 4,781mn

Source: Company, Elara Securities Research

Exhibit 29: Myntra – FY21 marketing expense INR 7,683mn, higher versus Nykaa’s

Source: Company, Elara Securities Research
Fingerprint ID

Exhibit 30: MyGlamm – FY21 marketing expenses dipped to INR 138mn

MyGlamm: Marketing expenses

Source: Company, Elara Securities Research

Exhibit 31: Purplle – FY21 marketing expense INR 561mn

Source: Company, Elara Securities Research

Purplle

Founded in 2011 and headquartered in Mumbai, Maharashtra, Purplle is an Indian multi-brand beauty retailer selling cosmetic and wellness products. Purplle has a large assortment of products in >1,000 brands with 50,000+ SKUs and 300+ beauty-specific sellers, including five private labels. Purplle provides all warehousing and logistics services to sellers to ensure that the product quality and delivery are satisfactory.

Purplle generally competes with Nykaa and has over 7mn MAUs. A larger part of its GMV is generated from tier II/III and smaller cities. Purplle’s GMV was USD 180mn in FY22 – It may continue to take the private label approach in the masstige segment, while growing faster in smaller cities. Purplle became a unicorn after raising USD 33mn in a funding round, led by South Korean investor, Paramark Ventures at a valuation of USD 1.1bn.

Good Glamm Group (MyGlamm)

MyGlamm is an Indian e-commerce company that sells cosmetics and personal care products. It was founded in 2015, and is headquartered in Mumbai, India. The company is owned by The Good Glamm Group and Sanghvi Technologies. In the past year, it pivoted to a content-to-commerce model and became the Good Glamm Group via content platform acquisitions such as Scoop Whoop, MissMalini and POPxo, while simultaneously acquiring brands such as St Botanica, The Moms Co., and Baby Chakra with strong customer engagement metrics. The firm is one of the earliest startups in India that has demonstrated success in blending content and commerce to drive sales. Its content offerings, coupled with an army of >220,000 influencers, helps customers spot new products and spur engagement. The Good Glamm Group (parent firm of MyGlamm) became a unicorn after raising USD 150mn in the Series D fundraise from Warburg Pincus and Prosus Ventures.

Myntra

Myntra is a one-stop shop for all fashion and lifestyle needs and is India’s largest e-commerce store for fashion and lifestyle products. Myntra aims at providing a hassle free and enjoyable shopping experience to shoppers across the country, with the widest range of brands and products on its portal. The brand is making a conscious effort to bring the power of fashion to shoppers with an array of the latest and trendiest products available in the country. Myntra has been one of the strongest fashion platforms in India and with Nykaa foraying into Fashion, Myntra has decided to enter the BPC category as well. Myntra’s major part of GMV comes from fashion, while the share of BPC is very low. Myntra’s FY21 revenue stood at INR 24bn.

Nykaa’s horizontal competitions are e-commerce players such as Amazon, FlipKart and Myntra. In the near future, it will be competing with players with much larger scale, and the competition will be with both vertical and horizontal players. Competitive intensity is expected to increase since large players such as Reliance Group and Tata Group have also expressed their plans to enter the beauty & personal care retail space

Nykaa leader among BPC category peers

Nykaa is the leader in the BPC category when compared with its peers on metrics such as bounce rate, total visits, average visit duration, pages per visit, social media traffic etc. These metrics shows the dominance of Nykaa in the online BPC space in India. Although total visits of Myntra (54.3mn, mainly due its large concentration in fashion segment) is way higher than Nykaa’s (12.6mn), it fares much better when compared with pure BPC companies such as Purplle (3.3mn) and MyGlamm (1.8mn). Pages per visit for Nykaa were 5.7, whereas for Myntra/Purplle/MyGlamm were 7.1/4.6/3.8, respectively. Customers spent an average of 3.3 minutes while visiting Nykaa’s website – 89% of Nykaa’s social media traffic is generated via YouTube.
Nykaa – Bounce rate 53%

Bounce rate is the percentage of visitors that leave a webpage without taking an action, such as clicking on a link, filling out a form, or making a purchase. When someone bounces from any site, it implies that the person did not convert. Hence, stopping a person from bouncing helps in increasing the conversion rate. Bounce rate of Nykaa stood at 53%, whereas for Myntra/Purplle/MyGlamm, it was 48.8%/49.1%/51.7%, respectively.

Exhibit 32: Nykaa – Bounce rate 53%

Source: Similarweb, Elara Securities Research

Considering the total visits, Myntra’s total visits are way higher than Nykaa’s 54.3mn since the total addressable market of fashion is much higher than beauty & personal care. Even though Nykaa has forayed into fashion, the business is very small and is in the early stages. Nykaa’s total visits stand at 12.6mn.

Exhibit 33: Nykaa’s total visits 12.6mn, lower than Myntra’s

Source: Similarweb, Elara Securities Research

In terms of pages per visit, Nykaa is closest to Myntra at 5.7 pages per visit, whereas for Myntra, this is 7.1, since Nykaa is still small in fashion compared with Myntra. Myntra has a large SKU number when compared with Nykaa, even though Nykaa is inching up slowly. Nykaa has the golden opportunity to surpass Myntra if it can replicate its BPC business success in fashion as well.

Exhibit 34: Nykaa – 5.7 pages per visit

Source: Similarweb, Elara Securities Research

Visitors spent an average of 3.3 minutes on Nykaa

Visitors spent an average of 3.3 minutes on Nykaa platform compared with 5 minutes on Myntra. Visitors spent the most time on Mamaearth (7.2 minutes). Mamaearth has been continuously improving and increasing its offerings in the BPC category, approximating Nykaa in the BPC category, a positive sign for Mamaearth.

Exhibit 35: Nykaa – Average visit duration 3.3 minutes

Source: Similarweb, Elara Securities Research
Around 58.6% of Nykaa’s users are organic versus Myntra’s 73.4%. Nykaa uses search engine optimization (SEO) services to improve organic traffic and create brand visibility. Keeping up with industry developments has also helped it stay ahead of the competition. Nykaa has implemented SEO to improve its content with possible keywords that rank high in search results. The beauty brand has also optimized its blogs and articles to be quickly indexed and searched by Google.

In a world of evolutions, it is necessary to keep up with the competitors and social media is a great platform to run ads and campaigns for the page. A social media presence makes the brands/services more feasible and far reaching. Twitter, Facebook, Instagram, and YouTube are renowned places to create audience awareness and increase comfort as regards the services provided by the brands. With increased viewership/interactions, online engagement improves, making the brand more likeable and spike content circulation.

Around 86% of Nykaa’s social media traffic is from YouTube, followed by Instagram (4.6%). When compared with Mamaearth, 89.9% of its traffic comes from YouTube. This shows that companies focussed in the BPC category generally showcase/promote products, mainly via YouTube and Instagram. The companies are very interactive, spending significant money on content marketing.

Nykaa is present on many social media platforms. It has five official accounts, dedicated to the main brand, Nykaa, Nykaa Fashion, Nykaa Beauty, Nykaa Man, and Naykd by Nykaa (a lingerie brand). The team ensures that the Nykaa marketing strategy is followed to roll out on-point, informative, and engaging content. A massive buzz is created before the special Pink Friday sales through influencers and live sessions with experts. With bite-sized content that is easy to consume, Nykaa is ruling the social space with its stellar content.
Exhibit 40: Nykaa – Organic users 58.6%

[Bar chart showing organic versus paid users for Nykaa and other brands]

Source: Similarweb, Elara Securities Research

Exhibit 41: Nykaa – 86% of social media traffic from YouTube

[Bar chart showing social media traffic sources for Nykaa and other brands]

Source: Similarweb, Elara Securities Research
Influencer marketing/social media – Secret sauce for success

- Global influencer marketing – Market size to reach USD 16.4bn by CY22
- Nykaa leveraging influencers for growth

Influencer marketing is one of the most effective and cost-effective ways to engage with clients versus more traditional platforms, and thus, is an important part of Nykaa’s marketing strategy. Despite having actors as its brand ambassador, Nykaa largely relies on influencers/content creators to promote new brand launches and sales.

Influencers are an important aspect of content marketing strategy since they educate customers, enabling best decisions. Nykaa believes in developing long-term relationships with influencers to increase consumer trust and engagement. Through this method, it has built a community that share ideas and suggestions, become inspired, learn, and watch new videos. The organization has devised the best plan for maintaining consumers and acquiring new ones via this approach. It serves both affluent and middle-class customers.

Influencer marketing industry is set to grow to ~USD 16.4bn in CY22E. Influencer marketing-focused platforms raised >USD 800mn in funding in CY21, an indication of the significant growth. More than 75% of brand marketers intended to dedicate a budget to influencer marketing in CY22. CY21 saw a notable increase in brands’ paying money to influencers – 54% of the firms working with influencers operated e-commerce stores. The most common niche in which Instagram influencers posted in both CY20/CY21 was Lifestyle. Beauty was placed second.

Exhibit 42: Influencer marketing – Global market size to reach USD 16.4bn in CY22E

Exhibit 43: US had most number of companies offering influencer marketing services in CY21

Exhibit 44: Influencer marketing software platforms – Total amount raised ~USD 800mn in CY21

Data shows that maximum number of Instagram and YouTube users are mainly in the age-group of 25-34 years – This is Nykaa’s target audience. Social media has a huge customer base in this particular segment. Nykaa targets its customers on social media platforms via influencer marketing. On its social media handles, the brand posts product-oriented content as also the content created by influencers where they try out Nykaa’s products, create various tutorials and review new launches.

Overall, Nykaa’s social media marketing strategy is extremely customer-centric. Nykaa has understood who its target customer is and hence, is finding it very easy to tap that particular segment. Nykaa is now one of the leading websites with the number of visitors on the website increasing day-by-day.
Today, the world is running on social media. Everyone has an account on almost all social media platforms. Instagram and Facebook are widely used to display advertisements. Nykaa’s social media marketing is also excellent. Its Instagram page adds many new followers, daily, with a similar trend in Twitter and Facebook as well. Nykaa has integrated some social media pages with the ‘shop now’ button, which helps the customers navigate to the website and order the required product.

The most common niche in which influencers posted through CY20-21 was Lifestyle, followed by Beauty. Lifestyle and Beauty are easy niches to share captivating and vivid images. Similar trends exist in India as well and Nykaa is mirroring the global trends.
Exhibit 51: STEAM – Most mentioned brand on YouTube in CY21

YouTube: Most mentioned brands in CY21

- STEAM: 76,060
- AllExpress: 53,060
- Flipkart: 49,040
- Playstation: 41,160
- Etsy: 28,820

Source: Influencer marketing report 2022, Elara Securities Research

Exhibit 52: Zara – Highest number of influencers in Instagram

<table>
<thead>
<tr>
<th>Brands</th>
<th>No. of influencers</th>
<th>Estimated reach (mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZARA</td>
<td>99,839</td>
<td>2,074</td>
</tr>
<tr>
<td>Instagram</td>
<td>56,768</td>
<td>2,341</td>
</tr>
<tr>
<td>SHEIN</td>
<td>56,267</td>
<td>1,818</td>
</tr>
<tr>
<td>H&amp;M</td>
<td>63,723</td>
<td>1,372</td>
</tr>
<tr>
<td>Nike</td>
<td>70,090</td>
<td>2,030</td>
</tr>
</tbody>
</table>

Source: Influencer marketing report 2022, Elara Securities Estimates

Exhibit 53: Netflix has 4,556 influencers in TikTok

<table>
<thead>
<tr>
<th>Brands</th>
<th>No. of influencers</th>
<th>Followers (mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion Nova</td>
<td>2,635</td>
<td>3.0</td>
</tr>
<tr>
<td>Netflix</td>
<td>4,556</td>
<td>21.4</td>
</tr>
<tr>
<td>McDonalds</td>
<td>3,570</td>
<td>1.9</td>
</tr>
<tr>
<td>Starbucks</td>
<td>2,482</td>
<td>1.7</td>
</tr>
<tr>
<td>Adult Swim</td>
<td>2,465</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: Influencer marketing report 2022, Elara Securities Research

Exhibit 54: STEAM – Most YouTube videos

<table>
<thead>
<tr>
<th>Brands</th>
<th>No. of YouTube videos</th>
<th>Views (mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nykaa</td>
<td>1,100</td>
<td>288</td>
</tr>
<tr>
<td>STEAM</td>
<td>10,081</td>
<td>1,120</td>
</tr>
<tr>
<td>AliExpress</td>
<td>6,171</td>
<td>291</td>
</tr>
<tr>
<td>Flipkart</td>
<td>5,423</td>
<td>1,162</td>
</tr>
<tr>
<td>PlayStation</td>
<td>8,160</td>
<td>168</td>
</tr>
<tr>
<td>Etsy</td>
<td>6,069</td>
<td>299</td>
</tr>
</tbody>
</table>

Source: Influencer marketing report 2022, Elara Securities Research

Exhibit 55: Referral links – Most popular method for tracking sales

Influencer campaigns: Popular methods for tracking sales

<table>
<thead>
<tr>
<th>Method</th>
<th>[%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Referral links</td>
<td>45.5</td>
</tr>
<tr>
<td>Coupon codes</td>
<td>25.4</td>
</tr>
<tr>
<td>Email addresses</td>
<td>15.6</td>
</tr>
<tr>
<td>Product SKU’s</td>
<td>7.6</td>
</tr>
<tr>
<td>Other</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Source: Influencer marketing report 2022, Elara Securities Research

Exhibit 56: Influencer campaigns mostly run to raise awareness

Objectives of running influencer campaigns

- Awareness: 36.7
- Sales: 35.7
- User generated content: 27.6

Source: Influencer marketing report 2022, Elara Securities Research

Exhibit 57: In-house brand campaigns – Challenges

Challenges for running in-house campaigns

- Bandwidth /Time restraints: 13.3%
- Managing the contracts/deadlines: 14.0%
- Processing payment to influencers: 8.3%
- Finding influencers for their campaigns: 27.4%
- Measuring ROI & campaign results: 28.1%
- Other: 8.9%

Source: Influencer marketing report 2022, Elara Securities Research

Exhibit 58: India influencer market to grow to INR 22bn by CY25E

Estimated influencer marketing growth trajectory (CY21-25E)

- CY21: 9
- CY22E: 13
- CY23E: 16
- CY24E: 19
- CY25E: 22

CAGR of 25%

Source: India influencer marketing report, Elara Securities Estimate
Exhibit 59: Influencer marketing campaigns – Only 27% celebrities-led

Influencer marketing campaigns: Celebrities versus influencers (%)

Celebrities, 27%
Influencers, 73%

Source: India influencer marketing report, Elara Securities Research

Exhibit 61: Personal care – Heavily influencer marketing-led

Categories heavy on influencer marketing

- Home & Furnishing: 5%
- Fintech: 5%
- BFSI: 5%
- Telecom: 5%
- Auto: 5%
- Fashion & Jewellery: 15%
- Mobile & Electronics: 10%
- Food & Beverage: 20%
- Others: 5%
- Personal Care: 25%

Source: India influencer marketing report, Elara Securities Research

Exhibit 60: Influencer marketing – 10 reasons behind its effectiveness

<table>
<thead>
<tr>
<th>Reason</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers proactively follow influencers; hence they are more receptive to content.</td>
<td>Influencers create engaging, quality content for use on multi-channel, delivering cost-savings.</td>
</tr>
<tr>
<td>Driving greater attention, recall, and engagement.</td>
<td>Influencers' creative production time is often faster than a traditional creative agency, a handy skill in fast-changing times and quickly adjusting to news.</td>
</tr>
<tr>
<td>The ability of brands to target niche audiences by partnering with specialized influencers.</td>
<td>Well-crafted campaigns can benefit exponentially from virality factors inherent to social media</td>
</tr>
<tr>
<td>Brands can work with influencers to deliver bespoke strategies and execution to address entire marketing funnel objectives.</td>
<td>Influencers are versatile in customizing content to fit specific marketing objectives and ensuring balanced brand growth.</td>
</tr>
<tr>
<td>Social media is the primary channel for brand and product research among Gen Z, encouraging new brand discovery and triggering purchases based on recommendations.</td>
<td>Long-term partnerships with the right influencers allow brands to build multi-layered narratives across time and SKUs.</td>
</tr>
</tbody>
</table>

Source: India influencer marketing report, Elara Securities Research
Nykaa leverages influencers on a large scale via Nykaa Affiliate Programme, which enables external content creators to publish content on its behalf, on many digital platforms. As of FY22, Nykaa has a network of 5,403 influencers – Generation Z trend setters, fashion & lifestyle bloggers, make-up artists, celebrities.

Over the years, it has developed a loyal community of bloggers and content creators who, in most cases, receive a commission for the sales they drive on the platform. As a result of brand equity and track record of building digital communities, it is able to successfully attract influencers. Nykaa TV, YouTube-based content platform, had a watch time of 6.6mn hours in FY22 and content posted on Instagram and Facebook (including videos, reels, posts and stories) was at 31,968 posts. It is one of the most influential lifestyle platforms in India.

Some content assets – Description

- **Nykaa TV** is a YouTube-based platform aimed at creating educational content with immersive storytelling in beauty and personal care. Nykaa TV is India’s leading channel exclusively focused on beauty with >1.2mn YouTube subscribers.

- **Nykaa Network** is a peer-to-peer social community, and an interactive beauty forum to reach a scale of 4.4mn members who can chat with other beauty enthusiasts, ask and answer beauty-related questions, give and seek advice, discover trends and join beauty-centric conversations on topics of their interests.

- **Nykaa Beauty Book and Style Files** are beauty and fashion blogs with 1,101 articles published in FY22.

- **Explore**, launched in 2020, is an in-app content aggregation hub. It is a ‘watch and buy’ feature that enables a consumer to watch content and shop for the products featured in that content in real-time. Such content is uploaded to the mobile application on Explore by influencers and from social media channels. Its discovery algorithms are responsive to consumer preference based on their search and engagement behaviour on the platform. This allows it to tailor a vast content library to appeal to specific consumers. The content is predominantly multi-brand and education-focused, including tutorials on ‘how-to’, reviews, and product trials. In FY22, explore received 12.7 mn visits and 23.5 mn post views.

- **Live commerce** is an interactive, entertaining, and gamified shopping format, as part of which special deals are unveiled, valid exclusively during the livestreaming session.

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**Exhibit 62: Influencer marketing – Trends**

<table>
<thead>
<tr>
<th>Five trends that may shape influencer marketing this decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>The rise of direct-to-consumer brands</td>
</tr>
<tr>
<td>Measurement and accountability will make influencer marketing mainstream</td>
</tr>
<tr>
<td>Influencer commerce will become integral to a brand’s sales channel mix</td>
</tr>
<tr>
<td>The influencer universe will expand both in depth and width</td>
</tr>
<tr>
<td>Influencers versus their audiences</td>
</tr>
</tbody>
</table>

Source: India influencer marketing report, Elara Securities Research

**Exhibit 63: Influencer marketing challenges**

<table>
<thead>
<tr>
<th>Challenges that marketers face while implementing influencer marketing plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keeping up with trends</td>
</tr>
<tr>
<td>Understanding the right content to channel fit</td>
</tr>
<tr>
<td>Choosing the right creator and process</td>
</tr>
<tr>
<td>Measuring campaign ROI</td>
</tr>
</tbody>
</table>

Source: India influencer marketing report, Elara Securities Research

**Nykaa leveraging influencers for growth**

Nykaa is one of the first online platforms in India to drive widespread product and influencer-led education via creative/entertaining content in video/written formats. Content captures the latest trends, helps ideate and create beauty regimes and outfits, and provides insights on various brands available on the platform. Nykaa also works closely with brand relationships to create content that amplifies their brand story and subsequently their sales. It creates and films majority of content in-house through the Nykaa Army, a team of employees who are beauty and fashion creators. Being mindful of India’s diversity, it also creates content in seven languages.

Nykaa uses many platforms – including Nykaa Affiliate Programme – to leverage influencers. These are Nykaa TV (YouTube Channel), Nykaa Network (peer-to-peer social community), Nykaa Beauty Books, etc. for educational content creation, which aids purchase decisions.
Fashion, NykaaMan and Superstore – Key emerging businesses

- BPC leads the way
- Fashion slowly picking pace
- NykaaMan and Superstore to drive future growth

BPC leads the way

The BPC range is extensive with 2,96,122 SKUs from 3,118 global and domestic brands, primarily in make-up, skincare, haircare, bath and body, fragrance, grooming appliances, personal care, and health and wellness categories. The portfolio includes large domestic and international brands, luxury and prestige brands, premium brands.

Nykaa is already the leader in the Indian online BPC market and has invested significantly in marketing, logistics, distribution and technology to provide a wide-range of assortments and smooth delivery to customers. Given the brand’s desired positioning, it endeavors to provide customized solutions for developing, promoting and selling the brand’s products on its platform.

For online-first brands, Nykaa provides them with the ability to rapidly scale by leveraging online platform. For prestige brands, Nykaa helps them grow via omni-channel distribution. And for traditional brands, Nykaa provides them with the ability to acquire millennial and Gen-Z consumers by leveraging its role as an influencer. As a result, not only domestic prestige brands but also many renowned international brands have chosen Nykaa for their launches into the Indian market.

Nykaa provides better product discovery experience via robust personalization engines and customized product features, such as customized landing pages, personalized homepages, search and sort algorithms and recommendation engines to power the discovery experience. Nykaa has better interface and filtering/sorting options compared to other online retailers which helps in attracting customers.

BPC’s total addressable market (TAM) is ~USD 16bn, of which 70%+ is unorganized, with the remainder split between organized-online. Nykaa is optimistic that India BPC market will post strong growth, at a CAGR of 12% till 2025E. Nykaa’s latest new business initiatives such as Nykaa Superstores cater to the unorganized offline BPC market.

Nykaa is a leader in the beauty category of BPC. It strongly believes in innovation and has seen very strong category growth. It partners with ~3,000 brands as of today, which includes some well-known global/domestic brands. FY22 BPC GMV was INR 49,987mn (+49% YoY) and annual unique transacting customers were 8.4mn (+49% YoY). The GMV share from existing buyers was 73%. Make-up and skin are Nykaa’s largest categories. Skincare outpaced make-up on growth in FY22 compared with FY21. Nykaa identifies and addresses certain gaps in the market via its own innovative brands such as Nykaa Naturals, Kay Beauty, Skinrx etc. About 11.2% of BPC GMV came from Nykaa-owned brands in FY22.

Nykaa is importing and distributing some well-renowned global beauty brands and is acting as a brand satellite office for them. Hence, the portfolio grew meaningfully in the past couple of years. Nykaa has ~22 portfolio brands as of now and has grown 70% this year.

Nykaa is committed to growing its physical presence due to spiking consumer demand. Physical retail will account for a major part of BPC sales in India in the coming years. Nykaa has ~105 physical stores currently in 49 cities. Physical retail contributed 6.6% to overall GMV share in FY22. Almost 95% of the stores are EBITDA positive.

Exhibit 64: BPC – TAM in India likely at USD 28bn in CY25E

Exhibit 65: Unorganized market to dip to 50% in CY25E

Source: Company, Elara Securities Estimate
Exhibit 66: BPC – Key growth drivers

Source: Company, Elara Securities Research

Exhibit 67: Make-up – SKU count >97K in FY22

<table>
<thead>
<tr>
<th></th>
<th>SKU count</th>
<th>FY22 YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make-up</td>
<td>97k+</td>
<td>1.4</td>
</tr>
<tr>
<td>Skin</td>
<td>45k+</td>
<td>1.5</td>
</tr>
<tr>
<td>Hair</td>
<td>21k+</td>
<td>1.6</td>
</tr>
<tr>
<td>Others</td>
<td>134k+</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Note: Personal care, fragrance, mom & baby, health & wellness and appliances; Source: Company, Elara Securities Research

Exhibit 68: BPC GMV – INR 49,987mn in FY22

Source: Company, Elara Securities Research

Exhibit 69: BPC – Q1FY23 GMV INR 14,888mn

Source: Company, Elara Securities Research

Exhibit 70: BPC – Yearly visits 881mn in FY22

Source: Company, Elara Securities Research

Exhibit 71: BPC – Quarterly visits 222mn in Q1FY23

Source: Company, Elara Securities Research

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Exhibit 72: BPC – MAUV 21mn in FY22

Source: Company, Elara Securities Research

Exhibit 73: BPC – Quarterly MAUV 22mn in Q1FY23

Source: Company, Elara Securities Research

Exhibit 74: BPC – Number of orders, 27mn in FY22

Source: Company, Elara Securities Research

Exhibit 75: BPC – Number of orders, 8.1mn in Q1FY23

Source: Company, Elara Securities Research

Exhibit 76: BPC – AOV INR 1,864 in FY22

Source: Company, Elara Securities Research

Exhibit 77: BPC – Q1FY23 AOV INR 1,780

Source: Company, Elara Securities Research

Exhibit 78: BPC – AUTC 8.4mn in FY22

Source: Company, Elara Securities Research

Exhibit 79: BPC – Quarterly AUTC 8.6mn in Q1FY23

Source: Company, Elara Securities Research
Elara Securities (India) Private Limited

FSN E-Commerce Ventures

Fashion slowly picking up

Nykaa forayed into the fashion segment in 2018 via Nykaa Fashion to capture the large addressable market of fashion by replicating the playbook, learnings and also leveraging the customer base of the BPC business. Nykaa Fashion generally operates as a curated and managed marketplace model, whereas the BPC platform operates as an inventory-led model.

As of FY22, Nykaa Fashion housed 4.3mn SKUs from 1,533 brands across five consumer divisions – Women, men, kids, tech and home. The offering is a mix of established national brands, international brands, luxury brands and emerging labels/designers. Unlike other online platforms that sell apparel, Nykaa Fashion has a strong focus on product curation, which is a key differentiator. The platform identifies fashion-forward brands, vets it for style/quality and finally selects styles within these brands that are then offered on the platform. Emphasis is also on selling full-priced products and offering the latest designs rather than discounting.

AOVs have also improved steadily due to addition of new categories (Men and Kids) and more brands offered on the platform, which in turn spiked the number of items bought per consumer per order. Nykaa Fashion’s AOV as Q1FY23 stood at INR 3,732. In terms of customer acquisition strategy, Nykaa Fashion follows the playbook perfected by the beauty business. Its customer proposition is also based on rich content (both user/platform-generated) and product curation, designed specifically for its target audience. This is further backed by a portfolio of own brands, which fills the product gaps in the market. Nykaa Fashion also plans to take an omni-channel approach, having opened its first offline store in New Delhi in 2021. Nykaa Fashion has a much wider range of products and assortments when compared to its BPC business.

Fashion is a USD 54bn market as of CY20 and is projected to grow to USD 124bn in CY25E at a CAGR of 18%. The sheer size and market opportunity tempted Nykaa to enter the fashion business. The company identified existing gaps in the market and leveraged them to build the fashion segment. Nykaa entered the fashion business 2.5 years ago. It is making sure to have the sheer amount of breadth and width to serve the Indian customers.

Teams have scaled onboarding dramatically over the years. The focus is mainly on masstige and premium brands, even though the platform has mass and luxe brands too. In FY22, the fashion GMV stood at INR 17,516mn (+168% YoY), whereas the number of new customers/number of orders rose +157%/+120% YoY to 1.6mn/5.2mn. The AOV stood at INR 3,420. Currently, the number of private labels in Nykaa’s fashion portfolio is six. Rise in demand for D2C brands, plugging assortment gaps and expansion of channels for owned brands are the key drivers for Nykaa in the fashion segment. Nykaa is planning to open physical stores for the brand Nykd. Fashion will have the same omnichannel play as BPC.

Nykaa has been working hard to capture the large addressable market of fashion. In the near future, Nykaa Fashion is expected to grow much faster than the BPC business, hence the revenue contribution of fashion business to the overall business is expected to increase gradually. Nykaa is choosing to drive for better quality customers with better optimisation and customer retention.

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Exhibit 80: Nykaa BPC app – 47.3mn downloads in FY22

![Graph showing Yearly app downloads for BPC](Image)

Source: Company, Elara Securities Research

Exhibit 81: BPC – Nykaa added 4.4mn customers

![Graph showing Yearly new customers added for BPC](Image)

Source: Company, Elara Securities Research

Exhibit 82: BPC – Yearly TTM customers 8.4mn in FY22

![Graph showing Yearly TTM customers for BPC](Image)

Source: Company, Elara Securities Research

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Exhibit 83: Fashion – TAM to reach USD 124bn in CY25E

Total addressable market: Fashion (India)

Source: Company, Elara Securities Estimate

Exhibit 84: Unorganized market to dip to 35% in CY25E

Market split

Source: Company, Elara Securities Estimate

Exhibit 85: Fashion – FY22 GMV INR 17,516mn

Yearly GMV trend - Fashion

Source: Company, Elara Securities Research

Exhibit 86: Fashion – Q1FY23 GMV INR 5,820mn

Quarterly GMV trend – Fashion

Source: Company, Elara Securities Research

Exhibit 87: Fashion – Total visits 441mn in FY22

Yearly visits trend – Fashion

Source: Company, Elara Securities Research

Exhibit 88: Fashion – Q1FY23 visits 118mn

Quarterly visits trend – Fashion

Source: Company, Elara Securities Research

Exhibit 89: Fashion – MAUV 15mn in FY22

Yearly MAUV trend – Fashion

Source: Company, Elara Securities Research

Exhibit 90: Fashion – MAUV 16mn in Q1FY23

Quarterly MAUV trend - Fashion

Source: Company, Elara Securities Research
**Exhibit 91: Fashion – 5.2mn orders in FY22**

Yearly orders trend – Fashion

Source: Company, Elara Securities Research

**Exhibit 92: Fashion – Number of orders 1.5mn in Q1FY23**

Quarterly orders trend – Fashion

Source: Company, Elara Securities Research

**Exhibit 93: Fashion – FY22 AOV INR 3,420**

Yearly AOV trend – Fashion

Source: Company, Elara Securities Research

**Exhibit 94: Fashion – AOV INR 3,732 in Q1FY23**

Quarterly AOV trend – Fashion

Source: Company, Elara Securities Research

**Exhibit 95: Fashion – Yearly AUTC 1.8mn in FY22**

Yearly AUTC – Fashion

Source: Company, Elara Securities Research

**Exhibit 96: Fashion – Quarterly AUTC 2mn in Q1FY23**

Quarterly AUTC – Fashion

Source: Company, Elara Securities Research

**Exhibit 97: Nykaa fashion app – 25.2mn downloads in FY22**

Yearly app downloads – Fashion

Source: Company, Elara Securities Research

**Exhibit 98: Fashion added 1.6mn customers in FY22**

Yearly new customers added – Fashion

Source: Company, Elara Securities Research

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For the Fashion vertical, Nykaa entered into a mix of marketplace and just in time (JIT) agreements. These agreements allow a third-party seller to display and list its products on Nykaa platform, while undertaking that the listing is accurate and complete in all respects. The sellers are also expected to keep their listed products in stock at all times. Upon receiving an order, in a marketplace agreement, the seller ships the product directly to the customer using the company’s partner delivery companies.

In a JIT agreement, Nykaa acquires the product from the vendor and then ships it to the customer. These asset light agreements enable Nykaa to avoid inventory risk and help it remain nimble to adapt the product catalogue to current trends without worrying about inventory obsolescence. In this model, Nykaa earns revenue via commissions that it charges to the third-party sellers.
NykaaMan and Superstore to drive future growth

Since India BPC market may increase substantially, 41-50% consumption is expected from unorganized trade. The current distribution system, which caters to the unorganized part of the market, has a few inefficiencies such as fragmented distribution, poor credit coverage, uneven playing field (large brand dominating newer brands) etc. Nykaa plans to leverage and disrupt this via technology through its eB2B platform Superstore. Nykaa aims to buy directly from the brand, bypass middlemen (distributors/wholesalers) and directly supply to retailers.

Nykaa aims to create a democratized distribution channel. Early days performance shows good promise, with total customers rising 18x between October 2021 and May 2022, whereas GMV grew 20x in the same period. Around 80% of the sales are coming from tier II and below cities, whereas 66% are from undeserved channels outside Kirana. The motto is to build a sustainable and profitable model providing seamless customer experience via distributed warehouse strategy, superior analytics, and hybrid logistics model. Once Nykaa absorbs the initial cash burn required, the Superstore business is expected to generate a high RoI in the coming years.

NykaaMan

Nykaa launched NykaaMan mobile application/website in FY21, thus customizing models and experience for men, as also spiking education/awareness among men on grooming/personal care product use.

Male customers were overwhelmed on the main Nykaa app/website due to its women-centric positioning. Though most products in Nykaa Man were already available in the main app, 75% of NykaaMan customers were not shopping in the main app. Gadgets and tech accessories contribute nearly a third of sales in the NykaaMan app. NykaaMan offers a large assortment and is present in many categories, ranging from personal care, fashion and accessories to even health & nutrition, gadgets and tech accessories.
**Strong supply chain capability to handle large SKU assortments**

Nykaa also developed strong supply-chain capabilities, needed to run an inventory-based model, with a large SKU assortment. As of June 2022, it served 27,800+ pin-codes, via a network of 23 warehouses spread across 11 cities, with a combined storage space of 820,000 sqft. Nykaa runs an allocation engine that optimizes fulfillment to ensure low shipment cost, faster delivery, and better inventory management. About 95% of orders were delivered by Nykaa within five days in FY22.

**Exhibit 107: Annual fulfilment expense, as percentage of revenue, 10.5% in FY22**

![Annual fulfilment expense as percentage of revenue](chart)

Source: Company, Elara Securities Research

**Exhibit 108: Quarter fulfilment expense as percentage of revenue 9.1% in Q1FY23**

![Quarter fulfilment expense as percentage of revenue](chart)

Source: Company, Elara Securities Research

The path to Nykaa’s profitability lies in new customer acquisition, repeat behaviour, gross margins, SLA versus fulfillment cost and inventory cover. Nykaa has been on a journey to transition from national to regional fulfillment to better serve customers. The warehouses are spread evenly across the nation. Capacity expanded to 0.82 mn sqft in FY22 from 0.58 mn sqft in FY21. The average order to delivery came down from 3.5 days in FY21 to 2.8 in FY22. In Q4FY22, it was 2.4 days. This number is an average and includes all the pin codes, including the ones that are hard to reach. Parameters such as split shipment ratio, air shipment share, and fulfillment expenses (as percentage of revenue) have pared substantially.

**Exhibit 109: Nykaa fulfillment centre**

![Nykaa fulfillment centre](image)
Compelling play in BPC and Fashion

- **BPC – FY23E-28E GMV CAGR likely at ~23%, propped by private labels/marketing revenue**
- **Fashion – FY23E-28E GMV CAGR likely at ~49%, on large TAM and cross-selling**

Nykaa’s overall GMV CAGR 34.1% in FY23E-28E

Nykaa’s GMV has grown 4x in FY19-22, led by many drivers, including a strong 30%+ CAGR in annual transacting BPC customers, 15%-50% CAGR in BPC AOVs and ramp-up of fashion business to INR 17.516mn GMV. The growth momentum continues in FY23 as well – Q1FY23 GMV grew ~47% YoY. Our estimates build-in a 34.1% GMV CAGR in FY23E-26E, with fashion (~49% CAGR) growing ahead of BPC (~23% CAGR). We delve into detailed estimates of each of the divisions in the below sections.

**Exhibit 110: FY23E-28E GMV CAGR 34.1%**

![Graph showing GMV CAGR 34.1%]

Source: Company, Elara Securities Estimate

**Private labels and marketing prop BPC revenue**

Nykaa is a dominant player in the Indian online BPC segment. But there is further room to grow in the number of transacting customers, order frequency and AOV. Digital penetration is too low in India compared with the US and China, and is expected to increase significantly in the near future, thus spiking the shopper base.

Nykaa has a portfolio of 15 owned brands that offer higher gross margin and plays a key role in increasing the assortment of products for customers. A substantial increase in the mix of these brands in the overall mix via organic/inorganic expansion could lead to a significant upside in profitability. Many of the owned brands have a high recall and function as independent brands.

Nykaa aspires to create brands that will have their own independent journey rather than creating just private labels of well performing products. These brands play a key role in increasing the assortment available to customers. Owned brands contribute >10% to the BPC business. Marketing support (advertisement space offered to BPC brands) generated INR 3.74bn in revenues for Nykaa in FY22 (11.6% of total revenue) and has the opportunity to clock 30% CAGR in the next few years. Nykaa has partnered with various international brands to make those brands more visible and synonymous with the customers’ shopping basket.

**Expect FY23E-28E BPC GMV CAGR at ~23%**

With ~72% share of GMV contribution, BPC remains the mainstay for Nykaa, though it is not growing as fast as the Fashion business. We estimate BPC GMV CAGR of ~23% in FY23E-28E, led by strong growth in annual transacting customers and moderate growth in order frequency, leading to higher number of orders. AOVs are expected to grow slowly, as new customer addition may have a dilutive effect.

**Exhibit 111: FY23E-28E BPC GMV CAGR 23.3%**

![Graph showing BPC GMV CAGR 23.3%]

Source: Company, Elara Securities Estimate

**BPC – FY23E-28E annual unique transacting customer CAGR 12.4%**

Nykaa’s BPC annual unique transacting customer (AUTC) CAGR was 34% in FY19-22. Over FY23E-28E, we build in a 12.4% AUTC CAGR, less than the FY19-22 period, largely due to the business getting matured. As per industry estimates, there are 30-40mn online BPC customers in India, which is growing steadily, also supported by the recent surge in marketing spends by the D2C brands. We expect Nykaa to add 1.5-2mn transacting customers annually to cross 17mn by FY28E. Nykaa’s omni-channel strategy should also bring in more customers to the online platform.
BPC – FY23E-28E annual order frequency CAGR 5.9%

Order frequency has remained steady in the past four years at ~3.2x. We estimate this to surge at a CAGR of 5.9% in FY23E-28E. The existing customer cohorts will see a gradual growth in order frequencies as they mature. However, there may be an offsetting impact due to the dilution on account of new customer additions.

BPC – FY23E-28E order CAGR 19%

The number of orders is expected to surge steadily at a CAGR of 19% in FY23E-28E due to strong growth in annual unique transacting customers, a large customer base and repeat customers.

BPC – AOV CAGR likely slow at 3.6% in FY23E-28E

Average order value had seen a sharp jump in FY21, when Nykaa increased the minimum order value for availing free delivery. The company reversed this in FY22, and this has resulted in a dip in AOVs in FY22. We expect AOVs to see a slight decline in the near-term before rising again from FY24E onwards as the cohorts mature.

Nykaa BPC – EBITDA margin 13.1% by FY25E

Nykaa BPC is expected to post a gross margin/EBITDA margin of 42.6%/13.1% by FY25E on account of strong GMV and revenue growth. GMV growth will be led by strong growth in annual unique transacting customers though the AOV will grow at a slower pace.
Nykaa Fashion platform is evident from the strong base Nykaa’s Fashion AUTC Exhibit explain each of the GMV drivers. the business, driving market share fashion to continue as the company continues to ramp 17.5bn faster than BPC. Fashion GMV grew from However, on this low base, the segment is growing much with the BPC business. Being a newer segment, the business is in a much earlier stage of growth compared FY2 We Fashion GMV CAGR business faster. is huge, and the company has the potential to scale up the the fashion vertical is in a nascent stage, the underlying levera has the opportunity to exploit cross sell opportunities and leverage the customer base of its beauty business. Though the fashion vertical is in a nascent stage, the underlying TAM is huge, and the company has the potential to scale up the business faster.

Fashion GMV CAGR likely at ~49% in FY23E-28E
We build-in a strong ~49% GMV CAGR in Fashion in FY23E-28E, as the business ramps up. Nykaa’s fashion business is in a much earlier stage of growth compared with the BPC business. Being a newer segment, the operating metrics of fashion are a fraction of BPC’s. However, on this low base, the segment is growing much faster than BPC. Fashion GMV grew from INR 1.9bn to INR 17.5bn in FY20-22. Expect the accelerated growth in fashion to continue as the company continues to ramp-up the business, driving market share gains. Below we explain each of the GMV drivers.

Exhibit 118: FY23E-28E fashion GMV CAGR 49.0%

AUTC CAGR 20.9% in FY23E-28E
Nykaa’s Fashion’s AUTC continues to grow fast on a low base (up 3x in FY22). The strong customer traction on the Nykaa Fashion platform is evident from the strong monthly average unique visitors (MAU). It was 16mn for the latest quarter (Q1FY23), 8x of the AUTC. We build-in a 20.9% AUTC CAGR in FY23E-28E, as the platform continues to convert visitors into transacting customers

Exhibit 119: Fashion AUTC to reach 6.8mn in FY28E

Annual order frequency CAGR 12.9% in FY23E-28E
Order frequency has seen a sharp dip in the past two years on account of the dilution caused by the new users. The new user addition has been a multiple of the existing base, resulting in a significant dilution. Our FY23E-28E estimates build in a CAGR of 12.9% in order frequency.

Exhibit 120: Fashion AUTC to reach 5.5mn in FY28E

Number of orders CAGR 36.5% in FY23E-28E
The number of orders is expected to post a CAGR of 36.5% in FY23E-28E due to higher growth in annual unique transacting customers and order frequency.

Exhibit 121: Fashion orders to reach 37.2mn in FY28E
Fashion – AOV CAGR 9.2% in FY23E-28E

Despite the accelerated customer additions, AOV has continued to rise in FY19-22. The quarterly trends also show a sequentially rising trend. However, we estimate a moderation in AOV growth in the near-term on account of dilution from new additions. We build in a CAGR of 9.2% in AOV in FY23E-28E.

Exhibit 122: Fashion AOV to reach INR 6,106 in FY28E

Source: Company, Elara Securities Estimate

Nykaa Fashion to post 3.5% EBITDA margin by FY25E

Nykaa Fashion is expected to clock gross margin/EBITDA margin of 78%/3.5% by FY25E, mainly due to higher total addressable market for the fashion segment. Fashion business is still at a nascent stage and is expected to grow much faster than the BPC business. The fashion business is also expected to gain advantage from cross-selling because of the BPC business.

Exhibit 123: Fashion – FY25E gross margin to reach 78%

Source: Company, Elara Securities Estimate

Exhibit 124: Fashion – FY25E EBITDA margin to reach 3.5%

Source: Company, Elara Securities Estimate

Exhibit 125: Nykaa – Other expenses break-down in FY19

Source: Company, Elara Securities Research
Exhibit 126: Nykaa – Other expenses break-down in FY20

Marketing & advertisement expense, 42.4%
Freight expenses, 27.6%
Consumption of packing materials, 7.3%
Web & technology expenses, 5.7%
Payment gateway charges, 1.5%
Miscellaneous expenses, 14.0%

Source: Company, Elara Securities Research

Exhibit 127: Nykaa – Other expenses break-down in FY21

Marketing & advertisement expense, 30.2%
Freight expenses, 28.3%
Consumption of packing materials, 7.9%
Web & technology expenses, 7.2%
Payment gateway charges, 2.8%
Miscellaneous expenses, 23.6%

Source: Company, Elara Securities Estimate

Exhibit 128: Nykaa – Other expenses break-down in FY22

Marketing & advertisement expense, 41.4%
Freight expenses, 24.7%
Consumption of packing materials, 7.5%
Web & technology expenses, 5.4%
Payment gateway charges, 2.0%
Miscellaneous expenses, 18.9%

Source: Company, Elara Securities Research

Exhibit 129: FY19-22 marketing & ad expenses CAGR 49.6%

FY19-22 CAGR

Marketing & advertisement expense
Freight expenses
Consumption of packing materials
Web & technology expenses
Payment gateway charges
Miscellaneous expenses

Source: Company, Elara Securities Research
Nykaa stands out against peers

- Nykaa’s BPC & Fashion segments – FY23E-25E revenue CAGRs likely at 33.3% and 60.4%
- Initiate with BUY; March 2027E SoTP TP at INR 2,211

Nykaa is well positioned to continue to deliver on growth and profitability. The company is poised to benefit from the surge in digital penetration, transacting customers, order frequencies and AOV.

Nykaa is expected to be in a growth phase in the near future, with focus on product and customer experience. Nykaa’s BPC revenue CAGR was 44.9% in FY19-21, whereas the traditional companies that operate in the beauty and personal care businesses posted a CAGR within 3.3-8.8% in FY16-22. This implies that Nykaa’s BPC business has grown at a much faster rate and is expected to continue with the growth in future as well. The growths are higher because digital penetration is much higher and people are shifting to online buying from offline buying. Hence, penetration is quite high. Nykaa is well positioned to capture India’s beauty & personal care market and is already the market leader in this category.

Exhibit 130: P&G – Revenue grew the most in FY16-22

Exhibit 131: Nykaa’s FY23E-25E BPC revenue CAGR likely at 33.3%

Exhibit 132: Nykaa’s FY22 BPC revenue INR 33.8bn

Source: Company, Elara Securities Research

Nykaa forayed into the fashion segment much later (in FY20) and fashion business’ revenue grew 126.3% in FY21-22, whereas the revenues of traditional fashion companies such as ABFRL, Trent, Go Fashion and Page Industries surged at a CAGR within 4.2-20% in FY17-22. Currently, Nykaa is a very small player in the fashion segment but is expected to grow at a faster rate than the BPC segment since the total addressable market of fashion is much higher than BPC.

Exhibit 133: Go fashion – Revenue grew the most in FY16-22

Exhibit 134: Nykaa Fashion – FY23E-25E revenue CAGR 60.4%

Source: Bloomberg, Elara Securities Estimate
Nykaa’s BPC and Fashion revenues are expected to post CAGRs of 23.7% and 50.4% in FY23E-28E.

Exhibit 136: Consensus EV/sales estimates

<table>
<thead>
<tr>
<th>(Consensus)</th>
<th>EV/sales (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY23E</td>
</tr>
<tr>
<td>Marico</td>
<td>6.9</td>
</tr>
<tr>
<td>HUL</td>
<td>10.7</td>
</tr>
<tr>
<td>Colgate</td>
<td>7.9</td>
</tr>
<tr>
<td>Dabur</td>
<td>8.4</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>10.8</td>
</tr>
<tr>
<td>ABFRL</td>
<td>3.0</td>
</tr>
<tr>
<td>Trent</td>
<td>7.8</td>
</tr>
<tr>
<td>Go Fashion</td>
<td>10.8</td>
</tr>
<tr>
<td>Page Industries</td>
<td>11.3</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Elara Securities Estimates

Exhibit 137: Average one-year forward EV/sales (past five years)

<table>
<thead>
<tr>
<th>(x, past five years)</th>
<th>Average one-year forward EV/sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marico</td>
<td>6.2</td>
</tr>
<tr>
<td>HUL</td>
<td>10.0</td>
</tr>
<tr>
<td>Colgate</td>
<td>7.6</td>
</tr>
<tr>
<td>Dabur</td>
<td>8.6</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>10.9</td>
</tr>
<tr>
<td>ABFRL</td>
<td>3.1</td>
</tr>
<tr>
<td>Trent</td>
<td>6.8</td>
</tr>
<tr>
<td>Go Fashion</td>
<td>9.6</td>
</tr>
<tr>
<td>Page Industries</td>
<td>10.8</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Elara Securities Research

Competitive intensity has picked up recently as many companies have realized the attractiveness of the online BPC opportunity. Nykaa is expected to deliver on growth as well as profitability, as it has in the past. The recent years have seen a surge in transacting customers for the company. Nykaa should benefit from the increasing order frequencies and basket values, as the customer cohorts mature. Nykaa is expected to remain in a hyper-growth phase in the medium-term as the online BPC and fashion penetration ramps up.

We expect Nykaa’s BPC business to clock an EBITDA margin of 13.7% by FY25E whereas the traditional companies are expected to post EBITDA margin within 20-25% in FY25E. Average EBITDA margin for the traditional and fashion companies stood at 23.5% and 13.5%, respectively in FY19-22 versus 4.6% for Nykaa.

There is enough headroom for Nykaa to grow its BPC and Fashion businesses in the medium term. EBITDA margin is expected to inch to 12.4% by FY28E. Nykaa BPC’s employee expense, as percentage of revenue, is less when compared with the traditional companies and the value is expected to be at the same level in the near future. Average employee expenses, as percentage of revenue in FY19-22, for traditional BPC and fashion companies stood at 6% and 13.7% respectively versus 9.6% for Nykaa.

Marketing expenses of Nykaa BPC are growing every year and are at par with the traditional companies. The value is expected to grow in the medium term since Nykaa is focusing on effective marketing and promotion as well to grow its revenue. Average marketing expenses, as percentage of revenue in FY19-22 for traditional and fashion companies, stood at 10.1% and 3.1% respectively versus 10.9% for Nykaa.
Nykaa’s Fashion business is expected to clock an EBITDA margin of 3.5% by FY25E, whereas traditional companies are expected to post 16-21% EBITDA margin in FY25E. Nykaa Fashion is still in the nascent stage and the business is expected to grow exponentially in the medium term. Nykaa Fashion’s employee and marketing expense, as percentage of revenue, is high when compared with the traditional companies since the business is in the early stages but will become low and stable once the business matures.

Nykaa BPC’s EBITDA CAGR is expected at 29.7% in FY21-28E, likely clocking an EBITDA margin of 14.9% by FY28E whereas the EBITDA of fashion business is expected to turn positive by FY25E.
Initiate with BUY; March 2027E SoTP TP INR 2,211

We initiate coverage on Nykaa with a BUY rating, based on EV/EBITDA valuation, with March 2027E SoTP TP of INR 2,211. There is an implied 69.4% upside – 14.1% return every year over the next four years. At March 2024E SoTP TP of INR 1,431, we recommend BUY as well.

We have valued Nykaa separately on EV/sales, EV/EBITDA and DCF to compare the TPs.

Traditional BPC companies such as Marico and Hindustan Unilever (HUL) etc. are trading at an average one-year forward EV/sales of 7x-10x, whereas the fashion companies are trading at a multiple of 3x-11x. We value the BPC business at 7x FY28E sales, whereas the fashion business is being valued at 3x FY28E sales.

Traditional BPC companies such as Marico and HUL etc. are trading at an average one-year forward EV/EBITDA of 28x-45x, whereas the fashion companies are trading at a multiple of 44x-64x. We value the BPC business at 55x FY28E EBITDA, whereas the fashion business is being valued at 25x FY28E EBITDA.

We have valued Nykaa on DCF valuation methodology on a consolidated company basis. While there will be inherent differences in the company’s BPC and Fashion segments, we estimate strong synergies in the businesses and opportunity to leverage similar capabilities. For most cost items, there is likely to be significant cross-pollination across segments and hence, valuing Nykaa on a consolidated basis would be fruitful.

Our DCF for Nykaa factors in explicit model forecasts till FY32E, led by various factors. We use a discount rate of 10% based on 6.0%/4.5% risk-free rate/market risk premium and a beta of 0.9, given that Nykaa is a penetration story that may not be overly sensitive to overall market movements. We use a terminal growth rate of 7.5%, roughly in line with India’s long-term GDP growth forecasts.

Exhibit 149: FCF/EBITDA consensus

<table>
<thead>
<tr>
<th>FCF/EBITDA (x)</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marico</td>
<td>69</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>HUL</td>
<td>73</td>
<td>73</td>
<td>75</td>
</tr>
<tr>
<td>Colgate India</td>
<td>84</td>
<td>74</td>
<td>73</td>
</tr>
<tr>
<td>Dabur</td>
<td>65</td>
<td>71</td>
<td>77</td>
</tr>
<tr>
<td>P&amp;G India</td>
<td>67</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>ABFRL</td>
<td>19</td>
<td>38</td>
<td>79</td>
</tr>
<tr>
<td>Trent</td>
<td>55</td>
<td>58</td>
<td>61</td>
</tr>
<tr>
<td>Go Fashion</td>
<td>15</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Page Industries</td>
<td>54</td>
<td>59</td>
<td>59</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Elara Securities Research

Elara Securities (India) Private Limited
### Exhibit 150: Nykaa’s valuations – EV/sales methodology

<table>
<thead>
<tr>
<th></th>
<th>FY25E</th>
<th>FY28E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BPC business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>75,198</td>
<td>122,382</td>
</tr>
<tr>
<td>Multiple (x)</td>
<td>9.0</td>
<td>7.0</td>
</tr>
<tr>
<td>EV</td>
<td>676,781</td>
<td>856,672</td>
</tr>
<tr>
<td><strong>Fashion business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>16,673</td>
<td>49,924</td>
</tr>
<tr>
<td>Multiple (x)</td>
<td>5.0</td>
<td>3.0</td>
</tr>
<tr>
<td>EV</td>
<td>83,365</td>
<td>149,771</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,788</td>
<td>4,079</td>
</tr>
<tr>
<td>Multiple (x)</td>
<td>12.0</td>
<td>3.0</td>
</tr>
<tr>
<td>EV</td>
<td>21,454</td>
<td>12,237</td>
</tr>
<tr>
<td>Total EV</td>
<td>781,601</td>
<td>1,006,444</td>
</tr>
<tr>
<td>Total debt</td>
<td>3,330</td>
<td>3,330</td>
</tr>
<tr>
<td>Total cash</td>
<td>8,784</td>
<td>13,553</td>
</tr>
<tr>
<td>Value of equity (INR mn)</td>
<td>787,054</td>
<td>1,016,666</td>
</tr>
<tr>
<td>No. of shares</td>
<td>474.1</td>
<td>474.1</td>
</tr>
<tr>
<td>TP (INR)</td>
<td>1,660</td>
<td>2,144</td>
</tr>
</tbody>
</table>

Source: Elara Securities Estimate

### Exhibit 151: Nykaa’s valuations – EV/EBITDA methodology

<table>
<thead>
<tr>
<th></th>
<th>FY25E</th>
<th>FY28E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BPC business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>9,851</td>
<td>17,745</td>
</tr>
<tr>
<td>Multiple (x)</td>
<td>65.0</td>
<td>50.0</td>
</tr>
<tr>
<td>EV</td>
<td>640,310</td>
<td>887,268</td>
</tr>
<tr>
<td><strong>Fashion business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>584</td>
<td>5,242</td>
</tr>
<tr>
<td>Multiple (x)</td>
<td>35.0</td>
<td>25.0</td>
</tr>
<tr>
<td>EV</td>
<td>20,424</td>
<td>131,050</td>
</tr>
<tr>
<td>Total EV</td>
<td>660,735</td>
<td>1,018,318</td>
</tr>
<tr>
<td>Total Debt</td>
<td>3,330</td>
<td>3,330</td>
</tr>
<tr>
<td>Total Cash</td>
<td>21,053</td>
<td>33,498</td>
</tr>
<tr>
<td>Value of equity (INR mn)</td>
<td>678,457</td>
<td>1,048,485</td>
</tr>
<tr>
<td>No. of shares</td>
<td>474.1</td>
<td>474.1</td>
</tr>
<tr>
<td>TP (INR)</td>
<td>1,431</td>
<td>2,211</td>
</tr>
</tbody>
</table>

Source: Elara Securities Estimate

### Exhibit 152: Nykaa’s valuations – DCF methodology

<table>
<thead>
<tr>
<th>(INR mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative PV of FCFF-A (FY23E-32E)</td>
</tr>
<tr>
<td>Terminal value-FY28E</td>
</tr>
<tr>
<td>PV of terminal value-B</td>
</tr>
<tr>
<td>Enterprise value-(A+B)</td>
</tr>
<tr>
<td>Less: Net debt-FY24E</td>
</tr>
<tr>
<td>Total equity value</td>
</tr>
<tr>
<td>Number of shares (mn)</td>
</tr>
<tr>
<td>Value per share (INR)</td>
</tr>
<tr>
<td>CMP (INR)</td>
</tr>
<tr>
<td>% upside</td>
</tr>
</tbody>
</table>

Source: Elara Securities Estimate
Omnichannel presence – Enhancing customer stickiness

- Nykaa integrating offline-online experience seamlessly
- Three ‘store formats’ targeting varied audiences

Nykaa integrating offline-online experience seamlessly
Beauty and personal care consumers prefer to shop across online channels and physical stores as many of Nykaa’s products often require a ‘touch and feel’ experience to arrive at a purchase decision, especially in certain higher value and/or complex categories such as fragrances and make-up. In order to provide such an experience, and be physically closer to consumers, Nykaa launched physical stores in 2014. It has since expanded its footprint rapidly. Physical stores cater to the modern-day Indian consumer, by integrating the offline-online experience seamlessly.

By giving consumers both physical and digital shopping experiences, Nykaa wants to be relevant at all the touchpoints of a consumer’s journey. Omni-channel offers endless aisle, gift cards and loyalty programs, which has helped Nykaa offer consumers a comprehensive buying experience across online and offline platforms. Nykaa leverages its omni-channel consumer database to select store locations, design brands and assortment mix, to direct traffic to its stores, plan offline beauty events and marketing campaigns, and create an experiential-based, educational, and personalized shopping experience.

Nykaa developed its hyper-local delivery capability in 2020 during the Covid-induced lockdown, which allows it to use physical stores as last-mile delivery hubs for online orders for select locations. This has helped improve its delivery speed and optimize inventory by making it more fungible. Nykaa offers dedicated BA support of 479 as of FY22, with strong training for personalized selling via recommendations.
Nykaa operates three store formats, each with a different positioning and target audience. As of 30 June 2022, Nykaa operated 112 physical stores in 52 cities of India across three formats. It plans to increase its physical store footprint to 300 in 100 cities in the medium-term.

**Nykaa Luxe** store format offers a luxury beauty experience. It showcases prestige and luxury international and domestic brands. These stores are ~1,134sqft in size on an average and are present in grade A malls and high streets. The company operates 38 Nykaa Luxe stores across India in cities such as Mumbai, Delhi, and Kolkata.
Nykaa On-Trend stores offer a differentiated experience to consumers, with the current best-selling products chosen across beauty and personal care brands. This curation is a selection of products that are trending on online channels based on sales, reviews and ratings. These stores have an average size of 732sqft. The company operates 32 Nykaa On-Trend stores across India in cities such as Coimbatore, Chennai, and Jaipur.

Nykaa Kiosks are free-standing units usually in the atriums of shopping malls. The company predominantly sells owned brands via these kiosks. It operates nine Nykaa Kiosks across India in cities such as Bengaluru, Indore and Mohali.

Exhibit 162: Nykaa Luxe store

Exhibit 163: Nykaa On-trend store

Exhibit 164: Nykaa Kiosk

Source: Company, Elara Securities Research
Company description

Nykaa is an Indian e-commerce company, founded by Falguni Nayar in 2012 and headquartered in Mumbai. It sells beauty, wellness and fashion products across websites, mobile apps and 105 offline stores. In 2020, it became the first Indian unicorn start-up headed by a woman.

Nykaa is preferred since it is exclusively focused on beauty, fashion and wellness products. The company offers a wide range of products in various categories such as make-up, skincare, fragrance, haircare, personal care, bath and body, grooming appliances, health and wellness. Nykaa is essentially a one-stop shop for all beauty, grooming and wellness needs. Nykaa established itself as a platform where curation was the main value proposition rather than discounting. Many premium and luxury segment brands tied up with Nykaa to sell their products due to the latter’s large customer base and its no/less discount approach.

Nykaa currently operates in the beauty & personal care and fashion segments and also has an eB2B platform known as Superstore. It has an omnichannel approach to retailing with 105 stores and 23 warehouses across 11 cities as of FY22 to serve 27,800+ pin codes in India. Nykaa improved serviceability from 86% in FY21 to 98% in FY22, with 95% of the orders being delivered in five days. In FY22, Nykaa generated an overall GMV of INR 67,503mn, a growth of 66.8% YoY and a revenue of INR 37,739, a growth of 54.6% YoY. Nykaa’s EBITDA margin and PAT margin stood at 4.3% and 1.1% respectively in FY22. Nykaa plans to expand its offline foothold by tripling its number of brick-and-mortar stores to 300. Nykaa aims to invest 100 crores in the next 2-3 years to open stores in the top-100 cities.

Exhibit 165: Nykaa – Board of Directors and Management

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Education</th>
<th>Experience</th>
<th>Prior experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mrs Falguni Nayar</td>
<td>Executive Chairperson &amp; MD and CEO</td>
<td>Post-Graduate Diploma in Management from IIM, Ahmedabad</td>
<td>~26 years of experience in e-commerce, investment banking and broking.</td>
<td>She was associated with Kotak Mahindra Capital for 18 years as an MD. She has also served on boards of various companies, including Tata Motors and Aviva Life Insurance Company India. At present, she serves as an independent on the boards of various companies including, Kotak Securities, ACC and Dabur India.</td>
</tr>
<tr>
<td>Mr Sanjay Nayar</td>
<td>Non-Executive Director</td>
<td>Bachelors’ Degree in Mechanical Engineering from University of Delhi, PG Diploma in Management from IIM Ahmedabad</td>
<td>~35 years of experience in Banking and PE</td>
<td>He was associated with Citibank N.A for 32 years, wherein he served as an CEO of the bank in India for 6 years. He has severed as the CEO of KKR India Advisors Private from 2009 to 2020. At present, he serves as a chairman of KKR India and is also on the board of various companies, including Indigrid Investment Managers, Max Healthcare Institute, J B Chemicals and Pharmaceuticals and Avendus Capital Private.</td>
</tr>
<tr>
<td>Ms. Adwaita Nayar</td>
<td>Executive Director Chairperson and CEO of Nykaa Fashion</td>
<td>Bachelors’ Degree in Applied Mathematics from Yale University Masters’ Degree in Business Administration from Harvard Business School</td>
<td></td>
<td>She is the Co-founder of Nykaa. She has been involved in the areas of marketing, operations and product development. In 2018, she established the Nykaa’s fashion business and currently oversees nykaafashion.com, and also many of Nykaa’s owned and partner brands.</td>
</tr>
<tr>
<td>Mr. Anchit Nayar</td>
<td>Executive Director Chairperson and CEO of Nykaa E-Retail</td>
<td>Bachelors’ Degree from Columbia University</td>
<td></td>
<td>Previously, he has served as the VP of Investment Banking division at Morgan Stanley, New York. He Joined FSN brand in 2018 as the CEO and oversees the expansion of retail Nykaa Stores. Currently, he is responsible for the beauty business and also serves as a member of the investor relations team.</td>
</tr>
<tr>
<td>Designation</td>
<td>Education</td>
<td>Experience</td>
<td>Prior experience</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Anita Ramachandran Independent Director</td>
<td>Bachelor’s Degree in Commerce and Masters’ Degree from University of Mumbai</td>
<td>~45 years</td>
<td>She is the founder of Cerebrus Consultants Private (founded in 1995). Previously, she was also associated with A.F. Ferguson &amp; Co. (a former KPMG network company in India). At present, she serves as a Director on the board of various companies, including, Aditya Birla Housing Finance, Essel Mining &amp; Industries, Grasim Industries, Godrej and Boyce Manufacturing Company, Happiest Minds Technologies, Kotak Mahindra Life Insurance Company, Metropolis Healthcare etc.</td>
<td></td>
</tr>
<tr>
<td>Milan Khakhar Non-Executive Director</td>
<td>Bachelor’s Degree in Commerce and Law from the University of Bombay</td>
<td>30 years</td>
<td>Previously, he was associated with natural stones and building material industry. Currently, he is the Chairman and Managing Director of Solid Stone Company.</td>
<td></td>
</tr>
<tr>
<td>Alpana Parida Independent Director</td>
<td>Bachelor’s degree in Arts (Honours course) from the University of Delhi and PG Diploma in Management from IIM, Ahmedabad.</td>
<td>20 years</td>
<td>She is founder and CEO of Tiivra Ventures Private and has served as MD of DMA Yellow Works. Previously, he was associated with retail, luxury, branding and design industry, and has also worked with Titan Industries. Currently, she serves as the Director on the board of various companies, including Prime Securities, COSMO Films and Brilloca.</td>
<td></td>
</tr>
<tr>
<td>Pradeep Parameswaran Independent Director</td>
<td>Bachelor’s Degree in Engineering (Instrumentation Engineering) Master’s Degree in Management Studies from the University of Mumbai. Masters’ of Business Administration from Vanderbilt University</td>
<td>15 years</td>
<td>Previously, he has worked with DEN Networks as the CEO, McKinsey &amp; Company, Inc and Hindustan Unilever. Currently, he is associated with Uber India Technology Private as Senior Director, RGM Rides – APAC.</td>
<td></td>
</tr>
<tr>
<td>Seshashayee Sridhara Independent Director</td>
<td>Bachelor’s Degree in Mechanical Engineering from Nagpur University</td>
<td></td>
<td>He has many years of experience in product, engineering, data and artificial intelligence, operations, cybersecurity and compliance sector. Previously, he was associated with various organizations, including TUI Travel Plc, and D-Market Elektronik Hizmetler ve Ticaret AS Kusteppe Mah. Meclisyekoy Yolu Cad (Dogan Online). Currently, he serves as a member of the management board for Allegro.pl</td>
<td></td>
</tr>
<tr>
<td>Milind Sarwate Independent Director</td>
<td>CA from ICAI and CS from ICSI</td>
<td>37 years</td>
<td>He is also the founder and designated partner of Increate Value Advisors LLP and Increate Social Value Advisors &amp; Resources LLP. He is also a Promoter Director of Increate Foundation, a Section 8 company. Previously, he has also worked with Godrej Soap’s and Marico. At present, he serves as an Independent Director on the boards of M&amp;M Financial Services, Metropolis Healthcare, SeQuent Scientific, Matrimony.com, Hexaware Technologies, OmnilActive Health Technologies, Eternis Fine Chemicals and WheelsEMI Private.</td>
<td></td>
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</table>

Source: Company, Elara Securities Research
### Coverage History

<table>
<thead>
<tr>
<th>Date</th>
<th>Rating</th>
<th>Target Price</th>
<th>Closing Price</th>
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<tbody>
<tr>
<td>3-Oct-22</td>
<td>Buy</td>
<td>INR 2,211</td>
<td>INR 1,305</td>
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### Guide to Research Rating

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>BUY</strong></td>
<td>Absolute Return &gt;+20%</td>
</tr>
<tr>
<td><strong>ACCUMULATE</strong></td>
<td>Absolute Return +5% to +20%</td>
</tr>
<tr>
<td><strong>REDUCE</strong></td>
<td>Absolute Return -5% to +5%</td>
</tr>
<tr>
<td><strong>SELL</strong></td>
<td>Absolute Return &lt; -5%</td>
</tr>
</tbody>
</table>
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