

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	202
12 month price target (INR)	235
52 Week High/Low	230/150
Market cap (INR bn/USD bn)	576/6.8
Free float (%)	38.3
Avg. daily value traded (INR mn)	1,380.6

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	52.16%	52.16%	52.18%
FII	8.83%	9.05%	10.13%
DII	25.20%	23.56%	21.83%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

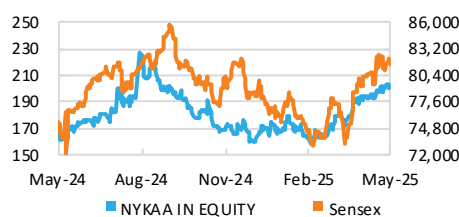
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	63,856	79,498	103,109	127,290
EBITDA	3,462	4,739	7,492	11,136
Adjusted profit	437	737	2,768	5,149
Diluted EPS (INR)	0.2	0.3	1.0	1.8
EPS growth (%)	75.6	68.4	275.6	86.0
RoAE (%)	3.3	5.7	19.2	28.1
P/E (x)	1,307.9	776.7	206.8	111.2
EV/EBITDA (x)	166.0	121.9	76.8	51.5
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,03,109	1,27,290	2.9	1.8
EBITDA	7,492	11,136	(3.5)	(2.9)
Adjusted profit	2,768	5,149	(6.7)	(6.0)
Diluted EPS (INR)	1.0	1.8	(6.8)	(6.1)

PRICE PERFORMANCE



BPC remains strong while fashion recovers

FSN E-Commerce (Nykaa) reported in line Q4FY25 numbers with revenue at INR20.6bn (+23.6% YoY) in line with consensus estimates. BPC/Fashion reported NSV growth of 26%/13% YoY. EBITDA margin expanded 80bp YoY to 6.5% versus consensus of 6.2%. PAT came in at INR191mn, lower than consensus estimates of INR266mn.

BPC continue to deliver strong double-digit growth along with improving profitability. Management indicated fashion business shall report demand traction in Q1FY26 as most of the industry headwinds have bottomed out. We are cutting FY26E/27E earnings by 6.7%/6.0%. We value Nykaa using DCF, yielding a TP of INR235 (earlier INR205) as we are increasing medium term growth and profitability; retain 'BUY'.

Glance through business segments

Nykaa reported GMV growth of 27% YoY led by Beauty GMV growth of 31% YoY while Fashion GMV grew 18% YoY. Both BPC and Fashion GMV growth outpaced industry expected growth of ~25%/12%. Consolidated revenue grew 24% YoY with Beauty segments' revenue growth of 25% while Fashion revenue grew 11% YoY. Fashion business posted a revival as demand in both fashion.com and LBB grew healthy. BPC business annual unique transacting customers (AUTC) surged 27% YoY to 15.8mn while number of order grew 22% YoY to 14.2mn orders. AOV grew 4% YoY to INR1,978. Fashion AUTC grew 6% YoY while orders grew 14%YoY to 2.1mn. Fashion AOV grew 4% YoY to INR4,738 driven by management efforts of assortment building. eB2B now contributes ~8% to BPC GMV. In FY25, GMV grew 57% YoY, with 42% growth coming from transacting customers while rest came from repeat orders.

Aggressive marketing remains key priority

EBITDA margin improved 80bp YoY to 6.5% led by improvement in gross profit margins and control over other expenses. Contribution margin for BPC segment improved 110bp YoY to 23% while EBITDA margin expanded 60bp to 9.6% in Q4FY25. Contribution margin for fashion segment decreased 500bp YoY to 3.4% led by increased marketing spends and EBITDA margin declined by 140bps YoY to -10.2%. eB2B contribution margin improved to -12.6% in FY25 from -17.4% in FY24, driven by gross margin improvement of 196bp YoY while fulfilment and selling & distribution cost decreased 125bp/158bp.

While BPC segment continues to deliver healthy growth with better profitability, revival in fashion business remains a key monitorable, given the heightened competitive intensity across the industry. We continue to expect improvement in profitability on the back of lower losses in fashion and eB2B segment.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	20,618	16,680	23.6	22,672	(9.1)
EBITDA	1,334	933	43.0	1,408	(5.3)
Adjusted Profit	191	97	95.6	270	(29.4)
Diluted EPS (INR)	0.1	0.0	95.4	0.1	(29.4)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	63,856	79,498	103,109	127,290
Gross profit	27,392	34,772	45,621	56,393
Employee costs	5,649	6,661	8,455	10,311
Other expenses	18,282	23,372	29,674	34,946
EBITDA	3,462	4,739	7,492	11,136
Depreciation	2,242	2,664	2,960	3,273
Less: Interest expense	828	1,073	1,058	1,009
Add: Other income	299	273	480	501
Profit before tax	690	1,274	3,954	7,355
Prov for tax	253	538	1,186	2,207
Less: Other adj	0	0	0	0
Reported profit	437	737	2,768	5,149
Less: Excp.item (net)	0	0	0	0
Adjusted profit	437	737	2,768	5,149
Diluted shares o/s	2,856	2,859	2,859	2,859
Adjusted diluted EPS	0.2	0.3	1.0	1.8
DPS (INR)	0	0	0	0
Tax rate (%)	36.7	42.2	30.0	30.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
BPC - AUTC (mn)	41.7	54.5	64.6	73.2
BPC - Orders (mn)	83.4	117.8	146.6	169.4
BPC - GMV (INR bn)	3.0	3.2	3.7	4.3
EBITDA margin (%)	5.4	6.0	7.3	8.7
Net profit margin (%)	0.7	0.9	2.7	4.0
Revenue growth (% YoY)	24.1	24.5	29.7	23.5
EBITDA growth (% YoY)	35.2	36.9	58.1	48.6
Adj. profit growth (%)	76.1	68.6	275.6	86.0

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.4	6.4	5.8	5.8
Repo rate (%)	80.0	80.0	78.0	78.0
USD/INR (average)	0	0	0	0
Fashion - AUTC (mn)	7.0	7.6	9.2	11.1
Fashion - Orders (mn)	32.7	38.0	49.1	62.6
Fashion - GMV (INR bn)	11.4	12.9	12.3	12.2
Marketing (% of Rev)	185.0	225.0	265.0	305.0
Stores (#)	0	0	0	0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	1,307.9	776.7	206.8	111.2
Price/BV (x)	45.3	44.0	36.3	27.4
EV/EBITDA (x)	166.0	121.9	76.8	51.5
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	2,856	2,859	2,859	2,859
Reserves	9,766	10,154	12,922	18,070
Shareholders funds	12,622	13,013	15,781	20,930
Minority interest	188	414	414	414
Borrowings	6,804	9,614	9,351	7,637
Trade payables	3,867	6,348	5,749	7,090
Other liabs & prov	4,131	2,691	3,835	5,340
Total liabilities	31,317	37,217	38,862	45,736
Net block	2,358	2,717	3,027	2,230
Intangible assets	4,561	5,967	6,327	8,237
Capital WIP	61	32	32	32
Total fixed assets	6,979	8,716	9,386	10,499
Non current inv	343	2	2	2
Cash/cash equivalent	2,399	2,172	4,515	4,319
Sundry debtors	2,416	2,466	3,093	3,819
Loans & advances	492	987	987	987
Other assets	18,687	22,875	23,143	28,375
Total assets	31,317	37,217	38,862	45,736

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	437	737	2,768	5,149
Add: Depreciation	2,242	2,664	2,960	3,273
Interest (net of tax)	621	805	794	757
Others	(767)	215	(215)	(249)
Less: Changes in WC	2,513	(211)	351	3,112
Operating cash flow	21	4,631	5,955	5,818
Less: Capex	319	1,860	979	1,012
Free cash flow	(299)	2,771	4,976	4,805

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	3.3	5.7	19.2	28.1
RoCE (%)	6.5	9.1	17.4	26.7
Inventory days	110	106	100	99
Receivable days	12	11	10	10
Payable days	33	42	38	33
Working cap (% sales)	17.1	18.5	14.6	14.3
Gross debt/equity (x)	0.5	0.7	0.6	0.4
Net debt/equity (x)	0.3	0.6	0.3	0.2
Interest coverage (x)	1.5	1.9	4.3	7.8

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	75.6	68.4	275.6	86.0
RoE (%)	3.3	5.7	19.2	28.1
EBITDA growth (%)	35.2	36.9	58.1	48.6
Payout ratio (%)	0	0	0	0

Q4FY25 earnings call: Key highlights

- Beauty GMV grew 30% YoY in FY25 while industry is growing at a 23–25% CAGR. Same store sales growth grew 15% despite challenges.
- Accelerated customer acquisitions, partner of choice (domestic and international), expansion of physical retail network (50 stores addition in FY25) led to overall growth momentum in beauty segment.
- Currently, has 12 owned brands in House of Nykaa portfolio with seven in beauty and five in fashion. House of Nykaa portfolio has GMV of ~INR21bn.
- FY25 Dot & Key GMV came in at INR9.1bn while its NSV stood at INR5.3bn (+115% YoY). EBITDA margin as percentage of NSV stood at 14% (against 8% in FY24).
- EB2B contributes 8% to beauty GMV. In FY25 GMV grew 57% YoY, with 42% growth coming from transacting customers while rest came from repeat orders.
- EB2B gross margins improved 200bp YoY due to higher share of advertisement income while fulfilment cost decreased due to shift to own warehouses rather than third party warehouses.
- Q4FY25 Fashion GMV grew 18% YoY, whereas the industry is reporting growth of 10–12%. Witnessing green shoots as entering into FY26.
- Fashion witnessed revival in growth as demand in Fashion.com vertical and LBB vertical stood healthy and this momentum is expected to continue.
- During Covid many customers switched to buying fashion online and few customers post Covid have started buying offline again and hence there was correction across fashion industry.
- Fashion EBITDA margin improved 200bps in FY25 led by improvement in gross margins +400bp while fulfilment expenses decreased 130bp due to reduction in leakages.
- Overall EBITDA margins have started increasing and operating leverage from employee cost and other expenses has started kicking in.
- Cost efficiencies from various line items in coming in and this is helping company to invest in marketing spends.
- Levers for BPC margin improvement are increase in contribution from own brands and increase in service/advertisement income.
- Working capital days have reduced to 34 days in FY25 from 42 days in FY24 due to change in inventory in physical retail stores. More headroom for improvement in working capital days.
- Capex spends for the year remained under control with higher chunk of investments made in tech upgradation and retail store rollouts.
- Nykaa Now, rapid 60 minutes delivery is live across major metros and is witnessing demand tractions. One of the largest assortment will help the company to grow as customers have more power of choice.
- Aim is to have physical retail presence in 100-plus cities (currently 79 cities). Nykaa physical retail stores have roughly 60–80 brands.

Exhibit 1: BPC and Fashion key parameters

Key operational parameters	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ
BEAUTY & PERSONAL CARE (BPC)					
Annual Unique Transacting Customers (mn)	15.8	12.4	27.4	14.8	6.8
Orders (mn)	14.2	11.7	21.4	15.0	(5.3)
AOV (INR)	1,978	1,898	4.2	2,127	(7.0)
GMV (INR mn)	30,580	23,377	30.8	33,899	(9.8)
FASHION					
Annual Unique Transacting Customers (mn)	3.2	3.0	6.7	3.10	3.2
Orders (mn)	2.1	1.8	16.7	2.10	-
AOV (INR)	4,738	4,546	4.2	4,901	(3.3)
GMV (INR mn)	10,370	8,760	18.4	11,299	(8.2)

Source: Company, Nuvama Research

Exhibit 2: GMV summary

GMV	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
BPC	12,587	14,888	16,301	19,014	16,289	19,908	21,559	25,696	23,377	25,429	27,833	33,899	30,580
Fashion	4,827	5,820	5,991	7,224	6,641	6,758	7,872	10,465	8,760	7,741	8,633	11,299	10,370
Others	565	850	1,165	1,727	1,524	6	7	18	35	39	59	81	70
Total GMV (INR mn)	17,979	21,558	23,457	27,965	24,454	26,672	29,438	36,179	32,172	33,209	36,525	45,279	41,020
BPC(% YoY)	29%	39%	39%	26%	29%	34%	32%	35%	44%	28%	29%	32%	31%
Fashion (% YoY)	80%	59%	43%	49%	38%	16%	31%	45%	32%	15%	10%	8%	18%

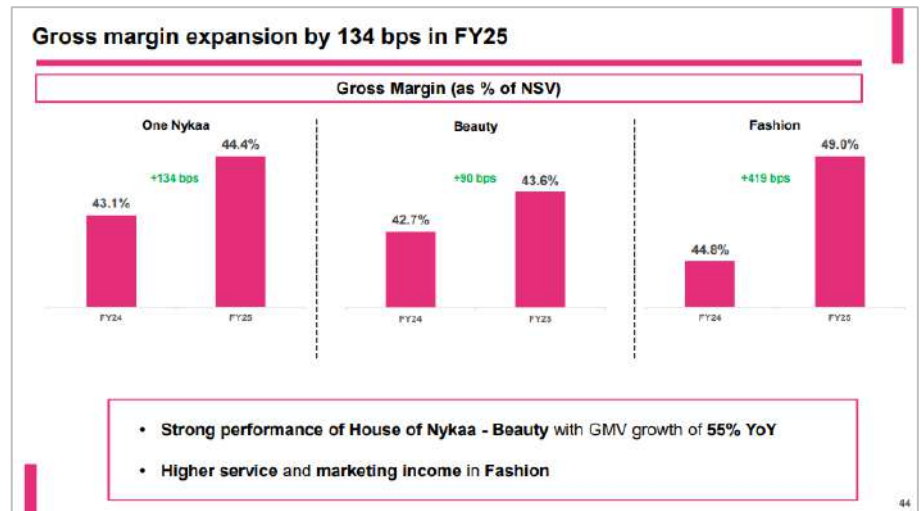
Source: Company, Nuvama Research

Exhibit 3: Margin summary

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Gross Margin (%)	43.7	44.4	45.3	43.4	44.2	43.5	43.1	42.5	42.6	43.3	43.8	43.7	44.1
Expense as a % of Rev													
Marketing (%)	12	12.3	10.4	11.2	11.0	11.2	11.2	12.2	11.5	11.6	12.1	12.9	11.8
Fullfillment (%)	9.7	11.3	9.5	8.8	9.9	9.5	9.7	9.6	9.3	9.5	9.3	9.2	9.3
Employee (%)	9.3	10.0	9.9	8.7	9.8	9.7	9.0	8.3	8.5	8.9	8.6	7.7	8.4

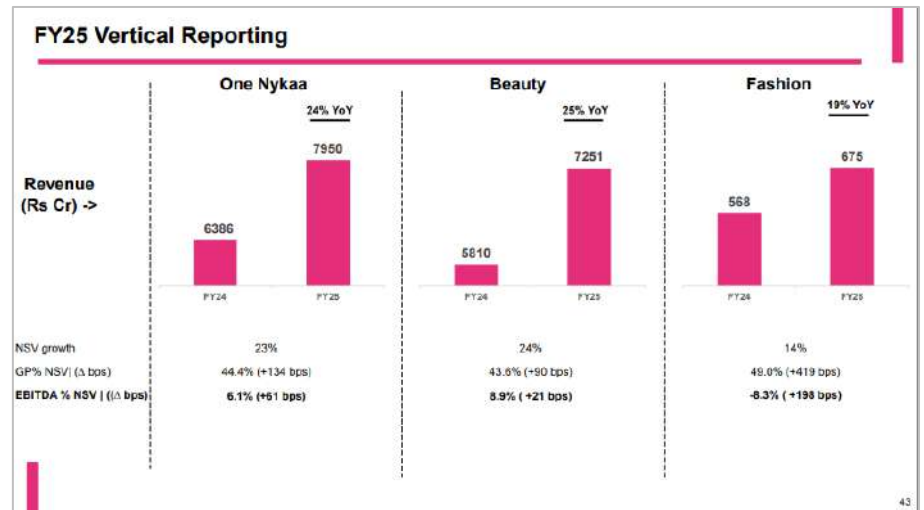
Source: Company, Nuvama Research

Exhibit 4: Key contribution for gross margin expansion



Source: Company

Exhibit 5: Snapshot by segment



Source: Company

Exhibit 6: Financial snapshot (INR mn)

Year to March	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ	FY24	FY25	FY26E	FY27E
Revenue	20,618	16,680	23.6	22,672	(9.1)	63,856	79,498	1,03,109	1,27,290
Raw material costs	11,527	9,577	20.4	12,761	(9.7)	36,464	44,727	57,487	70,897
Gross profit	9,090	7,102	28.0	9,911	(8.3)	27,392	34,772	45,621	56,393
Employee costs	1,741	1,421	22.6	1,746	(0.3)	5,649	6,661	8,455	10,311
Fulfilment expense	1,920	1,550	23.9	2,092	(8.2)	6,239	8,909	10,629	12,344
Marketing & advertisement expense	2,440	1,911	27.7	2,926	(16.6)	7,266	10,259	12,729	15,500
Other expenses	1,656	1,288	28.5	1,740	(4.8)	3,145	2,942	4,947	5,397
Total operating expenses	7,757	6,170	25.7	8,504	(8.8)	18,282	23,372	29,674	34,946
EBITDA	1,334	933	43.0	1,408	(5.3)	3,462	4,739	7,492	11,136
Depreciation	729	596	22.2	698	4.4	2,242	2,664	2,960	3,273
EBIT	605	336	79.7	710	(14.8)	1,219	2,075	4,533	7,863
Less: Interest Expense	299	211	41.2	319	(6.5)	828	1,073	1,058	1,009
Add: Other income	90	71	26.7	55	61.8	299	273	480	501
Profit Before Tax	396	196	102.2	446	(11.2)	690	1,274	3,954	7,355
Less: Provision for Tax	205	98	108.7	176	16.5	253	538	1,186	2,207
Reported Profit	191	97	95.6	270	(29.4)	437	737	2,768	5,149
Adjusted Profit	191	97	95.6	270	(29.4)	437	737	2,768	5,149
As % of revenues									
COGS	55.9	57.4		56.3		57.1	56.3	55.8	55.7
Gross profit	44.1	42.6		43.7		42.9	43.7	44.2	44.3
Employee costs	8.4	8.5		7.7		8.8	8.4	8.2	8.1
Other expenses	8.0	7.7		7.7		4.9	3.7	4.8	4.2
Total operating expenses	37.6	37.0		37.5		28.6	29.4	28.8	27.5
EBITDA	6.5	5.6		6.2		5.4	6.0	7.3	8.7
Net profit	0.9	0.6		1.2		0.7	0.9	2.7	4.0

Source: Company, Nuvama Research

Company Description

Nykaa is India's largest online beauty and cosmetics retailer. It was founded in 2012 by Falguni Nayar. Nykaa has a portfolio of beauty, personal care and fashion products, including its owned brand products. It also launched physical stores in 2014. The two Business verticals they focus on are a) Nykaa: BPC b) Nykaa Fashion: Apparel and accessories. The company initially started with a focus on premium or luxury brands. Over the years, it has added to its premium beauty business. It has expanded into the mass market, private labels, physical retail and even apparel.

Investment Rationale

Large adjusted TAM aligned to evolving generation shifts

The BPC industry is at present an INR1.1trn market, with e-commerce's share even smaller at 8% (Nykaa's market share: 37%). Even adjusting for segments relevant for Nykaa, we believe, the market opportunity (core online TAM) is significant at INR250bn in FY26, a 3x potential. Additionally, BPC will see higher wallet share from Millennials and Gen-Z, which make-up ~50% of India's population, largest globally.

Established unit economics with a sustainable moat via AAE pillars

Nykaa is one of the few profitable new age companies. It has also built a sustainable moat driven by pillars of AAE: Authenticity – guarantees it via inventory model; Assortment – largest collection across platforms; Engagement – significant content investment, which has transformed it into a lifestyle platform too. While competition remains intense and increasing, Nykaa's focus, via an exclusive vertical platform along with scale, has created a virtuous cycle to help sustain market share.

Niche positioning in fashion with potential path to profitability

Unlike BPC, fashion has a curation focused niche positioning, which management plans to continue. While this will achieve limited scale, it does offer a potential path to profitability and achieving that, in our view, will be a significant value driver.

Key Risks

- TAM much lower than estimated
- Increasing competition in BPC could impact margins, market share
- Major brands possibly fleeing the platform; negative publicity
- Scale-up in losses from the Fashion segment
- Rise in cost of capital

Additional Data

Management

CEO	Falguni Nayar
CFO	P Ganesh
CTO	Sanjay Suri
Chairman	Falguni Nayar
Auditor	S R Batliboi & Assoc

Holdings – Top 10*

	% Holding		% Holding
Sanjay & Falgun	44.07	ICICI Prudentia	3.56
Harry Banga	4.97	Anchit & Adwait	6.06
ICICI Prudentia	4.65	Nippon Life Ind	2.56
Mirae Asset Fin	3.74	Vanguard Group	1.88
SBI Funds Manag	3.63	Munjal Sunil Ka	1.42

*Latest public data

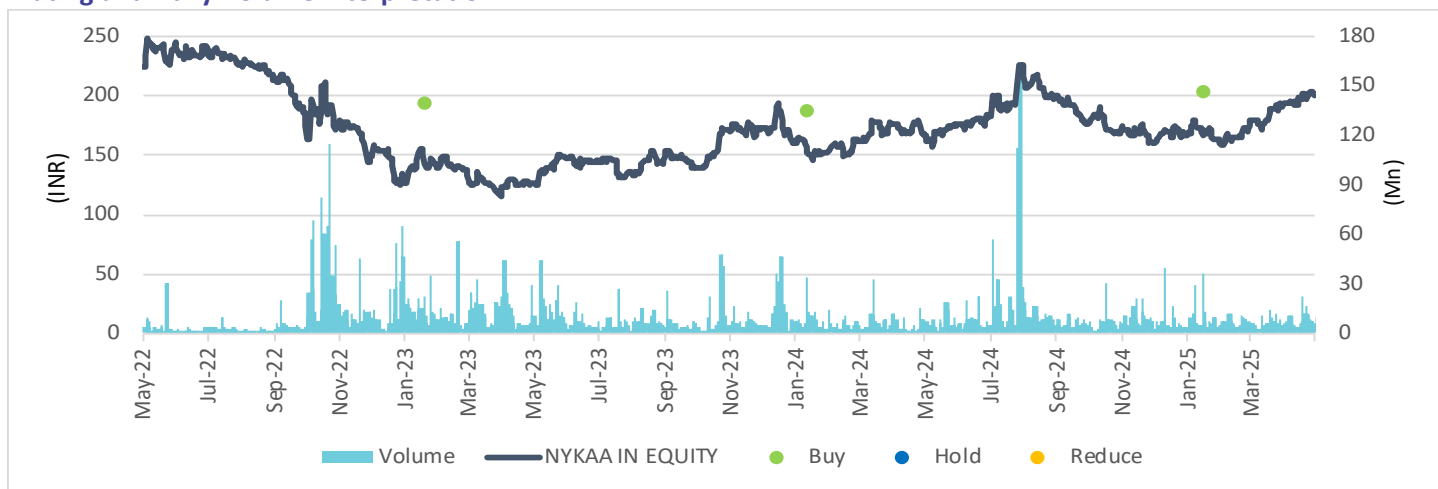
Recent Company Research

Date	Title	Price	Reco
10-Feb-25	BPC delivers on growth and margins; <i>Result Update</i>	169	Buy
12-Nov-24	FSN E-Commerce Ventures (NYKAA IN, INR 1; <i>Result Update</i>	177	Buy
14-Aug-24	In-line Q1; margin improvement in focus; <i>Result Update</i>	187	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
27-May-25	ABFRL	Missing growth in core portfolio; <i>Result Update</i>
24-May-25	Devyani International	Core portfolio delivers muted showing; <i>Result Update</i>
23-May-25	Metro	Cost control offsets soft revenue growth; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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