



Company Overview

Incorporated in 2012, FSN E-Commerce Ventures Limited (“Nykaa”) is a digitally native consumer technology platform, delivering a content-led, lifestyle retail experience to consumers. They have a diverse portfolio of beauty, personal care and fashion products, including their owned brand products manufactured by them. The company operates under 2 major verticals “Nykaa” and “Nykaa Fashion.” Their online platform including online applications has had a cumulative download of 55.8 million and the offline channel comprises of 80 physical stores across 40 cities in India over three different store formats as of August 2021. This woman led unicorn startup is the leading choice for consumers when it comes to personalized shopping experiences, for understanding latest trends in beauty, grooming, and fashion in India.

Objects of the issue

The IPO proceeds shall be used towards the following purposes;

- ⇒ Investment in certain of their Subsidiaries, namely, FSN Brands and / or Nykaa Fashion for funding the set-up of new retail stores.
- ⇒ Capital expenditure to be incurred by the Company and investment in their Subsidiaries, namely, Nykaa E-Retail, Nykaa Fashion and FSN Brands for funding the set-up of new warehouses.
- ⇒ Repayment or prepayment, in full or in part, of certain borrowings availed by the Company and one of their Subsidiaries, namely, Nykaa E-Retail
- ⇒ Expenditure to enhance the visibility and awareness of their brands.

Investment Rationale

India’s leading lifestyle focused consumer technology platform with a capital efficient business model

Nykaa has a strong consumer engagement, hence it becomes imperative for more brands and more sellers to be associated with them. Nykaa is the largest Specialty Beauty and Personal Care platform in India in terms of value of products sold in FY21 and one of the fastest growing fashion platforms in India based on growth in GMV from FY20 to FY21. Nykaa generated ₹40,459.8 million and ₹14,696.1 million in GMV on its platform in the FY 2021 and the three months ended June 30, 2021 respectively. Their sizeable volume of content drives increased organic traffic and retention on their platform, which in turn drives higher engagement and better experience. Nykaa focuses on capital efficiency and unit economics, while simultaneously building for scale and growth. They have been able to achieve such a scale with a primary investment of ₹ 5777.38 million into their company as on March 31, 2021. Nykaa has built their own proprietary platform, the Nykaa technology platform which is continuously evolving and helps scale up their fashion business through personalized experiences across their platforms.

Preferred destination for luxury and prestige products in India, backed by a strong Founder-led company

Nykaa has the highest Average order value (AOV) among leading online beauty and personal care platforms and caters to more than 5 million active users each month. Nykaa launched Huda beauty in India via Nykaa Imports, making it a huge success. Leading luxury beauty and personal care brands such as Armani Beauty, Dior and prestige fashion brands such as Guess bags, Ralph Lauren Fragrances offer their products on Nykaa’s platform. Nykaa has the perfect mix of luxury and mass brands making it the preferred destination for consumers across India. Ms Falguni Nayyar has been the driving force in developing and growing the business. Her intuitive entrepreneurship coupled with her desire to transform the lifestyle e-commerce space in India, complimented with professional management team are the key driving forces for Nykaa’s overall success.

Valuation and Outlook

Nykaa has gained a significant prominence not only as a lifestyle retail platform but also as a leading lifestyle brand and influencer. Nykaa has successfully redefined the art of Retailing of Beauty and Personal Care in India. The business model is rooted in its value proposition, separating it from the otherwise predominantly transactional based e-commerce industry. At upper end of the price band, the issue is valued at 21.81x EV/ Sales on FY21 financials. There is an underlying risk for high valuations but considering factors such as increasing PAT, positive cash flows, huge growth capabilities and confidence in the company’s management, we recommend “**SUBSCRIBE**” rating on this issue.

Issue Details

Offer Period	28th Oct- 1st Nov 2021
Price Band	INR.1085 to INR. 1125
Bid Lot	12
Listing	BSE & NSE
Issue Size (no. of shares in mn)	47.57
Issue Size (INR. in bn)	53.50
Face Value	1

Issue Structure

QIB	75%
NIB	15%
Retail	10%
BRLM	Kotak Mahindra Capital, Morgan Stanley, BofA Securities, Citigroup Global, ICICI Securities, JM Financial
Registrar	Link Intime India Pvt. Ltd.

Particulars Pre Issue % Post Issue %

Promoter	54.22%	52.56%
Public	45.78%	47.44%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Revenue				
Revenue from Operations	11,114	17,675	24,409	8,170
Total Revenue	11,114	17,675	24,409	8,170
Expenses				
Raw Material Consumed	2	173	382	229
Purchase of traded goods	7,852	11,787	14,956	5,509
Changes in finished goods and stock-in-trade	(1,252)	(1,819)	(460)	(885)
Employee Benefit Expenses	1,173	1,956	2,836	885
Other Expenses	3,133	4,767	5,080	2,163
Total Operating Expenses	10,909	16,865	22,795	7,901
EBITDA	205	811	1,614	269
Depreciation and Amortisation Expense	309	595	671	195
Other Income	50	103	117	47
EBIT	(54)	319	1,060	122
Finance Costs	263	443	307	90
PBT	(317)	(124)	753	31
Current Tax	-	45	401	134
Deferred Tax Charge	(72)	(6)	(267)	(137)
Total Tax	(72)	39	134	(4)
PAT	(245)	(163)	619	35
Diluted EPS	(0.6)	(0.4)	1.3	0.1

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Cash Flow from operating activities	(997)	62	1,498	(1,140)
Cash flow from investing activities	(1,620)	149	(1,297)	461
Cash flow from financing activities	2,357	687	(377)	2,660
Net increase/(decrease) in cash and cash equivalents	(260)	898	(176)	1,981
Cash and cash equivalents at the beginning of the period	374	114	1,012	836
Cash and cash equivalents at the end of the period	114	1,012	836	2,816

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Liabilities				
Share Capital	142	146	151	155
Other Equity	2,163	3,076	4,749	6,834
Non-Controlling Interest	5	7	8	9
Net worth	2,310	3,229	4,908	6,998
Long-Term Borrowings	1	2	17	17
Lease Liabilities	764	1,303	1,074	1,166
Long-Term Provisions	24	53	73	72
Total Non Current Liabilities	789	1,357	1,164	1,255
Borrowings	2,255	2,674	1,858	2,665
Lease Liabilities	85	147	378	448
Trade Payables	1,818	3,133	3,162	3,106
Other Financial Liabilities	275	470	850	1,295
Current Tax Liabilities	-	3	247	112
Short Term Provisions	0	1	108	116
Other Liabilities	224	232	345	320
Total Current Liabilities	4,657	6,659	6,949	8,062
Total Liabilities	7,757	11,245	13,020	16,315
Assets				
Property, Plant & Equipment	429	701	687	791
Capital Work in Progress	3	8	20	21
Goodwill	1	1	5	5
Other Intangible Assets	106	140	234	227
Right of Use Asset	859	1,440	1,389	1,542
Financial Assets	89	144	175	167
Deferred Tax Assets (Net)	501	506	780	917
Non Current Tax Assets (Net)	110	110	86	106
Other Non-Current Assets	17	39	14	54
Total Non Current Assets	2,117	3,090	3,390	3,830
Inventories	2,446	4,453	4,981	5,910
Investments	1,350.40	-	-	-
Trade Receivables	579	984	766	757
Cash and Cash Equivalents	114	1,012	836	2,818
Bank Balances	5	744	1,641	1,039
Other Financial Assets	515	333	574	790
Other Current Assets	630	628	832	1,172
Total Current Assets	5,640	8,155	9,630	12,485
Net Current Assets	983	1,496	2,681	4,423
Total Assets	7,757	11,245	13,020	16,315

Source: RHP, BP Equities Research

Key Risks

- ⇒ Company's inability too acquire new customers or fail to acquire them in an cost effective manner.
- ⇒ Dependency on growth of online commerce industry in India and their ability to effectively respond to changing user behaviour on digital platform.
- ⇒ Health epidemics, including the ongoing COVID-19 pandemic, have had and could in the future have an adverse effect on the business, operations, and the markets and the communities in which the company and their suppliers, customers, sellers and advertisers operate.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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