



**IPO Report**

**SUBSCRIBE**

26<sup>th</sup> Oct' 21

**Snapshot**

FSN E-Commerce Ltd have a diverse portfolio of beauty, personal care and fashion products, including its owned brand products manufactured by company. Company have established itself not only as a lifestyle retail platform, but also as a consumer brand. Company offer consumers an Omnichannel experience. Company operate its businesses primarily through arrangements with beauty, personal care and fashion brands, delivery companies, manufacturers, distributors and other vendors, including suppliers of packaging material.

**VALUATION**

Company is bringing the issue at price band of Rs 1085-1125 per share at EV/Sales multiple of 16x.

Nykaa has a large BPC market opportunity growing at 12% per annum by 2025 & fashion opportunity is expected to grow at 18% per annum by 2025. Also company has posted strong growth without a substantial cash burn. & has posted profits along with strong improvement in capital turnover ratio from 3.1 times in the Financial Year 2019 to 4.2 times in the Financial Year 2021. This shows that company have focused on capital efficiency and unit economics, while simultaneously building for scale and growth.

Hence, looking after scale of operations, strong management team, profitable concern & high growth prospects in industry due to large underpenetration, we believe that company has created an industry itself. Therefore, we recommend "Subscribe" on issue for listing gain as well as long term.

<b>Price Band (Rs./Share)</b>	<b>1085-1125</b>
<b>Opening date of the issue</b>	<b>28<sup>th</sup> October 2021</b>
<b>Closing Date of the issue</b>	<b>01<sup>st</sup> November 2021</b>
<b>No of shares pre issue</b>	467324550 Eq Shares
<b>Issue size (Rs. Cr)</b>	Rs 5351.92 Cr
<b>Offer For Sale (No)</b>	41972660 Eq Shares
<b>Fresh Issue</b>	Rs 630 Cr
<b>Face Value (Rs/ share)</b>	Rs 1/share
<b>Bid Lot</b>	12

**BIDDING DETAILS**

<b>Employee Reservation</b>	2,50,000 Eq Shares
<b>QIBs (Including Anchor)</b>	75% of the offer (Approx 35493996 Shares)
<b>Non-Institutional</b>	15% of the offer (Approx. 7098798 shares)
<b>Retail</b>	10% of the offer (Approx. 4732532 Shares)
<b>Lead managers</b>	Kotak Mahindra Capital , MorganStanley,BOFASecurities  Citigroup Globl Markets India,ICICI Securities, JM Financial
<b>Registrar to the issue</b>	Link Intime India Private.

**WHAT WE LIKE**

**One of India's leading lifestyle focused consumer technology platform**

Company is the largest Specialty Beauty and Personal Care Platform in India in terms of value of products sold in the Financial Year 2021 and the five months ended August 31, 2021, and one of the fastest growing fashion platforms in India based on growth in GMV from the Financial Year 2020 to the Financial Year 2021 and from the five months ended August 31, 2020 to the five months ended August 31, 2021. Company generated ₹40,459.8 million and ₹14,696.1 million in GMV on its platform in the Financial Year 2021 and the three months ended June 30, 2021, respectively.

**Resilient, capital efficient business with a combination of strong growth and profitability**

Company have built a scaled business with strong growth and profitability. In the Financial Year 2021, company's GMV was ₹40,459.8 million with revenue from operations of ₹24,408.96 million and a 6.61% EBITDA margin. Company's revenue from operations grew 38.10% in the Financial Year 2021 as compared to the Financial Year 2020, despite the adverse impact of COVID-19 on company's business. Company's restated profit for the year in the Financial Year 2021 was ₹619.45 million, as compared to a restated loss of ₹163.40 million for the Financial Year 2020. Company's capital turnover ratio has improved from 3.1 times in the Financial Year 2019 to 4.2 times in the Financial Year 2021. Company have focused on capital efficiency and unit economics, while simultaneously building for scale and growth. Company have been able to achieve this scale with only ₹5,777.38 million primary investment into company as of March 31, 2021.

**Founder-led company supported by a professional management team**

Company's sustainable growth in business has been achieved through company's founder-led management team with relevant experience and complementary skill sets. Company is led by Founder, Executive Chairperson, Managing Director and Chief Executive Officer, Falguni Nayar, who started the business in 2012. She is driven by a desire to transform the traditional and transactional ways of lifestyle e-commerce in India. She has been the driving force in developing and growing company's business. Her understanding of the consumer, intuitive entrepreneurship and involvement in key aspects of company's business has helped accelerate and drive company's profitable growth.



**COMPANY BACKGROUND**

Company was incorporated in 2012 & is a digitally native consumer technology platform, delivering a content-led, lifestyle retail experience to consumers.

Company offer consumers an Omnichannel experience with an endeavor to cater to the consumers’ preferences and convenience:

**Online:** Company’s online channels include mobile applications, websites and mobile sites. As of August 31, 2021, company had cumulative downloads of 55.8 million across all mobile applications and during the five months ended August 31, 2021, 88.2% of company’s online GMV came through its mobile applications. Company have one of the highest share of mobile application-led transactions, among the leading online retail platforms in India during Financial Year 2021 and the five months ended August 31, 2021.

**Offline:** Company’s offline channel comprises of 80 physical stores across 40 cities in India over three different store formats as of August 31, 2021. Company’s physical stores offer a select offering of products as well as a seamless experience across the physical and digital worlds.

Company’s lifestyle portfolio spans across beauty, personal care and fashion products.

• **Nykaa:** Beauty and personal care

Nykaa Fashion: Apparel and accessories

As of August 31, 2021, company offered approximately 3.1 million SKUs from 4,078 national and international brands to company’s consumers across business verticals.

Some of company’s owned brands are:

**Nykaa Cosmetics:** Nykaa Cosmetics is a comprehensive makeup and beauty accessories brand present across lips, face, nails, eyes and beauty tools.

**Nykaa Naturals:** Nykaa Naturals is a naturally derived ingredients focused brand for skincare products such as bath and body offerings, masks and haircare.

**Kay Beauty:** Kay Beauty offers premium range beauty products across lips, eyes, face and nails categories.

**Dot & Key:** Dot & Key offers premium skincare products across serums, toners, cleansers and face masks and has recently expanded into nutraceuticals.

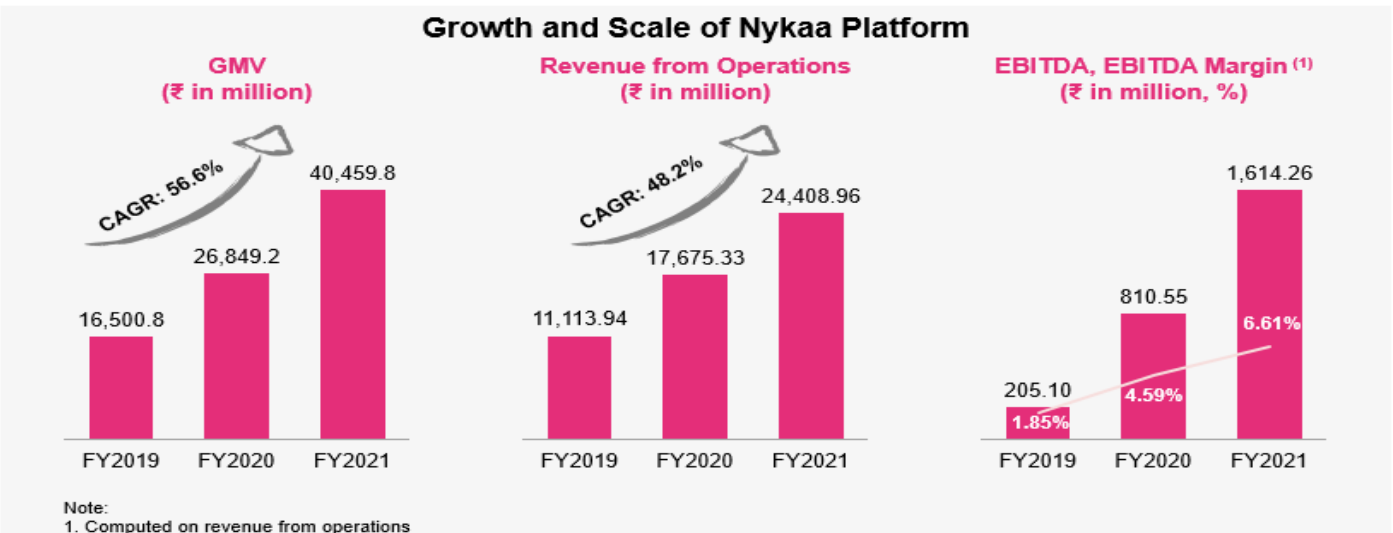
**Twenty Dresses:** The apparel product line includes western wear across dresses, jumpsuits, tops, pants skirts as well as footwear, bags, and accessories.

**Nyk by Nykaa:** Nykd by Nykaa offers lingerie and includes bras, panties, sleepwear, shapewear and athleisure.

**Pipa Bella:** Pipa Bella offers on-trend aesthetic jewellery such as earrings, necklaces, bracelets, rings and hair accessories.

**RSVP:** RSVP offers a wide and premium collection of dresses, jumpsuits, tops and skirts as well as footwear and bags.

**Growth and Scale of Nykaa Platform**

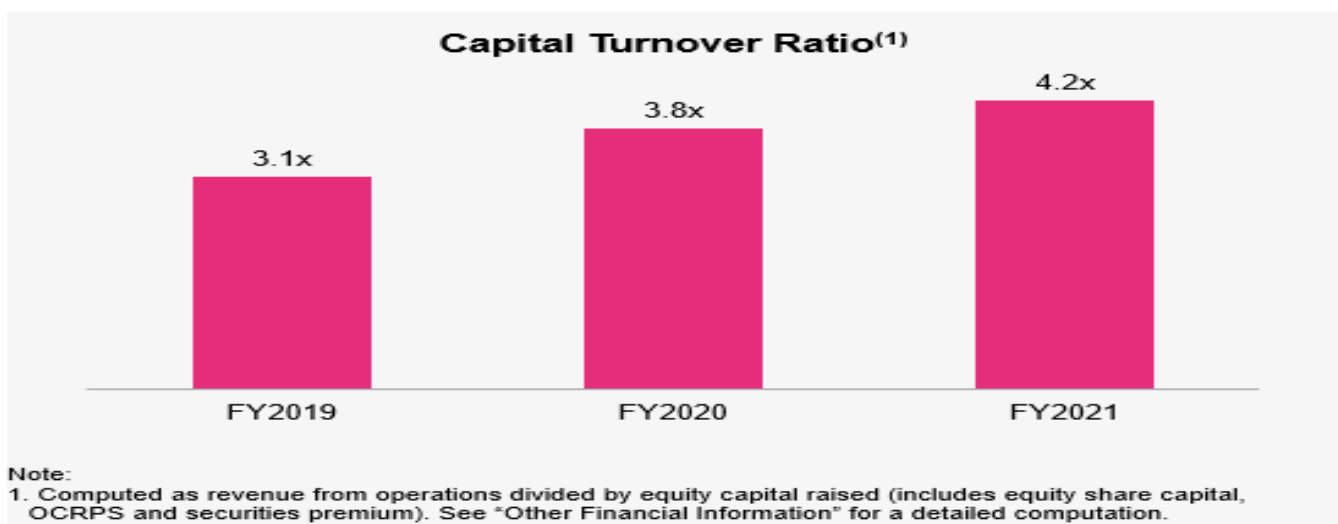


Source :RHP



**INVESTMENT RATIONALE**

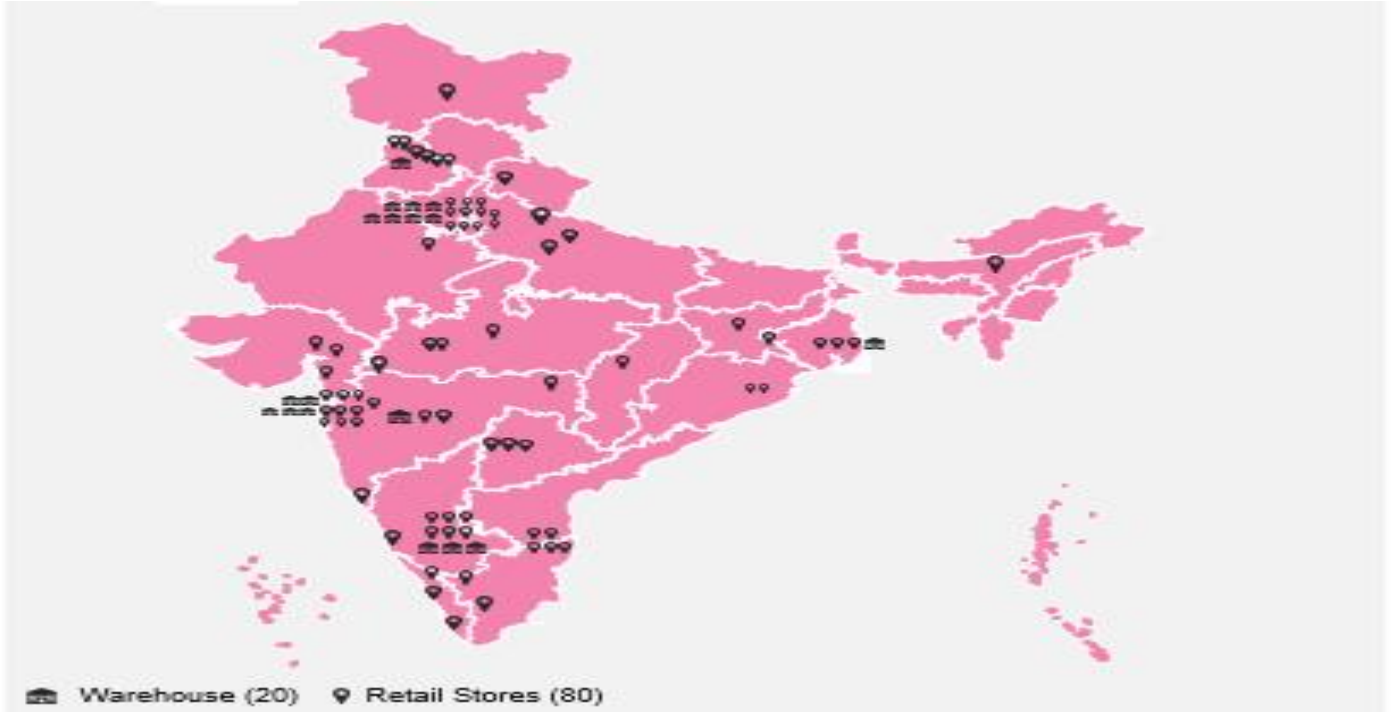
<i>Preferred destination for luxury and prestige products in India for consumers and brands</i>	<p>Company have the highest AOV among the leading online beauty and personal care platforms in India and is the largest luxury beauty and personal care platform in India.</p> <p>A large number of leading luxury and prestige beauty and personal care brands such as Armani Beauty, Aveda, Azzaro Fragrance, Bobbi Brown, Bvlgari, Charlotte Tilbury, Clinique, Diesel Fragrance, Dior, Estee Lauder, Forest Essentials, Givenchy, Hermes, Huda Beauty, Jo Malone, Kama Ayurveda, Kiehl’s, L’occitane, MAC, Mugler Fragrance, Pixi, Ralph Lauren Fragrance, Smashbox, Sulwhasoo, Too Faced and Tom Ford and Yves Saint Laurent Beauty retail with company, making it the shopping destination of choice in India for their products. Further, a significant number of leading luxury and prestige fashion brands such as Aachho, Adisee, AMPM, Boat, Falguni &amp; Shane Peacock, Fayon Kids, Forever New, Garmin, Guess Bags, Gaya, Hidesign, House of Masaba, Janya’s closet, Kalyan Jewellers, Kazo, Little West Street, Masilo, Maspar, Outhouse, Payal Singhal, Ritu Kumar, Saksham &amp; Neharicka, Suhani Pittie, Sougat Paul, Tribe by Amrapali, Triumph, Vitamins, Wonderchef, Wacoal, Zenic and Zink London offer their products on company’s platform, making it their retail destination of choice in India.</p>
<i>Founder-led company supported by a professional management team</i>	<p>Company’s sustainable growth in business has been achieved through its founder-led management team with relevant experience and complementary skill sets. Company is led by its Founder, Executive Chairperson, Managing Director and Chief Executive Officer, Falguni Nayar, who started the business in 2012. She is driven by a desire to transform the traditional and transactional ways of lifestyle e-commerce in India. She has been the driving force in developing and growing its business. Her understanding of the consumer, intuitive entrepreneurship and involvement in key aspects of company’s business has helped accelerate and drive company’s profitable growth. Falguni is complemented by a professional management team which shares the same vision and values as hers to drive company’s growth.</p>
<i>Resilient, capital efficient business with a combination of strong growth and profitability</i>	<p>Company’s revenue from operations grew 38.10% in the Financial Year 2021 as compared to the Financial Year 2020, despite the adverse impact of COVID-19 on company’s business. Company’s restated profit for the year in the Financial Year 2021 was ₹619.45 million, as compared to a restated loss of ₹163.40 million for the Financial Year 2020.</p>





## COMPANY'S SUPPLY CHAIN STRUCTURE

As of August 31, 2021, company had an integrated supply chain comprising of 20 warehouses (of which two are outsourced) across India, with a total capacity of 665,371 sq. ft., supported by 80 physical stores.



Source : RHP

## OBJECTS OF ISSUE

### Offer for Sale

Company will not receive any proceeds from the Offer for Sale

### Fresh Issue

Company propose to utilise the Net Proceeds towards funding the following objects:

1. Investment in certain of its Subsidiaries, namely, FSN Brands and / or Nykaa Fashion for funding the set-up of new retail stores;
2. Capital expenditure to be incurred by company and investment in certain of its subsidiaries, namely, Nykaa E-Retail, Nykaa Fashion and FSN Brands for funding the set-up of new warehouses;
3. Repayment or prepayment, in full or in part, of certain borrowings availed by company and one of its subsidiaries, namely, Nykaa E-Retail;
4. Expenditure to acquire and retain customers by enhancing the visibility and awareness of company's brands; and
5. General corporate purpose

## RISKS

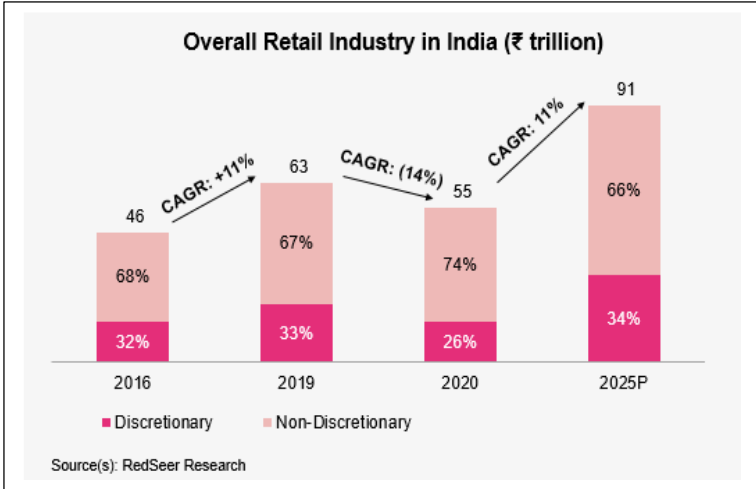
Company's industry is highly competitive and that competition will continue to increase. Company's competitors include a number of online marketplaces, retailers with physical stores, and brands that take a direct-to-consumer approach, effectively removing company from the distribution and sales process. The internet and mobile networks provide new, rapidly evolving and competitive channels for the sale of all types of goods and services. Consumers who purchase goods and services through company have other alternatives, and sellers have other channels to reach consumers. Also competition is expected to continue to intensify.

Source:RHP

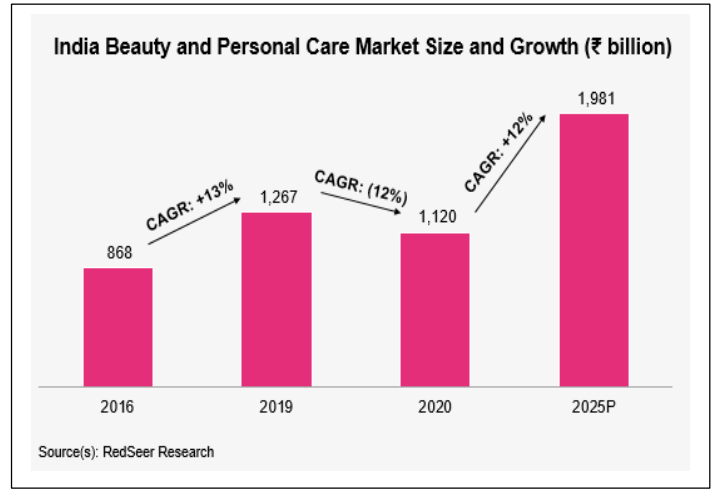


**SECTOR OVERVIEW**

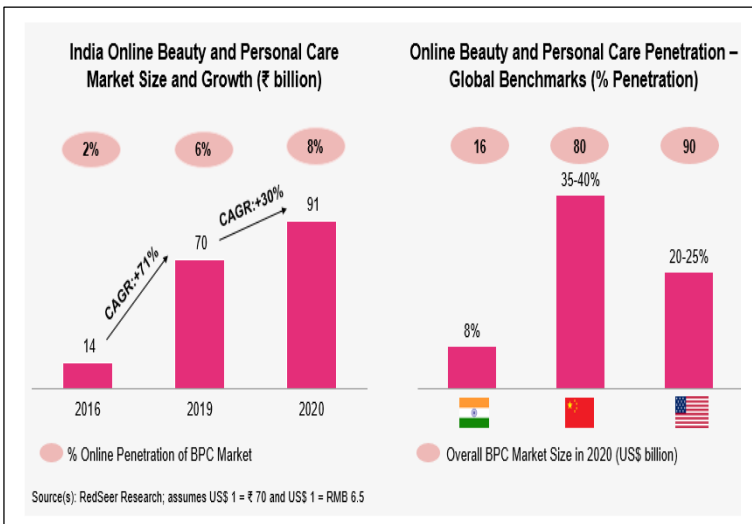
**Retail Industry in India (Rs Trillion)**



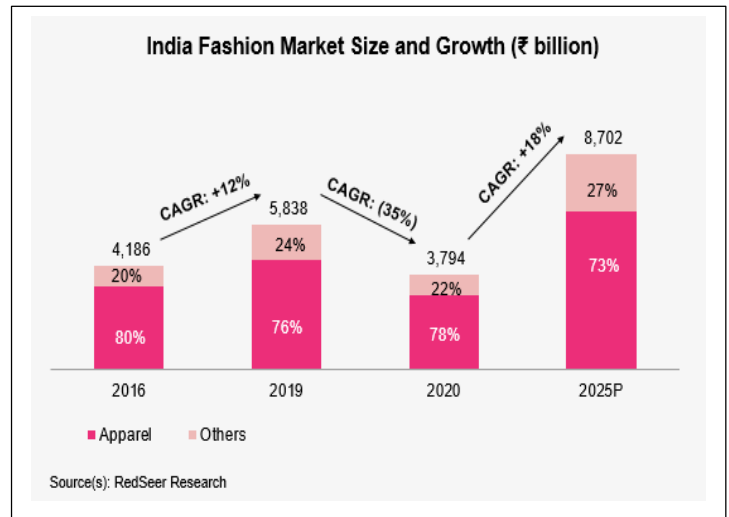
**India BPC Market Size & Growth (Rs Bn)**



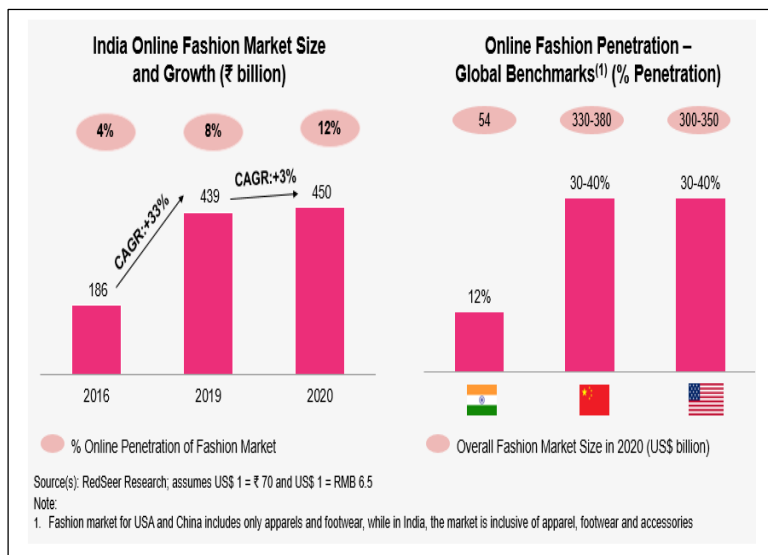
**India Online BPC Mkt & Online BPC Penetration Global Benchmark**



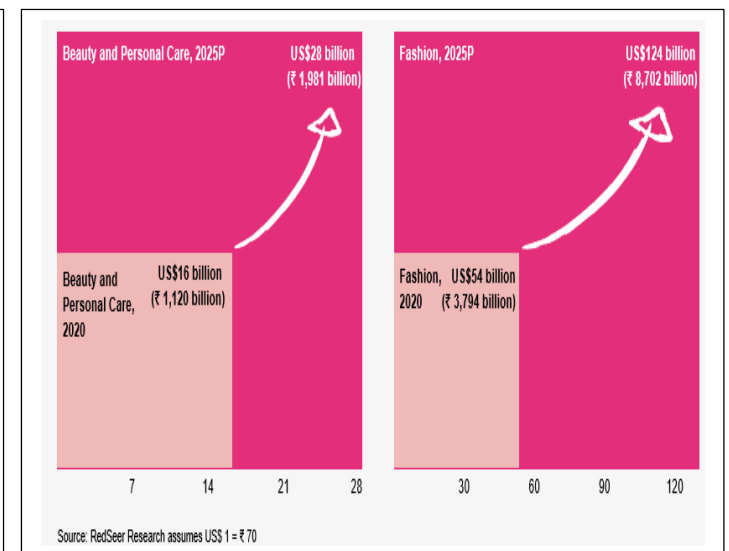
**Indian Fashion Market Size & Growth (Rs Bn)**



**India Online Fashion Mkt & Online Fashion Penetration Global Benchmark**



**Nykaa's Target Addressable Market**





(Rs in Cr)

<b>Financials</b>	<b>Q1FY22</b>	<b>FY21</b>	<b>FY20</b>	<b>FY19</b>
<b>Total Income</b>	816.99	2440.90	1767.53	1111.39
Total Expenditure	790.054	2279.47	1686.48	1090.884
EBIDTA	26.94	161.43	81.05	20.51
EBIDTA Margin	3.30	6.61	4.59	1.85
Other Income	4.72	11.74	10.32	4.99
Depreciation	19.50	67.13	59.51	30.88
EBIT	12.16	106.04	31.86	-5.38
Interest	9.01	30.70	44.29	26.34
PBT	3.15	75.34	-12.43	-31.72
Tax	-0.37	13.39	3.91	-7.18
PAT	3.52	61.95	-16.34	-24.54
NPM	0.43	2.54	-0.92	-2.21
ROE %	0.50	12.64	-5.07	-10.64
EPS	0.08	1.33	-0.35	-0.53
Eq Cap	15.48	15.06	14.55	14.24
Net Worth	698.89	489.93	322.14	230.55



**FINANCIAL HIGHLIGHTS**

**Key Operating and Financial Metrics:**

Metric	Unit	Financial Year			Three Months ended June 30,		Five months ended Aug 31,2021
		2019	2020	2021	2020	2021	
<b>Number of Visits</b>							
Beauty & Personal Care	Mn	378.0	574.70	658.90	93.20	214.30	369.60
Fashion	Mn	0.1	37.8	172.10	10.0	98.4	177.30
<b>Monthly Average Unique Visitors</b>							
Beauty & Personal Care	Mn	9.10	12.20	13.50	8.40	19.10	20.30
Fashion	Mn	0.03	1.7	5.80	1.50	13.40	14.70
<b>Annual Unique Transacting Consumers</b>							
Beauty & Personal Care	Mn	3.5	5.3	5.6	4.8	6.7	7.1
Fashion	Mn	0.0	0.1	0.6	0.2	1.0	1.2
<b>Orders</b>							
Beauty & Personal Care	Mn	11.0	17.0	17.1	1.9	5.9	10.2
Fashion	Mn	0.4	1.1	2.4	0.2	1.2	2.1
<b>Average Order Value(AOV)</b>							
Beauty & Personal Care	Rs	1433	1448	1963	2092	1837	1886
Fashion	Rs	655	1604	2739	2343	3170	3197
<b>Gross Merchandise Value(GMV)</b>							
Beauty & Personal Care	Rs in Mn	16219.20	24981.40	33804.10	3907.80	10847.80	19316.30
Fashion	Rs in Mn	281.60	1867.80	6655.70	429.80	3848.30	6897.30
<b>Total</b>	Rs in Mn	16500.80	26849.20	40459.80	4337.70	14696.10	26213.60
<b>GMV Growth</b>	%	---	62.7%	50.7%	--	238.80%	
<b>Rev from operations</b>	Rs in Mn	11113.90	17675.30	24408.96	2886.39	8169.91	
<b>Rev from operations Growth</b>	%	--	59.04%	38.10%	--	183.05%	
<b>Gross Profit</b>	Rs in Mn	4511.17	7533.29	9530.71	733.31	3316.58	
<b>Gross Profit Margin</b>	%	40.59%	42.62%	39.05%	25.41%	40.60%	
<b>EBIDTA</b>	Rs in Mn	205.10	810.55	1614.26	(453.44)	269.37	
<b>EBIDTA Margin</b>	%	1.85%	4.59%	6.61%	(15.71)%	3.30%	
<b>Restated Profit/(Loss) for the period/Year</b>	Rs in Mn	(245.39)	(163.40)	619.45	(545.07)	35.22	
<b>Restated Profit/(Loss) Margin</b>	%	(2.21)%	(0.92)%	2.54%	(18.88)%	0.43%	

Source:RHP



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