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## Initial Public Offer of FSN E-COMMERCE VENTURES LIMITED

Issue Opens on October 28<sup>th</sup>, 2021 | Issue Closes on: November 1<sup>st</sup>, 2021

Price Band: Rs. 1,085 to Rs. 1,125 per share

Minimum Bid Lot of 12 shares; Bids in multiples of 12 shares thereafter

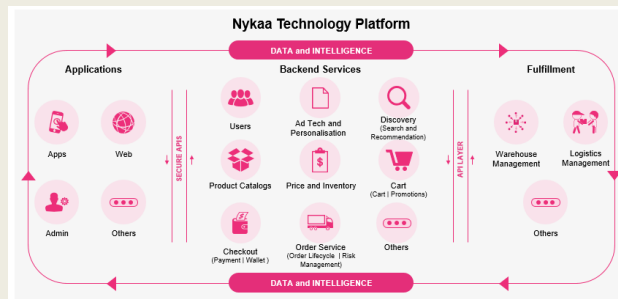
Initial Public Offering of up to 47,575,326 equity shares of face value of ₹1 each (“equity shares”) of FSN E-Commerce Ventures Limited (the “Company” or the “Issuer”) for cash at a price of ₹ 1,125 per equity share (including a share premium of ₹ 1,124 per equity share) (“Offer Price”) aggregating up to ₹ 53,497 million (the “Offer”) comprising a fresh issue of up to 5,602,666 equity shares aggregating up to ₹ 6,300 million (the “Fresh Issue”) and an offer for sale of up to 41,972,660 equity shares aggregating up to ₹ 47,197 million by the Selling Shareholders. The offer includes a reservation of up to 250,000 equity shares (constituting up to 0.05% of the post-offer paid-up equity share capital) for purchase by eligible employees (the “employee reservation portion”). The offer less the employee reservation portion is hereinafter referred to as the “net offer”. The offer and the net offer would constitute 10.06% and 10.01%, respectively, of post-offer paid-up equity share capital.

All figures calculated assuming

1. Assuming aggregate shares, amounts and/or percentage calculated at upper end of the Price Band of Rs. 1,125.
2. Calculated at upper end of the Price band after a discount of ₹ 100 per Equity Share is being offered to eligible employees bidding in the employee reservation portion

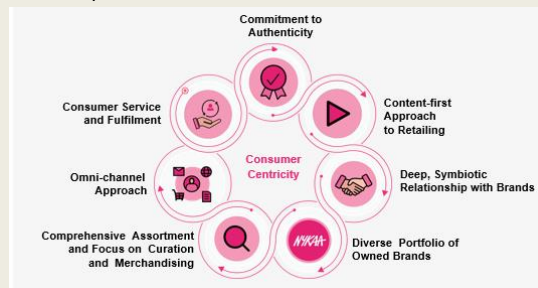
### Overview of the Company

- Nykaa is a digitally native consumer technology platform, delivering a content-led, lifestyle retail experience to consumers. Since its incorporation in 2012, it has invested both capital and creative energy towards designing a differentiated journey of brand discovery for its consumers.



### Business Overview

- Nykaa has a diverse portfolio of beauty, personal care and fashion products, including its owned brand products. It has established itself not only as a lifestyle retail platform, but also as a consumer brand.
- Value proposition: Nykaa’s business has been built iteratively while innovating for consumer satisfaction as well as optimizing for purchase behavior. Through integrations across touchpoints, it targets consumers and designs personalized browsing and purchase experiences to meet the diverse needs of its consumers. Nykaa’s business model is rooted in its value proposition, separating it from the otherwise predominantly transactional e-commerce industry:



- It offers consumers an omni channel experience with an endeavor to cater to the consumers' preferences and convenience:
  - Online: Its online channels include mobile applications, websites and mobile sites. As of August 31, 2021, it had cumulative downloads of 55.8 million across all its mobile applications and during the five months ended August 31, 2021, 88.2% of its online

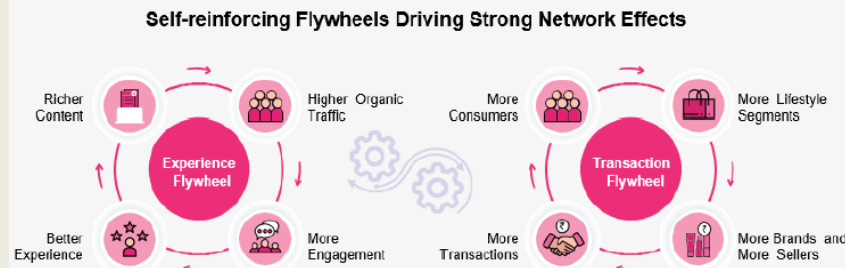
GMV came through its mobile applications. It has one of the highest share of mobile application-led transactions, among the leading online retail platforms in India during Financial Year 2021 and the five months ended August 31, 2021.

- Offline: Its offline channel comprises of 80 physical stores across 40 cities in India over three different store formats as of August 31, 2021. Its physical stores offer a select offering of products as well as a seamless experience across the physical and digital worlds.
- Its lifestyle portfolio spans across beauty, personal care and fashion products in the following business verticals:
  - Nykaa: *Beauty and personal care* - Extensive portfolio of 256,149 SKUs from 2,644 brands across make-up, skincare, haircare, bath and body, fragrance, grooming appliances, personal care, and health and wellness categories (as of August 31, 2021). Portfolio includes private label brands available online, offline as also across third party retailers for select private label brands. Physical stores currently exist in three formats, Nykaa Luxe, Nykaa On Trend and Nykaa Kiosks. It manages beauty and personal care business predominantly through an inventory led model, sourcing directly from brands or their authorized distributors in the country. This allows it to guarantee authenticity of products, an important consideration for consumers.
  - Nykaa Fashion: *Apparel and accessories* - Nykaa Fashion was launched in 2018, as a managed marketplace with a wide assortment of offerings across price points with a strong emphasis on curation. As of August 31, 2021, Nykaa Fashion housed 1,434 brands and 2.8mn SKUs with fashion products across four consumer segments: women, men, children and home. Nykaa identifies fashion-forward brands, selling the latest season's designs with emphasis on selling full-price products. The average order value (AOV) on Nykaa Fashion mobile application and website was Rs. 3,977 for five months ended August 31<sup>st</sup> 2021, highest among leading online fashion retail platforms in India. Nykaa Fashion has six owned brands. These are available online, at one physical store and at third party retailers for select brands.
- Nykaa has a diversified portfolio of 15 owned brands. Its owned brands play a key role in increasing the assortment of products for its consumers. Many of its owned brands have a high recall and function as independent brands. The manufacturing for such brands is carried out by third party vendors. Nykaa's owned brand portfolio is executed by identifying gaps in the market, both across requirements of diverse consumers and multiple price points, and building brands to suit these needs, with a focus on high quality products. Some of such owned brands are **Nykaa Cosmetics, Nykaa Naturals, Kay Beauty, Dot & Key, Twenty Dresses, Nykd by Nykaa, Pipa Bella, RSVP and Gajra Gang**.
- In addition to leveraging its strengths in comprehensive merchandising, brand relationships and delivery experience, Nykaa focuses on educating consumers via digital content, digital communities and tech-product innovations, which is an integral component of its business model.
- As of August 31, 2021, Nykaa offered approximately 3.1 million SKUs from 4,078 national and international brands to its consumers across business verticals. In the Financial Year 2021, its total GMV was ₹40,459.8 million, which grew 50.7% from the Financial Year 2020. Its revenue from operations in the Financial Year 2021 was ₹24,408.96 million, which grew 38.10% from the Financial Year 2020. Its 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. It generated EBITDA of ₹1,614.26 million and an EBITDA margin of 6.61% in the Financial Year 2021.
- For the three months ended June 30, 2021, its total GMV was ₹14,696.1 million, which grew 238.8% from the three months ended June 30, 2020. Its revenue from operations for the three months ended June 30, 2021 was ₹8,169.91 million, which grew 183.05% from the three months ended June 30, 2020. Its restated profit for the three months ended June 30, 2021 was ₹35.22 million, as compared to a restated loss of ₹545.07 million for the three months ended June 30, 2020. It generated EBITDA of ₹269.37 million and an EBITDA margin of 3.30% for the three months ended June 30, 2021.

Source: Company's Restated Audited Financials, RedSeer Report titled "Report on India Beauty and Personal Care and Fashion Markets" dated October 14, 2021 issued by RedSeer, which has been exclusively commissioned and paid for by the Company in connection with the Offer.

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

- Nykaa is the largest Specialty Beauty and Personal Care platform in India in terms of value of products sold in FY21 and five months ended August 31<sup>st</sup>, 2021 and one of the fastest growing fashion platforms in India based on growth in GMV from FY20 to FY21 and from the five months ended August 31, 2020 to the five months ended August 31, 2021.
- 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.
- Its leading position drives self-reinforcing flywheels, driving strong network effects. Leveraging its brand strength, it has been able to and will continue to add more lifestyle verticals and adjacencies on its platform which is expected to further increase its consumer base.



**Preferred destination for luxury and prestige products in India for consumers and brands**

- A large number of leading luxury and prestige BPC and fashion brands retail with the company, making it the shopping destination of choice in India for their products.
- Nykaa has built specific capabilities across marketing, technology, supply chain, fulfilment, and consumer service to create a differentiated omni-channel ecosystem for such brands and consumers.
- As a result of these bespoke services, many global luxury brands such as Charlotte Tilbury, Huda Beauty, Mario Badescu, Pixi, and Tangle Teezer, have chosen it to import, launch and sell their products to consumers in India.
- In fashion business, they also enable customization for luxury and made-to-order products. Consumers can work with stylists to identify their customization requirements and it works with the brands to deliver such customized products.

Strengths

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

- Nykaa has focused on capital efficiency and unit economics, while simultaneously building for scale and growth.
- It has been able to achieve scale with only Rs. 5,777.38 mn primary investment into the Company as of March 31, 2021.
- In the Financial Year 2021
  - GMV was ₹40,459.8 million with revenue from operations of ₹24,408.96 million and a 6.61% EBITDA margin.
  - 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 its business.
  - 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.
- For the three months ended June 30, 2021
  - GMV was ₹14,696.1 million with revenue from operations of ₹8,169.91 million and a 3.30% EBITDA margin.
  - Revenue from operations grew 183.05% for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.
  - Restated profit for the three months ended June 30, 2021 was ₹35.22 million, as compared to a restated loss of ₹545.07 million for the three months ended June 30, 2020.
- Capital turnover ratio has improved from 3.1 times in the Financial Year 2019 to 4.2 times in the Financial Year 2021.

**Proprietary technology stack**

- Nykaa's platform architecture comprises of simple, small, maintainable, scalable building blocks following the principles of service oriented architecture.
- This has enabled it to support multiple business models, execute new initiatives and make operational efficiency gains across offerings, new and existing.
- Data analytics capabilities powered by scalable data engineering allows consumption of millions of data points across consumer interactions, product attributes, consumer demographics, marketing campaigns, inventory and pricing.
- In-house data team is able to leverage this information to create dynamic hyper-personalized experiences for consumers across their journey on the platform.

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

- Company is led by Founder, Executive Chairperson, Managing Director and Chief Executive Officer, Falguni Nayar, who started the business in 2012, driven by a desire to transform the traditional and transactional ways of lifestyle e-commerce in India.
- Her understanding of the consumer, intuitive entrepreneurship and involvement in key aspects of business has helped accelerate and drive profitable growth.
- Falguni is complemented by a professional management team which shares the same vision and values as hers to drive growth.

Source: Company's Restated Audited Financials, RedSeer Report titled "Report on India Beauty and Personal Care and Fashion Markets" dated October 14, 2021 issued by RedSeer, which has been exclusively commissioned and paid for by the Company in connection with the Offer.

**Strategies**

- **Continue to acquire new consumers and increase consumer loyalty**
- **Deepen and broaden brand relationships**
- **Leveraging on art of retailing to expand into lifestyle adjacencies and launch new channels**
- **Further expand omni-channel capabilities**
- **Invest in owned brand portfolio**
- **Focused, selective international expansion as well as acquisitions and joint ventures in India**

**Major Shareholders**

Sl.No.	Shareholder	No: of equity shares	Percentage of the pre-Offer Equity Share Capital on a fully diluted basis (%)
<b>Promoter and Promoter Group</b>			
1.	Sanjay Nayar Family Trust	120,118,920	25.38%
2.	Falguni Nayar Family Trust	104,305,770	22.04%
3.	Anchit Nayar Family Trust	14,370,000	3.04%
4.	Adwaita Nayar Family Trust	14,370,000	3.04%
<b>Others</b>			
1.	Harindarpal Singh Banga jointly with Indra Banga	40,679,790	8.60%
2.	Sunil Kant Munjal	21,189,300	4.48%
3.	Narotam Sekhsaria	17,085,150	3.61%
4.	Steadview Capital Mauritius Ltd	16,384,440	3.46%
5.	TPG Growth IV SF Pte. Ltd	16,264,560	3.44%
6.	Lighthouse India Fund III, Ltd	14,533,860	3.07%
7.	Mala Gaonkar	11,390,190	2.41%
8.	Fidelity Securities Fund: Fidelity Blue Chip Growth Fund	6,140,430	1.30%
9.	Rishabh Mariwala	5,571,810	1.18%
10.	Yogesh Agencies & Investments Private Limited	5,538,450	1.17%
11.	Kravis Investment Partners LLC	5,384,220	1.14%
<b>Total Equity Shareholding of the Major Shareholders</b>		<b>413,326,890</b>	<b>87.34%</b>

**Key operating and Financials Metrics**

Key Operating Metrics	Unit	Financial Year			Three Months Ended June 30,		Five Months Ended 31-Aug-21
		2019	2020	2021	2020	2021	
Number of Visits							
Beauty and Personal Care	Million	378	574.7	658.9	93.2	214.3	369.6
Fashion	Million	0.1	37.8	172.1	10	98.4	177.3
Monthly Average Unique Visitors							
Beauty and Personal Care	Million	9.1	12.2	13.5	8.4	19.1	20.3
Fashion	Million	0.03	1.7	5.8	1.5	13.4	14.7
Annual Unique Transacting Consumers							
Beauty and Personal Care	Million	3.5	5.3	5.6	4.8	6.7	7.1
Fashion	Million	0	0.1	0.6	0.2	1	1.2
Orders							
Beauty and Personal Care	Million	11	17	17.1	1.9	5.9	10.2
Fashion	Million	0.4	1.1	2.4	0.2	1.2	2.1
Average Order Value (AOV)							
Beauty and Personal Care	₹	1,433	1,448	1,963	2,092	1,837	1,886
Fashion	₹	655	1,604	2,739	2,343	3,170	3,197
Gross Merchandise Value (GMV)							
Beauty and Personal Care	₹ in Million	16,219.20	24,981.40	33,804.10	3,907.80	10,847.80	19,316.30
Fashion	₹ in Million	281.6	1,867.80	6,655.70	429.8	3,848.30	6,897.30
Total	₹ in Million	16,500.80	26,849.20	40,459.80	4,337.70	14,696.10	26,213.60
GMV Growth	%	—	62.70%	50.70%	—	238.80%	%

**Key Financials and Operational Information**

Key Financials Metrics	Unit	Financial Year			Three Months Ended June 30,	
		2019	2020	2021	2020	2021
Revenue from Operations	₹ in Million	11,113.94	17,675.33	24,408.96	2,886.39	8,169.91
Revenue from Operations Growth	%	—	59.04%	38.10%	—	183.05%
Gross Profit	₹ in Million	4,511.17	7,533.28	9,530.71	733.31	3,316.58
Gross Profit Margin	%	40.59%	42.62%	39.05%	25.41%	40.60%
EBITDA	₹ in Million	205.1	810.55	1,614.26	-453.44	269.37
EBITDA Margin	%	1.85%	4.59%	6.61%	-15.71%	3.30%
Restated Profit / (Loss) for the Period/Year	₹ in Million	-245.39	-163.4	619.45	-545.07	35.22
Restated Profit / (Loss) Margin	%	-2.21%	-0.92%	2.54%	-18.88%	0.43%
Restated Net Worth	₹ in Million	2,305.58	3,221.49	4,899.39	3,540.06	6,988.92
Return on Restated Net Worth <sup>^</sup>	%	-10.63%	-5.16%	12.62%	-15.29%	0.49%
Net asset value per equity share - Basic <sup>^</sup>	₹	5.55	7.52	11.00	8.06	15.47
Net asset value per equity share - Diluted <sup>^</sup>	₹	5.44	7.13	10.58	7.73	14.92
Total Borrowings	₹ in Million	2,256.43	2,675.49	1,874.65	1,978.29	2,681.34
Total borrowings / Equity attributable to equity holders of the parent ratio	0.00	0.98	0.83	0.38	0.56	0.38
Capital Turnover Ratio	0.0	3.1	3.8	4.2		

<sup>^</sup> Not annualised for three months period ended June 30, 2021 and June 30, 2020

**Board of Directors**

- 1) Falguni Nayar, Executive Chairperson, Managing Director and Chief Executive Officer
- 2) Sanjay Nayar, Non-Executive Director
- 3) Adwaita Nayar, Executive Director
- 4) Anchit Nayar, Executive Director
- 5) Anita Ramachandran, Independent Director
- 6) Milan Khakhar, Non-Executive Director
- 7) Alpana Parida, Independent Director
- 8) Pradeep Parameswaran, Independent Director
- 9) Seshashayee Sridhara, Independent Director
- 10) Milind Sarwate, Independent Director

**Key Management Personnel**

- 1) Falguni Nayar, Executive Chairperson, Managing Director and Chief Executive Officer
- 2) Adwaita Nayar, Executive Director
- 3) Anchit Nayar, Executive Director
- 4) Arvind Agarwal, Chief Financial Officer
- 5) Rajendra Punde, Head - Company Secretary & Legal and Compliance Officer
- 6) Manoj Jaiswal, Chief Officer-Supply Chain of Nykaa E-Retail Private Limited (Subsidiary)
- 7) Nihir Parikh, Chief Executive Officer – Nykaa Man (business arm of Nykaa E-Retail)
- 8) Reena Chhabra, Chief Executive Officer - private label division of the Company
- 9) Sanjay Suri, Chief Technology Officer of Nykaa E-Retail.
- 10) Shalini Raghavan, Chief Marketing Officer
- 11) Surender Mehta, Group Chief Human Resource Officer
- 12) Vikas Gupta, Chief Executive Officer of the eB2B business
- 13) Kingshuk Basu, Senior Vice President- retail operations of FSN Brands.
- 14) Gopal Asthana, Chief Business Officer (fashion) of Nykaa Fashion.

All Key Managerial Personnel are permanent employees of the Company, except Manoj Jaiswal, Nihir Parikh, Sanjay Suri, Kingshuk Basu and Gopal Asthana, who are employees of the Company's Subsidiaries.

The objects of the Offer are to

- Carry out the Offer for Sale of up to INR 47,197 Mn by the Selling Shareholder
- Carry out Fresh Issue of up to INR 6,300 Mn to be utilized in following manner:

Particulars	Total estimated amount to be utilized (in ₹ million)	Amount proposed to be financed from Net Proceeds (in ₹ million)	Estimated utilisation of Net Proceeds (in ₹ million)		
			Financial Year 2022	Financial Year 2023	Financial Year 2024
Investment in certain Subsidiaries, namely, FSN Brands and / or Nykaa Fashion for funding the set-up of new retail stores	539.00	420.00	50.00	185.00	185.00
Capital expenditure to be incurred by the Company and investment in certain Subsidiaries, namely, Nykaa E-Retail, FSN Brands and Nykaa Fashion for funding the set-up of new warehouses	924.00	420.00	50.00	185.00	185.00
Repayment or prepayment of outstanding borrowings availed by the Company and one of its Subsidiaries, namely, Nykaa E-Retail	N.A.	1,560.00	1,560.00	Nil	Nil
General corporate purposes	[●]	[●]	[●]	[●]	[●]
<b>Total</b>	[●]	[●]	[●]	[●]	[●]

The Red Herring Prospectus can be accessed at <https://www.icicisecurities.com>