

FSN E-Commerce Ventures | BUY

FY24 Annual Report Analysis – Strategy streamlined



Nykaa's FY24 Annual Report outlined its financial and operating performance and business strategy for the coming years. Company expects BPC growth in mid-to-late twenties over the next 3-4 years with India being where China was in 2007 and sustained economic growth expected to drive rising BPC spends per capita. Nykaa Fashion has created its own niche with the company accounting for 20% market share of online premium fashion, a market expected to grow 3.5x over the next 6 years. The segment continues trending towards EBITDA profitability driven by successful plugging of leakages by undertaking line-by-line efforts such as reducing RTOs, minimising returns, along with improving assortment and focus on women and premium category. While not building any improvement in contribution margin for core BPC, we still expect the company to deliver 250bps EBITDA margin expansion over the next 3 years, resulting in our Sep'25 TP rising to INR 250. We reiterate BUY with Nykaa expected to be a key beneficiary of any recovery in demand environment.

- Secular tailwinds to drive BPC growth:** With India's GDP per capita expected to reach USD 5.5k by 2030, BPC spend per capita is projected to rise to USD 50 from USD 15 in FY24. Further, slow recovery of China market post-pandemic has led to India emerging as a key focus market for major global brands. Nykaa, the largest beauty distributor with 30%+ market share, is well-positioned to capitalise on the USD 34bn TAM of Indian BPC by 2028. With FY24 GMV rising 25%, company expects to sustain growth momentum around mid-to-late twenties in the medium term. Nykaa has a highly engaged customer base with 47% of lifetime customers having shopped over the past year. Company continued supply chain investments, now operating 44 warehouses across 16 cities, leading to a 19% reduction in fulfilment cost per order. As of FY24, Nykaa BPC operates 187 beauty stores across 68 cities with aim of doubling store count by FY28. Omni-channel customers are the biggest growth drivers for Nykaa, with 4-5 times the annual consumption value (ACV) compared to single-channel shoppers, and they purchase 3-5 times more frequently. As of FY24, Nykaa offered 3.6k+ brands with 0.2mn SKUs.
- Charting the path to profitability in Fashion:** Indian fashion industry is expected to grow 3.5x over the next 6 years, reaching USD 200bn by 2030. Currently, average spend per customer on Nykaa is about USD 130, which is likely to increase to USD 200 by 2030. In FY24, Nykaa Fashion GMV grew 27% YoY, driven by categories such as Women Indian wear (28% YoY) and Western wear (72% YoY), with 48% of business coming from existing customers. The company aims to achieve NSV growth of 2.5x-3x over the next 3 years, with guidance of becoming EBITDA positive in FY26. In FY24, Nykaa Fashion implemented several strategic measures, such as converting high RTO customers to 'Prepaid Only,' reducing RTO by 0.8%. Additionally, the company added INR 70mn to its top line by moving COD restrictions at customer level instead of blocking entire pin codes. Further, introduction of convenience fees contributed 1% NSV to Nykaa Fashion's revenue without affecting conversion rates. As of FY24, Nykaa Fashion offered 3.2k+ brands with 3.2 million SKUs.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	250
Upside/(Downside)	10.8%
Previous Price Target	230
Change	8.7%

Key Data – NYKAA IN

Current Market Price	INR226
Market cap (bn)	INR644.4/US\$7.7
Free Float	47.8%
Shares in issue (mn)	2,864.4
Diluted share (mn)	2,873.3
3-mon avg daily val (mn)	INR2,684.2/US\$32.0
52-week range	230/131
Sensex/Nifty	81,712/25,018
INR/US\$	83.9

Price Performance

%	1M	6M	12M
Absolute	23.3	47.3	66.2
Relative*	22.7	30.4	32.2

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	51,438	63,856	81,413	1,06,386	1,37,349
Sales Growth (%)	36.3	24.1	27.5	30.7	29.1
EBITDA	2,561	3,461	5,188	8,622	13,695
EBITDA Margin (%)	5.0	5.4	6.4	8.1	10.0
Adjusted Net Profit	232	362	1,451	3,573	6,997
Diluted EPS (INR)	0.1	0.1	0.5	1.2	2.4
Diluted EPS Growth (%)	-90.4	56.2	301.0	146.3	95.8
ROIC (%)	4.6	5.3	12.8	24.0	39.1
ROE (%)	1.7	2.7	10.6	21.4	30.7
P/E (x)	2,802.5	1,794.5	447.6	181.7	92.8
P/B (x)	46.8	51.3	45.5	35.9	25.6
EV/EBITDA (x)	252.8	187.7	125.3	75.2	46.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 27/Aug/2024

- **Reiterate 'BUY', Sep'25 TP increased to INR 250:** While the recent demand environment has not been favourable, we see Nykaa as the dominant player in a segment with strong secular tailwinds and expect sustained compounding returns. With demand likely to improve only in H2FY25, we lower growth estimates marginally while retaining margin estimates. With contribution margin remaining range bound due to investments in customer acquisition, operating leverage would result in EBITDA margins inching upwards FY27 onwards. Resultantly, our Sep'25 TP rises to INR 250 from INR 230 earlier. We reiterate 'BUY' rating, expecting the company to deliver robust numbers during the festive period this year. **Key risks:** Ramp-up in BPC competition and sustained higher marketing expense requirement across segments.
- **Superstore continues to be a key strategic pillar:** Superstore presents a significant opportunity with ample headroom for penetration in the unorganised BPC market. In FY24, Superstore's GMV grew 84% YoY with a 919bps YoY improvement in contribution margin (as a % of NSV), reaching -18.2%. The platform now has ~0.2mn transacting retailers across 1,006 cities, with 182 brands listed, registering 1.2mn orders in FY24. Notably, around 86% of Superstore's revenue in FY24 came from tier-2 and beyond locations, reiterating the company's focus on serving the underserved while widening the BPC funnel. Superstore achieved several key milestones, including the launch of a regional catalogue, which now represents 15% of the total catalogue and drives 3.71% of GMV. Additionally, a B2B loyalty program through target schemes boosted monthly spending by 62% among highly engaged retailers. The introduction of Wallet and Supercash has been aimed at enhancing long-term customer retention, while the personalised brand recommendations widget achieved a 3.2% click-through rate.
- **Global footprint expansion with foray in GCC market:** GCC market provides a significant opportunity to tap into the USD 30bn GCC beauty market with highest spending capacity in the world with beauty spend per capita of USD 500+. Company has partnered with 170+ globally renowned and unique brands such as Kylie Cosmetics, Dr. Barbara Sturm, Beauty of Joseon, Augustinus Bader, and many more as of FY24. Nykaa strategises to replicate its omni-channel approach in the region, with an aim to launch 70 stores in the next 5 years and capture ~7% of the GCC Prestige beauty market. It needs to be noted that this expansion is unlikely to require significant capital outlay considering the company's frugality in building USD 400mn+ GMV business in Fashion with total investment requirement (until EBITDA breakeven) of almost USD 60mn. Similarly, the company has provided a guidance of ~USD 56mn investment needed in eB2B until breakeven.
- **BPC owned brands robust but Fashion owned brands see headwinds on 3P marketplaces:** BPC owned brands portfolio includes 13 brands with GMV growth of 39% YoY, contributing to 13.1% of BPC GMV in FY24 (up 120bps YoY).
 1. Dot & Key: Reached an annualised GMV run rate of INR 7bn+, as of Mar'24 with products available across 187 Nykaa physical stores and 800+ GT stores. Dot & Key reported revenue of INR 1.98bn in FY24, delivering 3.4x YoY growth.
 2. Nykaa Cosmetics: Reached an annualised GMV run rate of INR 3bn+, c. 20% YoY growth.
 3. Kay Beauty: Reached an annualised GMV run rate of INR 1.7bn+, c. 30% YoY growth. As of FY24, Kay Beauty has ~1.4mn+ social media followers and retails through 500+ offline stores.

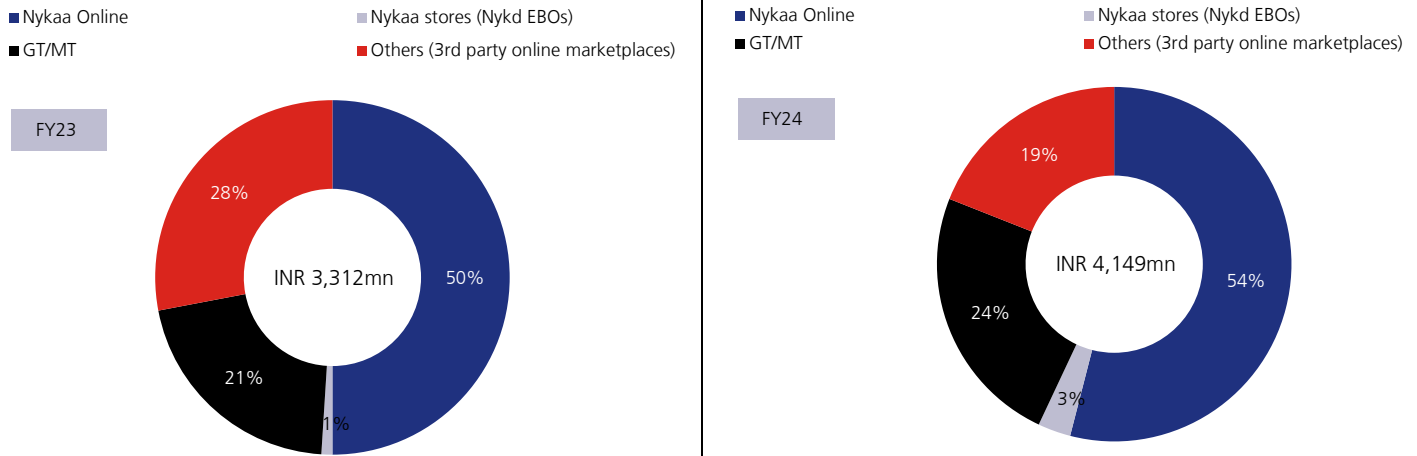
Fashion owned brands portfolio includes 14 brands with GMV growth of 25% YoY, contributing 12.7% of Fashion GMV (down 20bps YoY). While Nykd has broken out comprehensively with scale doubling in FY24, other larger fashion owned brands such as Twenty Dresses and RSVP have been muted due to their dependence on other online marketplaces that have had a tough FY24. This gets reflected by the fact that contribution from other marketplaces in Fashion owned brands GMV dropped to 19% in FY24 from 28% in FY23.

 1. Nykd: Reached an annualised GMV run rate of ~INR 1.6bn, delivering 95% YoY growth. As of FY24, the product retails through 13 EBOs and 1,500 GT stores.

2. Twenty Dresses: Reached an annualised GMV run rate of INR 1.5bn, flat YoY.

Company has recently undergone a management rejig with Ms. Adwaita Nayar expected to focus on Nykaa's house of brands. Considering her track record of guiding Fashion segment through a tough period, we expect substantial innovation across Nykaa's owned brands play with a focus on preempting customer needs.

Exhibit 1. Fashion owned brands - GMV channel mix (FY23 vs. FY24)



Source: Company, JM Financial

- Content at the core:** Nykaa has continued its investment in customer education and awareness-building efforts in FY24. This is evident through its 17mn followers on social media, with an average monthly reach of 801mn, and a network of 6,000+ influencers and creators, achieving an average monthly reach of 3.5mn through creators. Nykaa offers an in-app hub called 'Stream,' where users can watch and purchase products featured in real-time content. Among its off-platform offerings, 'Nykaa TV,' a YouTube-based platform, had 1.46mn subscribers and garnered 221mn views in FY24. On Instagram, Nykaa has 4mn+ followers, resulting in more than 7.2bn+ impressions, reaching ~6.3bn people.
- Nykaa Prive 2.0 enhancing customer loyalty:** Nykaa Prive is a loyalty programme for Beauty and Fashion where members get exclusive offers and discounts, complimentary gifts, free shipping and access to exclusive members-only content. As of FY24, Prive had 9.5mn members. Initiatives such as price reveals, early access, flash sales and best price implementation led to a 7% higher conversion rate this year compared to Hot Pink Sale of 2023 and a 3.3% increase in add-to-carts per page view.
- System performance improvement through tech initiatives:** (1) Catalogue automation: This initiative reduced error rates significantly, dropping from 18% to 4% for the create flow and from 43% to 1.5% for the update flow. (2) Seller portal enhancements: The 'Discount Automation' feature was introduced for marketplace and non-marketplace sellers, including an approval upload feature for internal users. This provides thorough audit trails and reduces discount go-live time to 1 hour. (3) Audience pipeline systems: The Central Audience Pipeline Systems (CAPS) enables Business Intelligence (BI) teams to efficiently send cohorts to third-party platforms, reducing turnaround time, safeguarding personal information, and improving marketing campaign effectiveness. (4) AdTech: It is a campaign manager that enables brand managers to directly set up ads, including media, budget, placement and duration, for their brands.
- Nykaa enabling attractive risk-reward ratio among relevant internet names:** We find Nykaa to be attractively positioned in terms of valuations as well as near-term triggers. Not only does the company look cheaper compared to Zomato and PB Fintech at Pre Ind AS EBITDA multiple (best multiple for comparison as it includes rental payments for Nykaa and Delhivery while also negating the benefit that Zomato and PB Fintech receive from treasury income in case of comparison of PAT multiples), it also needs to be noted that market has factored in significant growth and profitability for these names. In case of Nykaa, we find the forecasts to be fairly practical with potential for positive surprises.

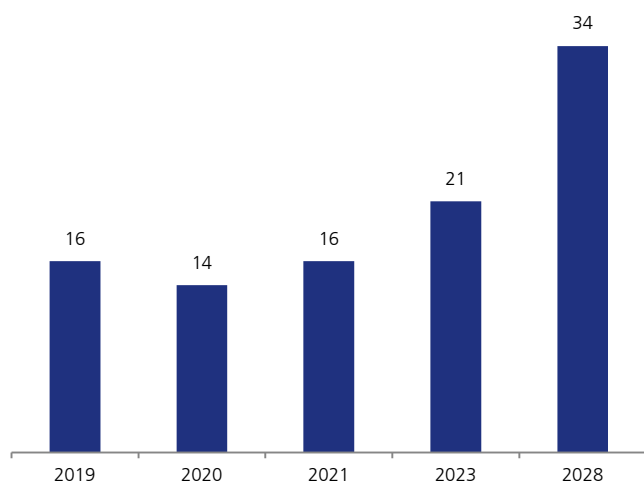
Near-term triggers include: (1) Festive season ramp-up has started and if we finally see decent demand recovery this Q3, Nykaa could see a breakout quarter. In years prior to the on-going discretionary demand slowdown, Nykaa used to see absolute EBITDA double in Q3 on a sequential basis. (2) Fashion segment has continued to improve margins with CM hitting 10.2% of NSV in Q1FY25. As the visibility of EBITDA breakeven for the segment improves, there could be incremental value being ascribed to the segment. (3) Nykaa has been investing heavily in customer acquisition over the past couple of quarters resulting in flat CM in BPC segment but even a conservative 22-24% topline growth will result in EBITDAM rising 60-100bps YoY.

Exhibit 2. Internet valuation comparables

Company	Revenue					Pre Ind AS EBITDA					PAT				
	in INR Mn	FY24	FY25	FY26	FY27	FY28	FY24	FY25	FY26	FY27	FY28	FY24	FY25	FY26	FY27
CarTrade	4,899	6,525	7,776	9,214	10,814	462	1,098	1,751	2,378	3,207	765	1,280	1,721	2,265	2,978
At CMP	8.7x	6.5x	5.5x	4.6x	4.0x	92.4x	38.9x	24.4x	18.0x	13.3x	55.9x	33.4x	24.8x	18.9x	14.3x
At TP	11.1x	8.4x	7.0x	5.9x	5.0x	117.9x	49.6x	31.1x	22.9x	17.0x	71.3x	42.6x	31.7x	24.1x	18.3x
Delhivery	81,415	93,972	111,706	131,564	153,740	-1,503	1,521	5,722	9,820	13,862	-2,268	1,540	3,135	5,797	8,723
At CMP	3.6x	3.1x	2.6x	2.2x	1.9x	-194.6x	192.2x	51.1x	29.8x	21.1x	-128.9x	189.8x	93.3x	50.4x	33.5x
At TP	3.4x	3.0x	2.5x	2.1x	1.8x	-185.5x	183.2x	48.7x	28.4x	20.1x	-122.9x	181.0x	88.9x	48.1x	32.0x
Nykaa	63,856	81,413	106,386	137,349	174,814	2,178	3,834	6,998	11,757	18,073	322	1,426	3,548	7,007	11,753
At CMP	10.2x	8.0x	6.1x	4.7x	3.7x	299.1x	170.0x	93.1x	55.4x	36.1x	2022.4x	457.0x	183.6x	93.0x	55.4x
At TP	11.3x	8.9x	6.8x	5.2x	4.1x	330.8x	187.9x	103.0x	61.3x	39.9x	2236.4x	505.3x	203.1x	102.8x	61.3x
PB Fintech	34,377	47,536	61,381	76,889	94,589	-2,480	946	4,931	9,259	13,621	670	3,877	7,555	11,315	15,199
At CMP	24.0x	17.4x	13.5x	10.7x	8.7x	-332.9x	873.2x	167.5x	89.2x	60.6x	1233.0x	213.0x	109.3x	73.0x	54.3x
At TP	17.4x	12.6x	9.7x	7.8x	6.3x	-241.0x	632.2x	121.2x	64.6x	43.9x	892.7x	154.2x	79.1x	52.8x	39.3x
Zomato	121,140	196,945	265,160	345,655	423,942	-1,430	6,483	19,398	35,303	52,661	3,510	10,892	27,092	37,514	53,771
At CMP	17.6x	10.9x	8.1x	6.2x	5.0x	-1494.6x	329.7x	110.2x	60.5x	40.6x	608.9x	196.2x	78.9x	57.0x	39.7x
At TP	20.8x	12.8x	9.5x	7.3x	6.0x	-1766.2x	389.6x	130.2x	71.5x	48.0x	719.6x	231.9x	93.2x	67.3x	47.0x

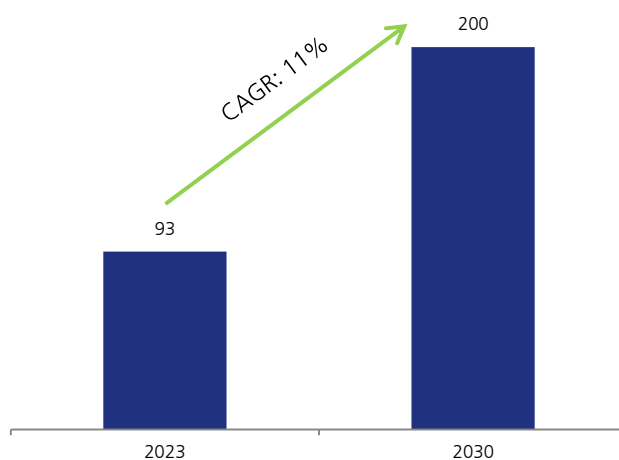
Source: JM Financial. Note: CMP – Closing price of 27th Aug 2024

Exhibit 3. India BPC market size (USD bn)



Source: Company, Redseer report

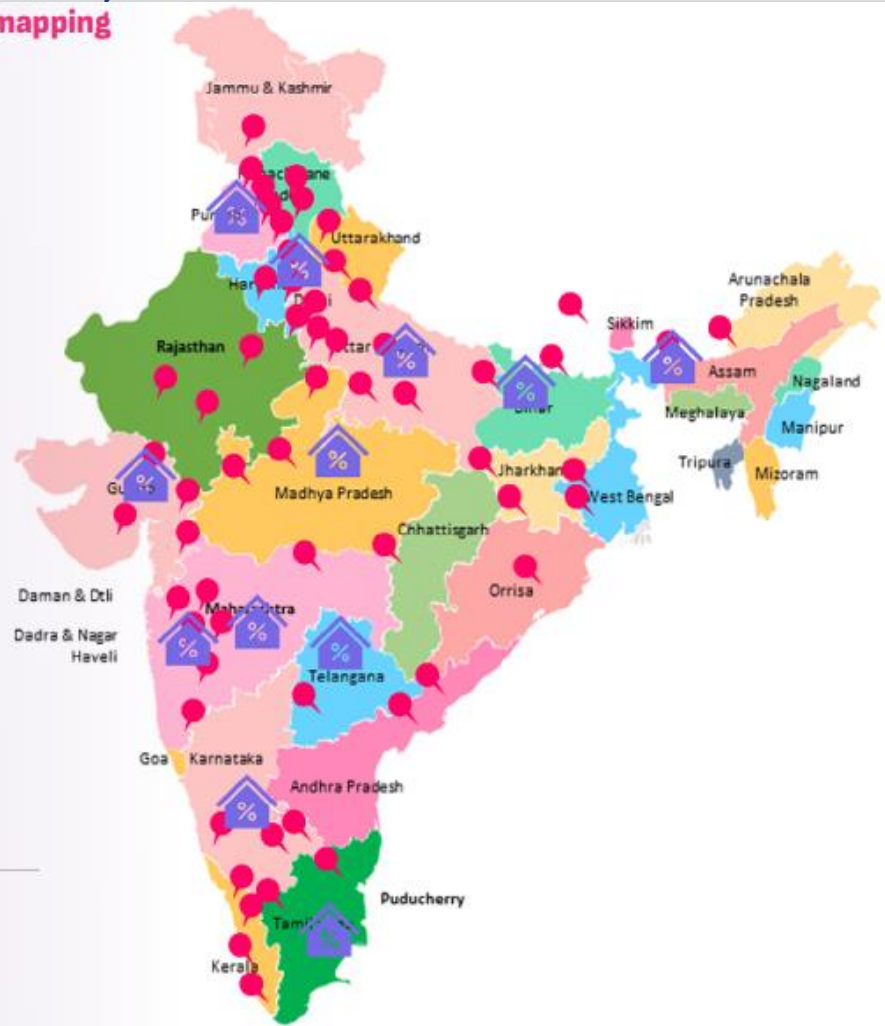
Exhibit 4. India Fashion market size (USD bn)



Source: Company, Redseer report

Exhibit 5. Pan- India coverage with 44 warehouses and 187 beauty stores as of FY24

Nykaa Beauty Stores and Warehouse mapping



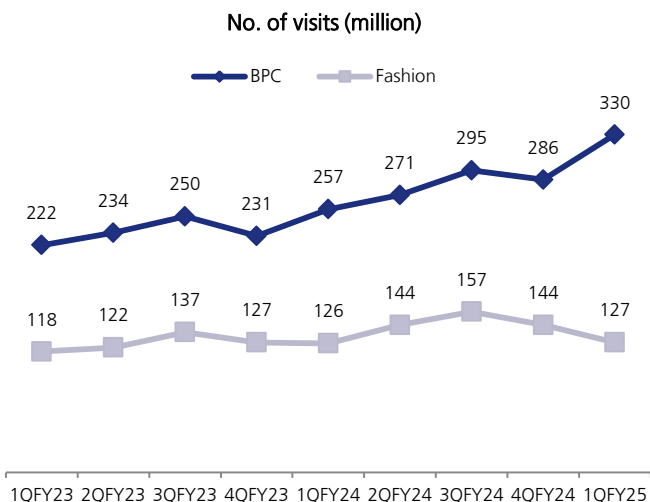
Source: Company

Exhibit 6. Key Operating Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
No. of visits (million)									
BPC	236	250	266	242	269	286	311	303	330
Fashion	118	122	137	127	126	144	157	144	127
Monthly average unique visitors (million)									
BPC	25	25	27	25	27	29	33	32	33
Fashion	16	16	19	17	17	18	19	17	16
Orders (million)									
BPC Orders (million)	8.4	8.7	9.9	9.2	9.9	10.5	11.7	11.7	12.4
Fashion Orders (million)	1.5	1.4	1.7	1.4	1.5	1.5	2.0	1.7	1.7
Average order value (INR)									
BPC AOV (INR)	1,780	1,872	1,958	1,803	1,849	1,916	2,024	1,788	1,924
Fashion AOV (INR)	3,732	3,940	3,959	4,266	4,058	4,061	4,681	4,546	4,237
Others AOV* (INR)	3,199	3,304	3,709	3,368	3,561	3,541	4,027	3,966	

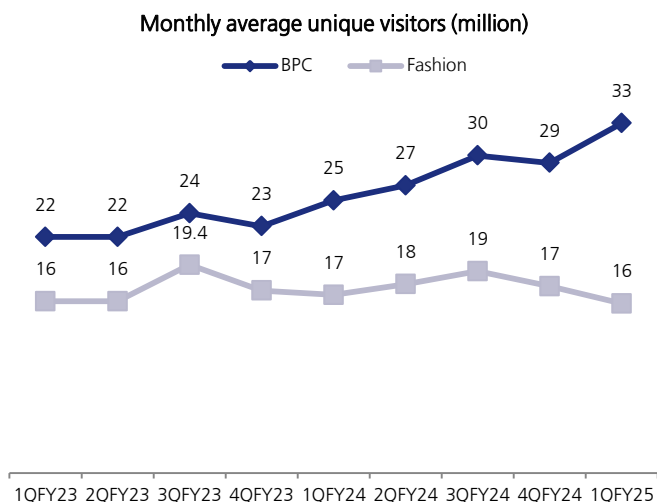
Source: Company, JM Financial. Note: *Others segment has been restructured from 1QFY25 and now includes only international business

Exhibit 7. Number of visits on Nykaa Platforms



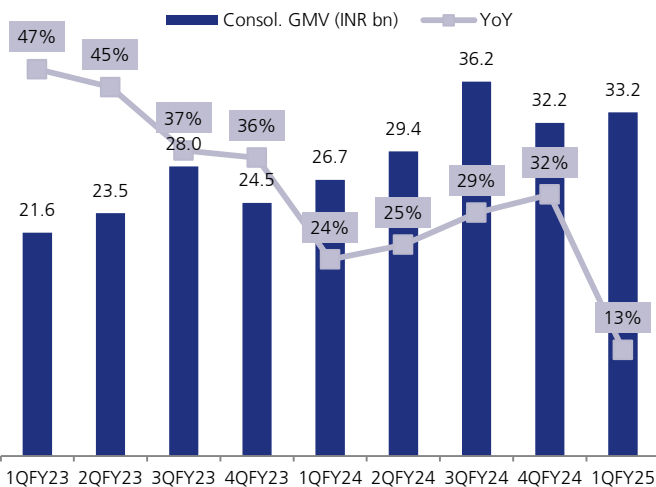
Source: Company, JM Financial

Exhibit 8. Monthly Average Unique Visitors



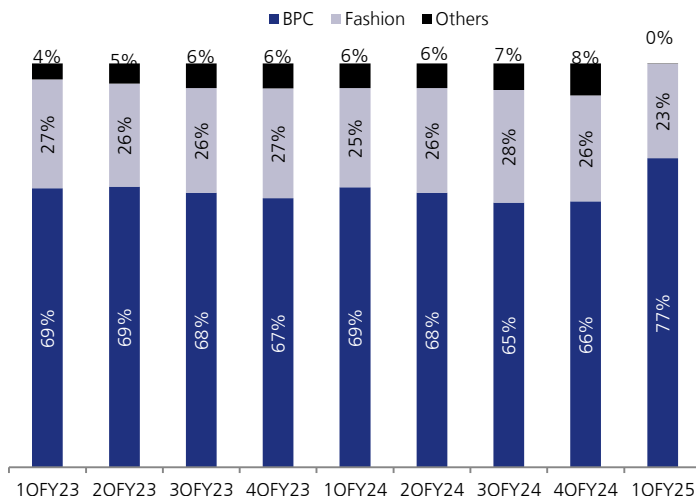
Source: Company, JM Financial

Exhibit 9. Group GMV Trend



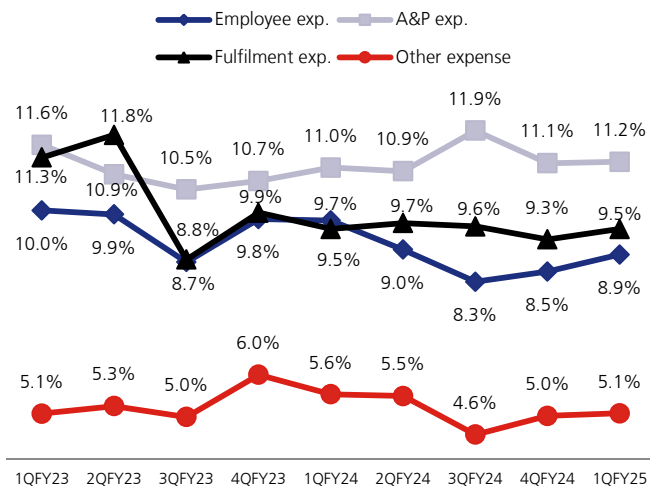
Source: Company, JM Financial

Exhibit 10. Group GMV Share



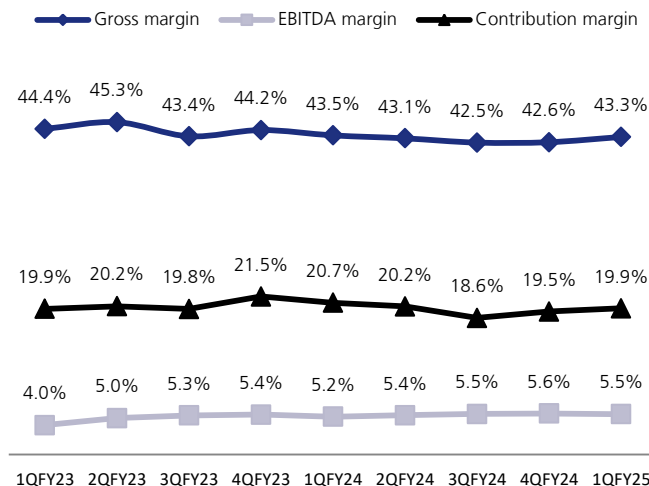
Source: Company, JM Financial. Others includes Nykaa Man Lifestyle and LBB for FY24 quarters.

Exhibit 11. Key Operating costs as % of Revenue



Source: Company, JM Financial

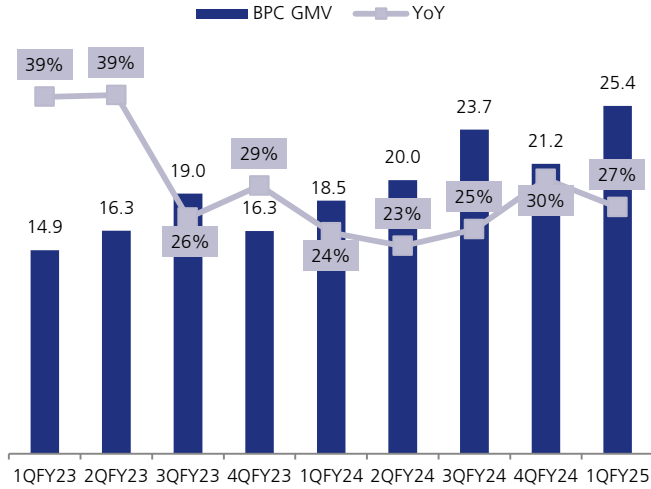
Exhibit 12. Margin Trends



Source: Company, JM Financial

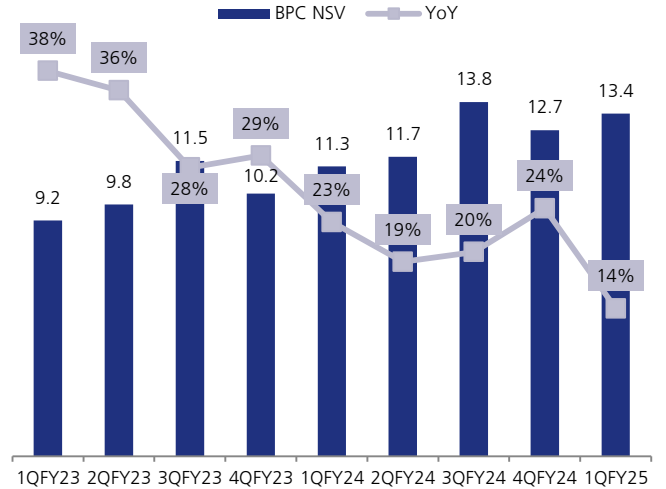
Beauty & Personal Care Operating Metrics

Exhibit 13. GMV trend (INR bn)



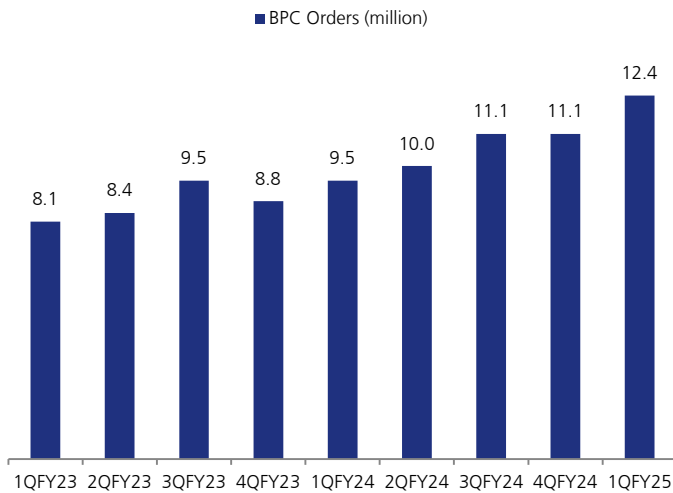
Source: Company, JM Financial

Exhibit 14. NSV trend (INR bn)



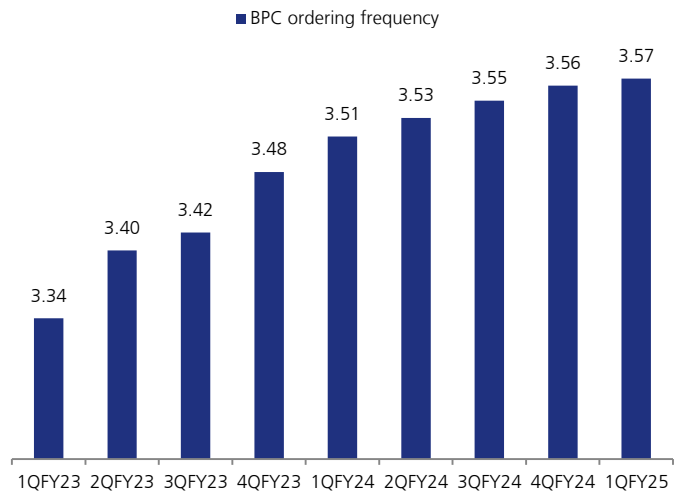
Source: Company, JM Financial

Exhibit 15. Orders trend



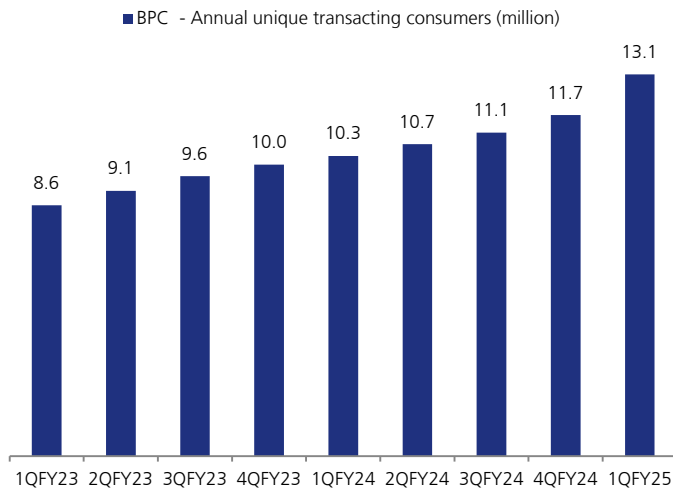
Source: Company, JM Financial

Exhibit 16. Ordering frequency



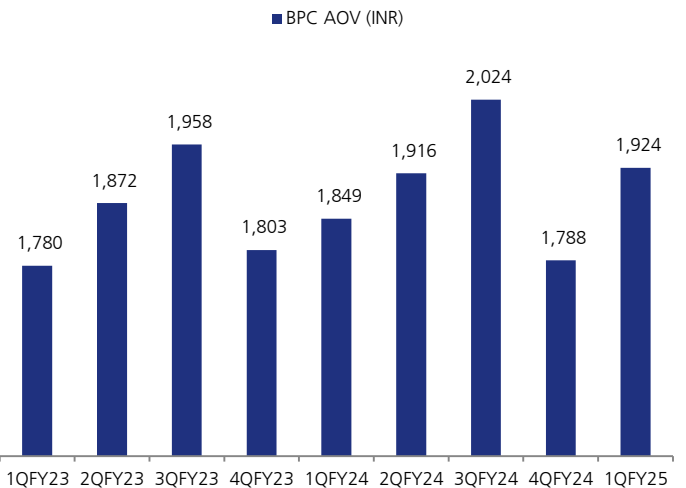
Source: Company, JM Financial

Exhibit 17. Unique transacting consumer trend



Source: Company, JM Financial

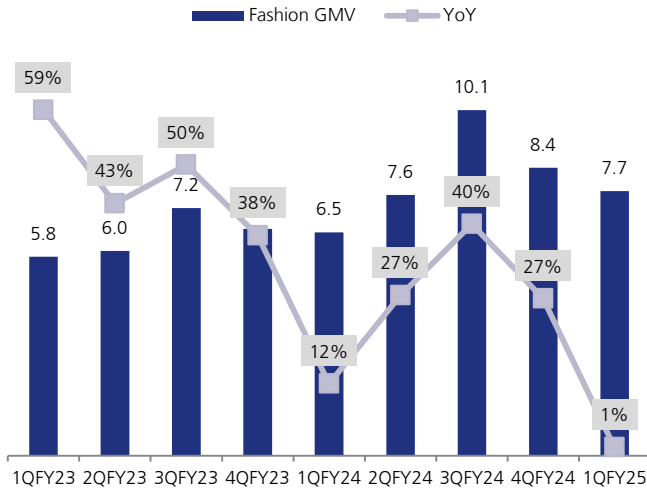
Exhibit 18. Average order value (AOV) Trend



Source: Company, JM Financial

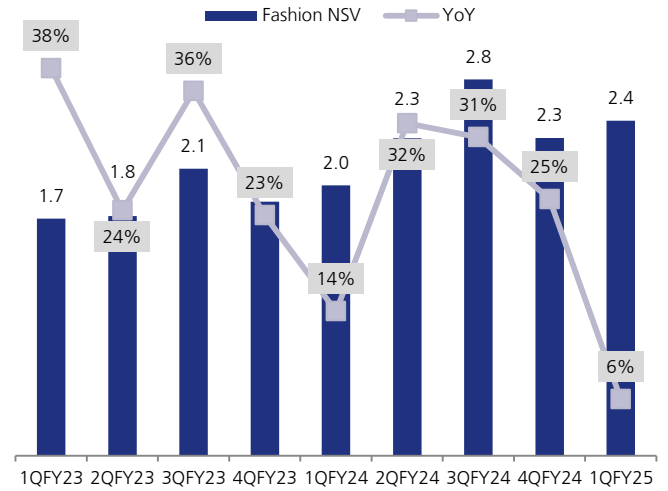
Fashion Operating Metrics

Exhibit 19. GMV trend (INR bn)



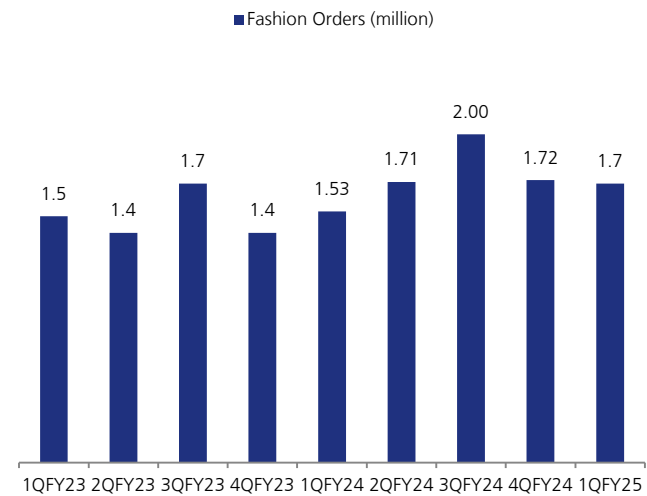
Source: Company, JM Financial

Exhibit 20. NSV trend (INR bn)



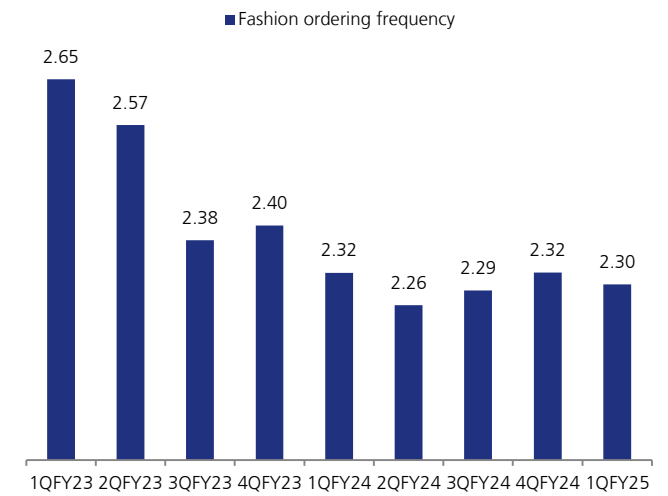
Source: Company, JM Financial

Exhibit 21. Orders trend



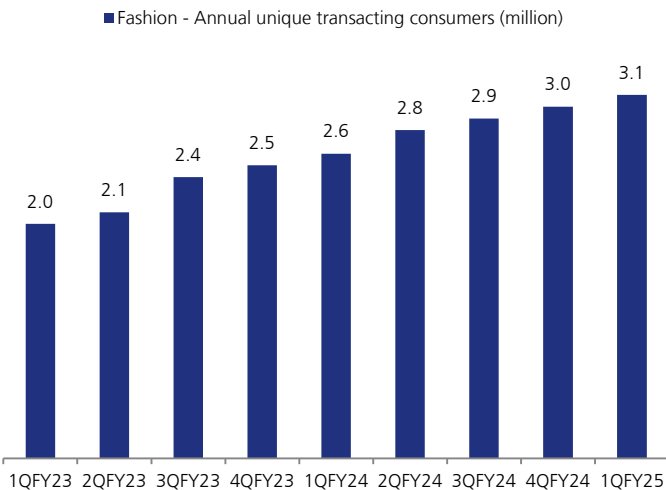
Source: Company, JM Financial

Exhibit 22. Ordering frequency



Source: Company, JM Financial

Exhibit 23. Unique transacting consumer trend



Source: Company, JM Financial

Exhibit 24. Average order value (AOV) trend



Source: Company, JM Financial

Reiterate BUY; TP increased to INR 250

Exhibit 25. We tweak estimates to account for slightly lower top-line and profitability in near term

	Old					New					Change				
	FY25E	FY26E	FY27E	FY28E	FY29E	FY25E	FY26E	FY27E	FY28E	FY29E	FY25E	FY26E	FY27E	FY28E	FY29E
Group GMV (INR bn)	158.9	206.4	264.8	337.0	422.8	157.3	204.7	263.4	334.3	420.6	-1.0%	-0.8%	-0.6%	-0.8%	-0.5%
Consolidated revenue (INR bn)	83.1	108.6	139.8	178.6	224.6	81.4	106.4	137.3	174.8	220.5	-2.1%	-2.0%	-1.7%	-2.1%	-1.8%
Revenue growth rate (YoY)	30.2%	30.6%	28.7%	27.8%	25.7%	27.5%	30.7%	29.1%	27.3%	26.2%	-270bp	6bp	39bp	-49bp	41bp
Consolidated EBITDA (INR bn)	5.3	8.8	13.7	20.3	28.7	5.2	8.6	13.7	20.4	29.0	-3.0%	-2.4%	0.3%	0.2%	1.1%
EBITDA margin	6.4%	8.1%	9.8%	11.4%	12.8%	6.4%	8.1%	10.0%	11.7%	13.2%	-6bp	-3bp	20bp	27bp	37bp
EBIT margin	3.4%	5.4%	7.3%	9.1%	10.7%	3.4%	5.4%	7.5%	9.5%	11.2%	-5bp	1bp	29bp	36bp	46bp
PAT (INR bn)	1.48	3.66	6.97	11.75	18.0	1.43	3.55	7.01	11.74	18.1	-3.5%	-3.1%	0.6%	-0.1%	0.4%
Diluted EPS (INR)	0.51	1.27	2.42	4.09	6.3	0.50	1.23	2.44	4.09	6.3	-3.5%	-3.1%	0.6%	-0.1%	0.4%

Source: Company, JM Financial

Valuation Methodology: DCF

Exhibit 26. Key DCF assumptions

WACC	12.5%
Revenue CAGR (FY24-29)	28.1%
Revenue CAGR (FY29-34)	19.4%
Revenue CAGR (FY34-41)	12.7%
EBITDA CAGR (FY24-29)	53.0%
EBITDA CAGR (FY29-34)	26.2%
EBITDA CAGR (FY34-41)	14.7%
Tax Rate	25.2%
NPV of cash flow (2024-2041F)	2,99,999
Perpetual growth (%)	6.0%
Implied Exit FCF multiple (X)	15.4x
Terminal value (INR mn)	4,18,812
Enterprise value (INR mn)	7,18,811
Terminal value as % of Enterprise Value	58.3%
Net debt (INR mn, Mar'25)	5,028
Minority Interest (INR mn, Mar'25)	587
Equity value (INR mn)	7,13,196
Number of shares outstanding (diluted, million)	2,873
Equity value per share (INR)	250

Source: JM Financial

Exhibit 27. Sensitivity of Equity Value to WACC and Terminal growth rate

		Terminal Growth Rate				
		5.0%	5.5%	6.0%	6.5%	7.0%
WACC	11.00%	300	320	340	360	400
	11.50%	270	290	300	320	350
	12.00%	250	260	270	290	310
	12.50%	230	240	250	260	280
	13.00%	210	220	230	240	250
	13.50%	190	200	210	220	230
	14.00%	180	180	190	200	210

Source: JM Financial, Company

Exhibit 28. Sensitivity of Equity Value to Revenue Growth and EBITDA Margin

		Revenue Growth (% of JMFe)				
		60%	70%	80%	90%	100%
EBITDA Margin (% of JMFe)	60%	40	60	80	110	140
	70%	50	70	100	130	170
	80%	60	90	110	150	190
	90%	70	100	130	170	220
	100%	80	110	150	190	250

Source: JM Financial, Company

Exhibit 29. Valuation comparables

Company	MCap (USD bn)	EV (USD bn)	EV / Revenue (x)			Rev CAGR	EV / EBITDA (x)			EBITDA CAGR	EV / EBIT (x)			EBIT CAGR	P / E (x)			EPS CAGR
			FY25E	FY26E	FY27E		FY25E	FY26E	FY27E		FY25E	FY26E	FY27E		FY25E	FY26E	FY27E	
Company																		
Nykaa*	7.4	7.5	7.7x	5.9x	4.6x	30%	121.0x	72.8x	45.9x	62%	229.6x	109.5x	60.6x	95%	427.6x	173.6x	88.7x	120%
India Retail (IR)																		
Dmart	38.5	38.5	5.3x	4.4x	3.6x	21%	62.7x	50.3x	41.4x	23%	74.1x	59.0x	48.6x	24%	97.1x	77.4x	63.4x	24%
ABFRL*	3.8	4.9	2.5x	2.2x	1.9x	14%	21.2x	17.1x	14.7x	20%	197.8x	100.0x	59.2x	83%	nm	nm	230.8x	nm
Titani*	37.3	38.8	5.7x	4.9x	4.1x	18%	53.2x	42.6x	36.0x	22%	59.1x	46.0x	38.5x	24%	78.2x	60.7x	50.1x	25%
Page Industries	5.5	5.5	9.0x	7.8x	6.9x	14%	46.4x	39.0x	34.1x	17%	51.2x	42.7x	37.4x	17%	70.4x	58.2x	50.5x	18%
Hindustan Unilever*	77.4	76.1	9.9x	9.1x	8.4x	8%	41.2x	37.1x	33.5x	11%	45.0x	40.5x	36.3x	11%	58.8x	52.6x	46.4x	12%
ITC*	74.1	71.7	7.9x	7.2x	6.7x	9%	21.3x	19.5x	18.0x	9%	22.4x	20.2x	18.6x	10%	28.2x	25.6x	24.7x	7%
Emami	4.4	4.4	9.3x	8.5x	7.8x	9%	33.9x	30.4x	27.3x	11%	39.5x	34.8x	30.9x	13%	42.0x	37.2x	33.1x	13%
Godrej Consumer Products*	18.0	18.1	10.1x	9.1x	8.2x	11%	44.6x	38.6x	34.2x	14%	47.6x	41.0x	36.2x	15%	64.7x	52.9x	45.6x	19%
Colgate*	11.6	11.5	15.4x	14.1x	12.9x	9%	45.0x	40.7x	37.0x	10%	49.1x	42.6x	40.1x	11%	64.1x	58.0x	52.3x	11%
Tata Consumer Products	13.8	14.0	6.6x	5.9x	5.5x	9%	42.0x	36.7x	35.9x	8%	53.3x	45.5x	42.7x	12%	72.7x	59.6x	51.7x	19%
Trent	30.7	30.8	14.2x	10.6x	8.5x	29%	91.6x	69.1x	52.6x	32%	129.7x	90.5x	73.6x	33%	139.0x	94.1x	73.9x	37%
Honasa	2.0	1.9	7.0x	5.7x	4.7x	21%	85.9x	53.6x	38.5x	49%	96.9x	61.2x	42.9x	50%	107.6x	72.6x	51.2x	45%
Go Colors	0.7	0.8	7.2x	6.1x	5.2x	18%	22.5x	18.5x	15.8x	19%	40.3x	32.2x	27.6x	21%	67.7x	53.9x	42.4x	26%
India Tech (IT)																		
Policybazaar*	9.4	9.3	16.5x	12.8x	10.2x	27%	437.9x	133.5x	76.0x	140%	nm	170.0x	88.3x	nm	218.6x	112.2x	74.9x	71%
Zomato*	26.6	24.9	10.6x	7.9x	6.1x	32%	215.5x	88.7x	51.6x	104%	632.9x	123.0x	62.1x	219%	216.4x	87.0x	62.8x	86%
Info Edge*	11.7	11.7	37.4x	31.8x	27.3x	17%	94.2x	75.7x	61.7x	24%	101.0x	80.7x	65.3x	24%	104.8x	87.0x	70.8x	22%
Car Trade*	0.5	0.4	5.7x	4.8x	4.0x	19%	26.3x	18.1x	13.2x	41%	35.3x	22.1x	15.4x	51%	34.6x	25.8x	19.6x	33%
Paytm*	4.1	3.2	3.4x	2.7x	2.3x	22%	nm	nm	59.1x	nm	nm	nm	nm	nm	nm	nm	168.5x	nm
Easemytrip*	0.9	0.8	10.4x	9.4x	8.0x	14%	25.1x	21.8x	17.5x	20%	25.8x	22.5x	18.0x	20%	36.9x	31.2x	23.9x	24%
Makemytrip	10.8	10.3	11.1x	9.4x	7.8x	19%	63.8x	52.3x	38.1x	29%	74.4x	48.7x	36.0x	44%	64.4x	55.0x	41.2x	25%
Affle	2.8	2.6	10.0x	8.4x	7.0x	19%	49.0x	39.9x	32.7x	22%	60.0x	48.7x	40.2x	22%	62.2x	50.4x	41.3x	23%
Nazara*	0.9	0.7	4.4x	3.6x	3.0x	22%	33.2x	24.7x	20.6x	27%	59.0x	41.6x	31.8x	36%	65.7x	53.8x	44.0x	22%
Indiamart*	2.2	1.9	11.6x	10.2x	9.0x	14%	nm	35.2x	30.8x	nm	38.0x	33.1x	29.2x	14%	43.0x	37.7x	32.9x	14%
IRCTC	8.8	8.6	15.0x	13.0x	11.8x	13%	42.0x	33.3x	29.6x	19%	44.7x	35.4x	31.4x	19%	54.9x	43.7x	38.3x	20%
Just Dial*	1.3	0.7	5.3x	4.6x	4.1x	13%	18.2x	15.8x	13.7x	15%	21.1x	18.1x	15.4x	17%	19.6x	19.4x	17.0x	8%
Global Beauty and Fashion (GBF)																		
Etsy	6.4	7.7	2.8x	2.6x	2.5x	5%	10.0x	9.6x	8.7x	7%	21.3x	17.9x	16.2x	15%	13.2x	11.9x	11.5x	7%
Ulta Beauty	17.7	19.1	1.7x	1.6x	1.5x	5%	10.3x	9.9x	9.3x	5%	12.1x	11.6x	11.0x	5%	14.6x	13.6x	12.5x	8%
Stitch Fix	0.4	0.3	0.3x	0.2x	0.2x	7%	12.1x	6.8x	6.1x	41%	nm	nm	nm	nm	nm	nm	nm	nm
THG	1.0	1.8	0.7x	0.6x	0.6x	7%	9.3x	8.1x	6.9x	16%	nm	nm	nm	nm	nm	nm	nm	nm
Proya Cosmetics	4.8	4.4	2.8x	2.2x	1.9x	21%	15.5x	12.7x	10.6x	21%	16.2x	13.1x	10.9x	22%	22.3x	18.2x	15.1x	22%
Guangdong Marubi	1.2	1.0	2.4x	2.0x	1.6x	21%	17.2x	13.6x	11.0x	25%	15.9x	12.5x	10.2x	25%	22.3x	17.8x	14.5x	24%
Shanghai Jahwa	1.4	1.0	1.0x	0.9x	0.9x	7%	10.5x	9.6x	8.8x	9%	13.6x	11.7x	10.3x	15%	19.8x	17.2x	14.9x	15%
Mean (IR)			8.5x	7.3x	6.5x	15%	47.0x	37.9x	32.2x	19%	69.7x	50.5x	41.0x	25%	74.2x	58.6x	62.8x	21%
Mean (IT)			11.8x	9.9x	8.4x	19%	100.5x	49.0x	37.1x	44%	109.2x	58.6x	39.4x	47%	83.7x	54.8x	52.9x	32%
Mean (GBF)			1.6x	1.5x	1.3x	11%	12.1x	10.0x	8.8x	18%	15.8x	13.4x	11.7x	16%	18.4x	15.7x	13.7x	15%

Source: JM Financial, Bloomberg

Key Risks

- Downside risks:**
 - 1) Slower-than-expected tech penetration in India:** Slower than expected tech-enabled transactions growth in India could significantly impact Nykaa's ability to quickly scale up and, thereby, report sustainable profits.
 - 2) Sharp rise in competitive intensity:** Nykaa directly competes with several domestic as well as foreign marketplace platforms, physical retail stores and direct-to-consumer brands. Competition can impact Nykaa's business either through technology disruption, exclusive goods and services offerings, pricing pressure, intense marketing and promotional campaigns, strong leverage of their own brands strength or through better relationships with suppliers.
 - 3) Regulatory risks:** The Indian government may change its regulations and policies on the retail industry, e-commerce rules, personal data and social security code. If that happens, Nykaa may have to bear incremental costs of compliance that may have a direct impact on its business operations as well as financial positioning. The government has also launched Open Network for Digital Commerce (ONDC) to dilute the platforms' strength though we estimate ONDC to not venture into specialised retails such as BPC anytime soon.
 - 4) Marginal player in Fashion:** Nykaa is the least capitalised player in Fashion where competition either has deep pockets or massive customer base. Therefore, the company may have to make substantial investments in building supplier and brand relationships, to improve brand awareness of its own platform and expand business across new products and categories.
 - 5) Margin dilution from distribution-led businesses:** While we like Nykaa's SuperStore business, there could be margin dilution for the company if growth in that business comes at the cost of growth in Nykaa's core business.
- Upside risks:**
 - 1) Sharp rise in transacting users:** Much faster rate than expected tech-enabled transactions penetration in India could lead to sharp rise in transacting user base for Nykaa, thereby significantly lifting volume growth.
 - 2) Private brands:** Nykaa has several owned brands that offer higher gross margin. A substantial increase in the mix of these brands in the overall mix through organic/inorganic expansion could lead to a significant upside in profitability.
 - 3) Fashion vertical gaining significant share of brands' digital advertising:** While Nykaa generates 6%+ of GMV in BPC Ads income, the same number for Fashion is lower than 4% currently, though Fashion brands allocate a higher percentage to advertising expense. If Nykaa does become the go-to platform for online Fashion purchases in India, we see significant upside from ads income.
 - 4) Value accretion**

from inorganic expansion: The company continues to look for inorganic expansion opportunities given its strong balance sheet. Strong revenue and operating synergies from such expansions could have a positive impact on the profitability trends of the company.

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	51,438	63,856	81,413	1,06,386	1,37,349	
Sales Growth	36.3%	24.1%	27.5%	30.7%	29.1%	
Other Operating Income	0	0	0	0	0	
Total Revenue	51,438	63,856	81,413	1,06,386	1,37,349	
Cost of Goods Sold/Op. Exp	28,657	36,464	45,889	59,765	77,031	
Personnel Cost	4,917	5,649	6,576	7,708	8,890	
Other Expenses	15,303	18,282	23,760	30,291	37,733	
EBITDA	2,561	3,461	5,188	8,622	13,695	
EBITDA Margin	5.0%	5.4%	6.4%	8.1%	10.0%	
EBITDA Growth	56.9%	35.1%	49.9%	66.2%	58.8%	
Depn. & Amort.	1,733	2,242	2,453	2,887	3,333	
EBIT	828	1,219	2,734	5,735	10,361	
Other Income	-444	-529	-530	-422	-72	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	384	690	2,205	5,313	10,289	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	384	690	2,205	5,313	10,289	
Taxes	136	253	556	1,339	2,593	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	17	75	198	401	699	
Reported Net Profit	232	362	1,451	3,573	6,997	
Adjusted Net Profit	232	362	1,451	3,573	6,997	
Net Margin	0.5%	0.6%	1.8%	3.4%	5.1%	
Diluted Share Cap. (mn)	2,873.3	2,873.3	2,873.3	2,873.3	2,873.3	
Diluted EPS (INR)	0.1	0.1	0.5	1.2	2.4	
Diluted EPS Growth	-90.4%	56.2%	301.0%	146.3%	95.8%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	384	690	2,205	5,313	10,289	
Depn. & Amort.	1,733	2,242	2,453	2,887	3,333	
Net Interest Exp. / Inc. (-)	527	631	530	422	72	
Inc (-) / Dec in WCap.	-3,290	-2,513	-1,437	-1,042	-1,118	
Others	195	264	190	223	258	
Taxes Paid	-951	-1,312	-556	-1,339	-2,593	
Operating Cash Flow	-1,402	3	3,386	6,465	10,242	
Capex	-2,082	-1,107	-1,571	-2,121	-2,202	
Free Cash Flow	-3,484	-1,105	1,815	4,344	8,040	
Inc (-) / Dec in Investments	3,713	788	0	0	0	
Others	-236	218	315	444	838	
Investing Cash Flow	1,396	-101	-1,256	-1,677	-1,364	
Inc / Dec (-) in Capital	288	172	-25	-25	10	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	95	721	-1,567	-2,025	-2,359	
Others	-334	-451	-558	-529	-493	
Financing Cash Flow	49	443	-2,150	-2,579	-2,842	
Inc / Dec (-) in Cash	42	344	-20	2,209	6,036	
Opening Cash Balance	372	414	758	738	2,947	
Closing Cash Balance	414	758	738	2,947	8,983	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	13,780	12,622	14,239	18,010	25,274	
Share Capital	2,852	2,856	2,856	2,856	2,856	
Reserves & Surplus	10,928	9,766	11,383	15,154	22,418	
Preference Share Capital	0	0	0	0	0	
Minority Interest	141	188	386	788	1,487	
Total Loans	4,604	6,804	6,804	6,804	6,804	
Def. Tax Liab. / Assets (-)	-1,878	-2,690	-2,690	-2,690	-2,690	
Total - Equity & Liab.	16,647	16,924	18,739	22,912	30,876	
Net Fixed Assets	7,297	6,979	7,944	9,637	11,384	
Gross Fixed Assets	3,486	4,238	5,431	7,062	8,863	
Intangible Assets	1,556	1,715	1,820	2,018	2,122	
Less: Depn. & Amort.	1,173	1,881	2,679	3,612	4,680	
Capital WIP	3,428	2,906	3,372	4,169	5,079	
Investments	4,100	3,817	3,817	3,817	3,817	
Current Assets	16,225	20,520	24,013	32,107	45,314	
Inventories	10,051	11,920	13,996	17,573	22,017	
Sundry Debtors	1,635	2,416	3,024	3,938	5,065	
Cash & Bank Balances	414	758	738	2,947	8,983	
Loans & Advances	0	0	0	0	0	
Other Current Assets	4,125	5,426	6,254	7,650	9,249	
Current Liab. & Prov.	10,975	14,392	17,035	22,650	29,639	
Current Liabilities	6,035	6,758	9,094	12,285	16,223	
Provisions & Others	4,939	7,634	7,942	10,365	13,416	
Net Current Assets	5,251	6,128	6,977	9,457	15,675	
Total - Assets	16,647	16,924	18,739	22,912	30,876	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
Net Margin		0.5%	0.6%	1.8%	3.4%	5.1%
Asset Turnover (x)		2.5	2.9	3.4	3.9	4.0
Leverage Factor (x)		1.5	1.7	1.8	1.7	1.6
RoE		1.7%	2.7%	10.8%	22.2%	32.3%

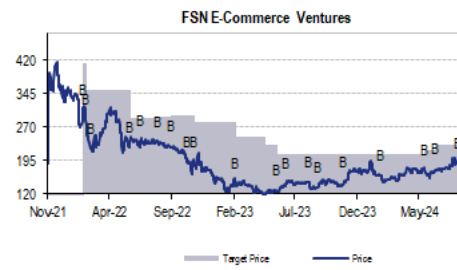
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
BV/Share (INR)		4.8	4.4	5.0	6.3	8.8
ROIC		4.6%	5.3%	12.8%	24.0%	39.1%
ROE		1.7%	2.7%	10.6%	21.4%	30.7%
Net Debt/Equity (x)		0.0	0.2	0.2	0.0	-0.2
P/E (x)		2,802.5	1,794.5	447.6	181.7	92.8
P/B (x)		46.8	51.3	45.5	35.9	25.6
EV/EBITDA (x)		252.8	187.7	125.3	75.2	46.9
EV/Sales (x)		12.6	10.2	8.0	6.1	4.7
Debtor days		12	14	14	14	13
Inventory days		71	68	63	60	59
Creditor days		20	23	27	30	32

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
3-Feb-22	Buy	414	
10-Feb-22	Buy	354	-14.5
22-Feb-22	Buy	354	0.0
29-May-22	Buy	289	-18.4
24-Jun-22	Buy	289	0.0
6-Aug-22	Buy	292	1.2
8-Sep-22	Buy	297	1.7
18-Oct-22	Buy	297	0.0
2-Nov-22	Buy	281	-5.6
14-Feb-23	Buy	250	-10.9
26-Apr-23	Buy	230	-8.0
25-May-23	Buy	210	-8.7
17-Jun-23	Buy	210	0.0
12-Aug-23	Buy	210	0.0
4-Sep-23	Buy	210	0.0
6-Nov-23	Buy	210	0.0
6-Feb-24	Buy	210	0.0
23-May-24	Buy	220	4.8
18-Jun-24	Buy	230	4.5
14-Aug-24	Buy	230	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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