

# FSN E-Commerce Ventures Ltd.

**BUY**

Sector: E-Retail/ E-Commerce

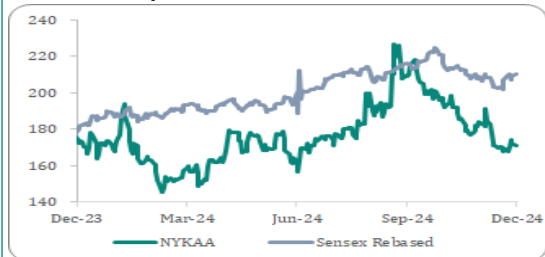
4<sup>th</sup> December 2024

<b>Key Changes</b>	<b>Target</b> ▲	<b>Rating</b> ●	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs.198</b>
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	NYKAA:IN	80,846	NYKAA	543384	12 Months
				<b>CMP</b>	<b>Rs.172</b>
				<b>Return</b>	<b>+15%</b>

Data as of: 03-12-2024

Company Data			
Market Cap (Rs. cr)	49,151		
52 Week High — Low (Rs.)	230 - 140		
Enterprise Value (Rs. cr)	49,915		
Outstanding Shares (cr)	285.8		
Free Float (%)	48.0		
Dividend Yield (%)	0.0		
6m average volume (cr)	1.1		
Beta	1.0		
Face value (Rs. )	1.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	52.2	52.2	52.2
FII's	10.3	10.5	10.1
MFs/Institutions	17.2	18.3	21.8
Public	17.3	16.2	13.8
Others	3.0	2.8	2.0
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-17.8%	5.7%	-2.7%
Absolute Sensex	-2.1%	5.7%	19.8%
Relative Return	-15.7%	-0.1%	-22.5%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	6,386	8,005	9,949
Growth (%)	24.1	25.4	24.3
EBITDA	346	482	769
EBITDA Margin (%)	5.4	6.0	7.7
PAT Adjusted	32	125	291
Growth (%)	67.5	286.7	133.2
Adjusted EPS	0.1	0.4	1.0
Growth (%)	67.3	286.5	133.2
P/E	1,433.3	395.2	169.4
P/B	36.6	35.5	29.4
EV/EBITDA	134.9	103.7	65.0
ROE (%)	3.1	9.8	19.0
D/E	0.5	0.6	0.6

## Strong revenue growth; BPC outperformed

FSN E-Commerce Ventures Pvt Ltd (Nykaa) is a consumer technology platform provider that distributes beauty, fitness, healthcare, skincare and haircare products via online and physical stores. It has three operating segments: beauty and personal care (BPC), fashion and others, which include Nykaa Man, Superstore and international business.

- In Q2FY25, Nykaa's revenue grew 24.4% YoY to Rs. 1,875cr, driven by robust performance of the Beauty and Personal Care (BPC) and fashion segments.
- The BPC segment witnessed a 33.2% YoY growth in revenue to Rs. 1,703cr, fuelled by strong performance in categories such as colour cosmetics, skincare, haircare, fragrances and bath and body care. The segment's gross merchandise value (GMV) grew 29% YoY to Rs. 2,783cr.
- The fashion segment grew 27.3% YoY to Rs. 166cr, driven by substantial growth in the core and emerging categories. The segment's GMV grew 10% YoY to Rs. 863cr.
- In Q2FY25, total beauty segment orders reached 12.9mn units, reflecting a 24% YoY growth. On the fashion side, however, orders declined to 1.8mn units, marking a 4% YoY decrease.
- EBITDA improved 28.6% YoY to Rs. 104cr, while margin rose 10bps YoY to 5.5%, owing to cost optimisation.
- Reported profit after tax increased 44.7% YoY to Rs. 13cr, driven by robust revenue growth and scale efficiencies.

## Valuation

Nykaa delivered a strong earnings performance in Q2FY25. The company expects growth in the BPC and fashion segments going forward on account of ongoing efforts on acquiring new customers, expanding into new categories, and new stores. Additionally, its cost optimization and improving scale efficiency should further boost its profitability in the long-term. Expansion through partnership with globally recognized brands, investment in technology and synergies are likely to positively impact its earnings in the long term. Therefore, **we reiterate our BUY rating on the stock, with a revised target price of Rs. 198, based on 5.7x FY26E P/S.**

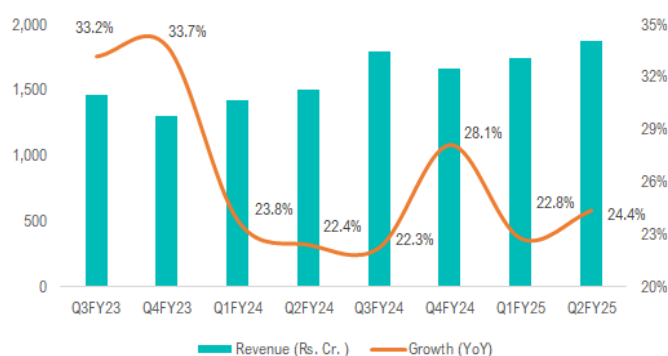
## Quarterly Financials Consol.

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	1,875	1,507	24.4	1,746	7.4	3,621	2,929	23.6
EBITDA	104	81	28.6	77	33.9	181	154	17.5
Margin (%)	5.5	5.4	10bps	4.4	110bps	5.0	5.3	-30bps
EBIT	40	26	54	17	130.9	57	48	20.7
PBT	21	13	60.3	22	-3.7	43	23	88.6
Rep. PAT	13	9	44.7	14	-5.6	28	16	75.8
Adj PAT	10	6	71.6	10	4.1	20	9	115.0
EPS (Rs)	0.0	0.0	71.4	0.0	4.1	0.1	0.0	114.7

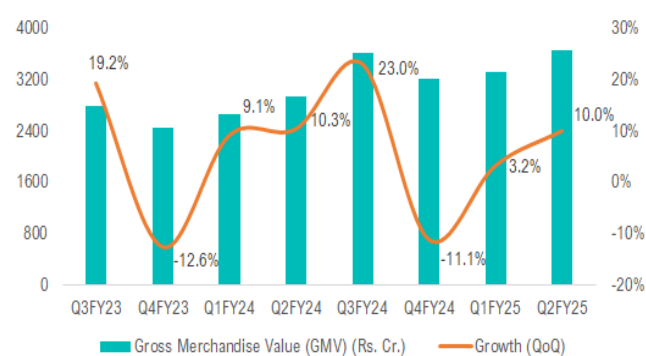
## Concall highlights

- As of September 30, Nykaa had a cumulative customer base of 37mn, up 31% YoY.
- With 210 stores, the company is now the largest beauty retailer network in the country. In Q2FY25, two new flagship stores, which are largest in the India, featuring more brands, in premium locations. It plans to expand the network further.
- The company now offers 6,800 brands in the beauty and fashion segments. In Q2FY25, it launched more than 260 brands in fashion and more than 170 brands in beauty segment, marking a significant expansion of its catalog.
- On 13th August, 2024, the Board approved the acquisition of an additional 39% stake in Dot and Key Wellness Pvt Ltd for up to Rs. 265cr. The transaction was completed during Q2FY25, and Nykaa now holds a 90% equity interest in Dot & Key.
- The company is focusing on quicker delivery to improve customer satisfaction and stated 70% of the beauty orders are now delivered within the same or next day across 110 cities in the country.
- Nykaa said its executed flagship Hot Pink Sale attracted around 23mn unique customers over 10 days.
- The company hosted a masterclass featuring renowned makeup artist Sofia Tilbury and Patirck Ta, attracting over 5,000 beauty enthusiasts. With 80 participating brands, international and domestic, the event saw exclusive product launches from global icons such as Clinique, Sol de Janerio, GHD, Obagi and Eucerin. The company believes such events drive market expansion.

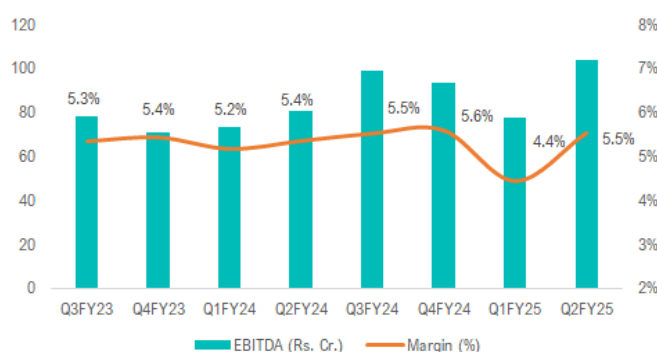
### Revenue



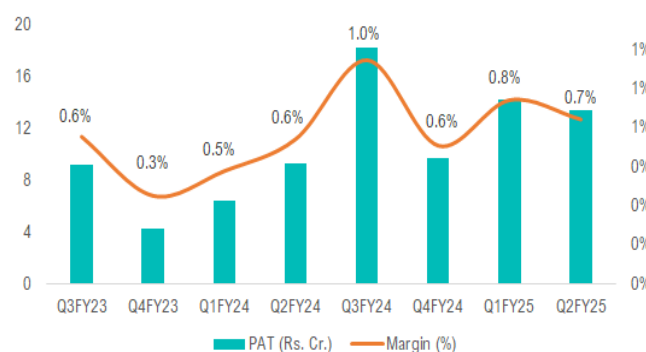
### Gross Merchandise Value (GMV)



### EBITDA



### PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	8,167	10,581	8,005	9,949	-2.0	-6.0
EBITDA	571	904	482	769	-15.7	-14.9
Margins (%)	7.0	8.5	6.0	7.7	-100bps	-80bps
Adj. PAT	194	395	125	291	-35.7	-26.3
EPS	0.7	1.4	0.4	1.0	-37.6	-27.3



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Sales</b>	<b>3,774</b>	<b>5,144</b>	<b>6,386</b>	<b>8,005</b>	<b>9,949</b>
% change	54.6	36.3	24.1	25.4	24.3
<b>EBITDA</b>	<b>163</b>	<b>256</b>	<b>346</b>	<b>482</b>	<b>769</b>
% change	4.2	56.8	35.2	39.1	59.7
Depreciation	96	173	224	244	290
<b>EBIT</b>	<b>67</b>	<b>83</b>	<b>122</b>	<b>237</b>	<b>479</b>
Interest	47	75	83	106	123
Other Income	27	30	30	48	62
<b>PBT</b>	<b>47</b>	<b>38</b>	<b>69</b>	<b>179</b>	<b>418</b>
% change	-28.5	-18.8	79.8	159.9	133.2
Tax	6	14	25	43	100
Tax Rate (%)	12.7	35.4	36.7	24.0	24.0
<b>Reported PAT</b>	<b>41</b>	<b>21</b>	<b>40</b>	<b>136</b>	<b>318</b>
<b>PAT att. to common shareholders</b>	<b>41</b>	<b>19</b>	<b>32</b>	<b>125</b>	<b>291</b>
Adj.*	-	-	-	-	-
<b>Adj. PAT</b>	<b>41</b>	<b>19</b>	<b>32</b>	<b>125</b>	<b>291</b>
% change	-33.3	-53.1	67.5	286.7	133.2
No. of shares (cr)	47.4	285.2	285.6	285.8	285.8
<b>Adj EPS (Rs)</b>	<b>0.9</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>1.0</b>
% change	-34.9	-92.2	67.3	286.5	133.2
DPS (Rs)	-	-	-	-	-

### Cashflow

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Deprn.</b>	<b>138</b>	<b>194</b>	<b>264</b>	<b>381</b>	<b>608</b>
Non-cash adj.	-147	-34	-110	-5	50
Other adjustments	-	-	-	-	-
Changes in W.C	-344	-300	-154	-171	-281
<b>C.F. Operation</b>	<b>-354</b>	<b>-140</b>	<b>0</b>	<b>205</b>	<b>376</b>
Capital exp.	-94	-208	-111	-264	-298
Change in inv.	-525	330	-56	-	-
Other invest.CF	16	18	157	-20	-47
<b>C.F - Investment</b>	<b>-603</b>	<b>140</b>	<b>-10</b>	<b>-284</b>	<b>-345</b>
Issue of equity	873	29	17	-	-
Issue/repay debt	146	126	220	191	87
Dividends paid	-	-	-	-	-
Other finance.CF	-91	-150	-193	-66	-102
<b>C.F - Finance</b>	<b>927</b>	<b>5</b>	<b>44</b>	<b>125</b>	<b>-15</b>
Chg. in cash	-30	4	34	46	16
<b>Closing Cash</b>	<b>267</b>	<b>149</b>	<b>240</b>	<b>285</b>	<b>302</b>

### Balance Sheet

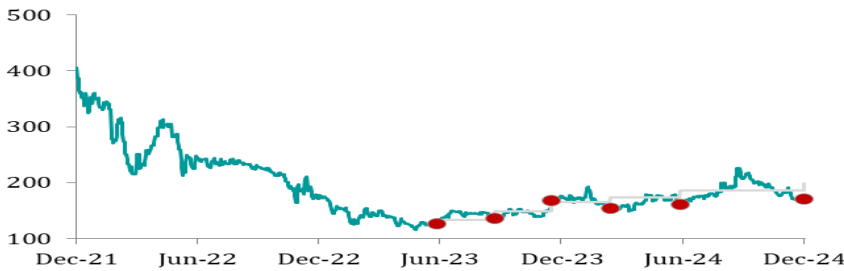
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Cash</b>	<b>267</b>	<b>149</b>	<b>240</b>	<b>285</b>	<b>302</b>
Accts. Receivable	95	164	242	308	388
Inventories	876	1,005	1,192	1,319	1,599
Other Cur. Assets	690	588	619	698	711
Investments	-	-	-	-	-
<b>Gross Fixed Assets</b>	<b>591</b>	<b>882</b>	<b>991</b>	<b>1,255</b>	<b>1,553</b>
Net Fixed Assets	372	543	497	516	524
CWIP	10	2	6	7	7
Intangible Assets	126	184	195	202	237
Def. Tax -Net	115	188	269	282	294
Other Assets	96	127	141	157	183
<b>Total Assets</b>	<b>2,646</b>	<b>2,950</b>	<b>3,401</b>	<b>3,775</b>	<b>4,245</b>
Current Liabilities	633	738	1,198	1,190	1,208
Provisions	8	9	10	13	16
Debt Funds	333	460	680	871	958
Other Liabilities	327	351	230	284	328
Equity Capital	47	285	286	286	286
Res. & Surplus	1,292	1,093	977	1,101	1,392
<b>Shareholder Funds</b>	<b>1,340</b>	<b>1,378</b>	<b>1,262</b>	<b>1,387</b>	<b>1,678</b>
Minority Interest	6	14	19	30	57
<b>Total Liabilities</b>	<b>2,646</b>	<b>2,950</b>	<b>3,401</b>	<b>3,775</b>	<b>4,245</b>
BVPS	28	5	4	5	6

### Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	4.3	5.0	5.4	6.0	7.7
EBIT margin (%)	1.8	1.6	1.9	3.0	4.8
Net profit mgn.(%)	1.1	0.4	0.6	1.7	3.2
ROE (%)	3.1	1.5	3.1	9.8	19.0
ROCE (%)	4.0	4.5	6.2	10.4	17.8
<b>W.C &amp; Liquidity</b>					
Receivables (days)	9.1	11.6	13.8	14.1	14.2
Inventory (days)	150.0	128.0	119.3	105.9	106.4
Payables (days)	62.0	33.8	38.7	32.9	32.5
Current ratio (x)	2.0	1.6	1.2	1.3	1.4
Quick ratio (x)	0.4	0.3	0.3	0.3	0.3
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	8.1	7.0	6.8	7.1	7.1
Total asset T.O (x)	1.9	1.8	2.0	2.2	2.5
Int. covge. ratio (x)	1.4	1.1	1.5	2.2	3.9
Adj. debt/equity (x)	0.2	0.3	0.5	0.6	0.6
<b>Valuation</b>					
EV/Sales (x)	3.6	6.9	7.3	6.2	5.0
EV/EBITDA (x)	82.2	138.4	134.9	103.7	65.0
P/E (x)	324.9	1,822.9	1,433.3	395.2	169.4
P/BV (x)	10.0	25.5	36.6	35.5	29.4



## Recommendation Summary - last 3 years



Dates	Rating	Target
29-May-23	HOLD	133
24-Aug-23	HOLD	149
17-Nov-23	HOLD	165
14-Feb-24	BUY	174
29-May-24	BUY	186
4-Dec-24	BUY	198

## Rating Criteria


Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


### Definition:

**Buy:** Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

### Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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