

# FSN E-Commerce Ventures | BUY



## BPC margins surprise positively; Fashion breakeven extended

Nykaa BPC segment is going from strength to strength, delivering 31% GMV growth YoY along with 25% revenue growth. Furthermore, the segment reported 80bps QoQ EBITDAM improvement (as % of NSV), despite seasonality-driven operating leverage. While Fashion GMV growth gained momentum (18% YoY), margins disappointed due to marketing investments. We have now pushed Fashion segment breakeven to FY27. Nykaa also reported strong working capital enhancement that ensured first year (since COVID) of positive cashflow post lease liabilities and capital expenditure. Overall, the company reported 24% YoY growth in revenue to reach INR 20.6bn with EBITDA margin reaching 6.5%. We believe core BPC will benefit from repeat purchases from customers acquired this year, resulting in sharper margin improvement in the coming years. Nykaa's ability to deliver robust growth in a tepid demand environment along with margin enhancement demonstrates its differentiated market positioning. Reiterate 'BUY' with Mar'26 TP of INR 250.

- **BPC growth momentum continues with margin improvement chugging along:** Nykaa BPC segment has seen 31% YoY GMV growth in 4QFY25, on the back of investments in customer acquisition over the past several quarters leading to robust order volume growth. Offline retail performance was also strong supported by 15% SSSG growth as well as accelerated expansion of store network with 19 stores rolled out in 4QFY25. Company has expanded its retail footprint to 237 stores across 79 cities with 0.25mn sq. ft. of retail space. The segment delivered 26% YoY NSV growth. However, our triangulation suggests that core BPC (excluding eB2B and Nykaa Man) was at 29% / 23% GMV/NSV growth, suggesting sustained strength despite the poor macro environment. Core BPC gross margin improved 230bps YoY due to rising owned brands salience and lower brand discounts. With contribution margin also rising 110bps, core BPC EBITDA margin improved 60bps YoY. We expect the segment to sustain revenue growth along with margin improvement driven by sharper expansion in House of Brands and Physical store margin along with c.50bps expansion in online platform margin.
- **Nykaa Fashion GMV gains momentum but margins disappoint:** Nykaa Fashion reported GMV/NSV growth of 18%/13% YoY in 4QFY25 indicating some green shoots of recovery. Revenue growth however was lower at 11% YoY due to muted performance of Nykaa Fashion owned brands and lower LBB mix. Gross margin dipped 40bps YoY and increase in marketing expenses by 470bps resulted in contribution margin (as % of NSV) dipping sharply by 500bps YoY to reach 3.4%. Though controlled indirect expenses ensured EBITDAM hit was lower at 140bps, we now find breakeven in FY26 to get pushed to FY27. Management noted that margin expansion is structural in nature and will continue to improve as the business scales. Nykaa Fashion launched 800+ marquee brands including Victoria's Secret, Rare Rabbit, Hopscotch, across categories such as Womenwear, Menswear, Kidswear, Home and Accessories etc.
- **Reiterate 'BUY', Mar'26 TP rises to INR 250:** Despite unfavourable demand environment, Nykaa has delivered against the odds to improve margins while delivering industry-leading

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	250
Upside/(Downside)	23.0%
Previous Price Target	240
Change	4.2%

### Key Data – NYKAA IN

Current Market Price	INR203
Market cap (bn)	INR581.2/US\$6.8
Free Float	48%
Shares in issue (mn)	2,859.0
Diluted share (mn)	2,873.3
3-mon avg daily val (mn)	INR1,414.7/US\$16.5
52-week range	230/150
Sensex/Nifty	81,451/24,751
INR/US\$	85.6

### Price Performance

%	1M	6M	12M
Absolute	4.6	18.1	25.9
Relative*	3.4	16.4	14.3

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	63,856	79,498	1,01,991	1,29,144	1,62,117
Sales Growth (%)	24.1	24.5	28.3	26.6	25.5
EBITDA	3,461	4,726	7,840	12,120	17,942
EBITDA Margin (%)	5.4	5.9	7.7	9.4	11.1
Adjusted Net Profit	362	786	2,551	5,559	9,926
Diluted EPS (INR)	0.1	0.3	0.9	1.9	3.5
Diluted EPS Growth (%)	56.2	117.3	224.4	118.0	78.5
ROIC (%)	5.3	8.3	16.9	31.6	50.2
ROE (%)	2.7	6.0	17.2	28.8	35.9
P/E (x)	1,611.9	741.8	228.7	104.9	58.8
P/B (x)	46.1	44.6	36.9	27.0	18.3
EV/EBITDA (x)	168.4	123.9	74.4	47.8	31.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 30/May/2025

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.

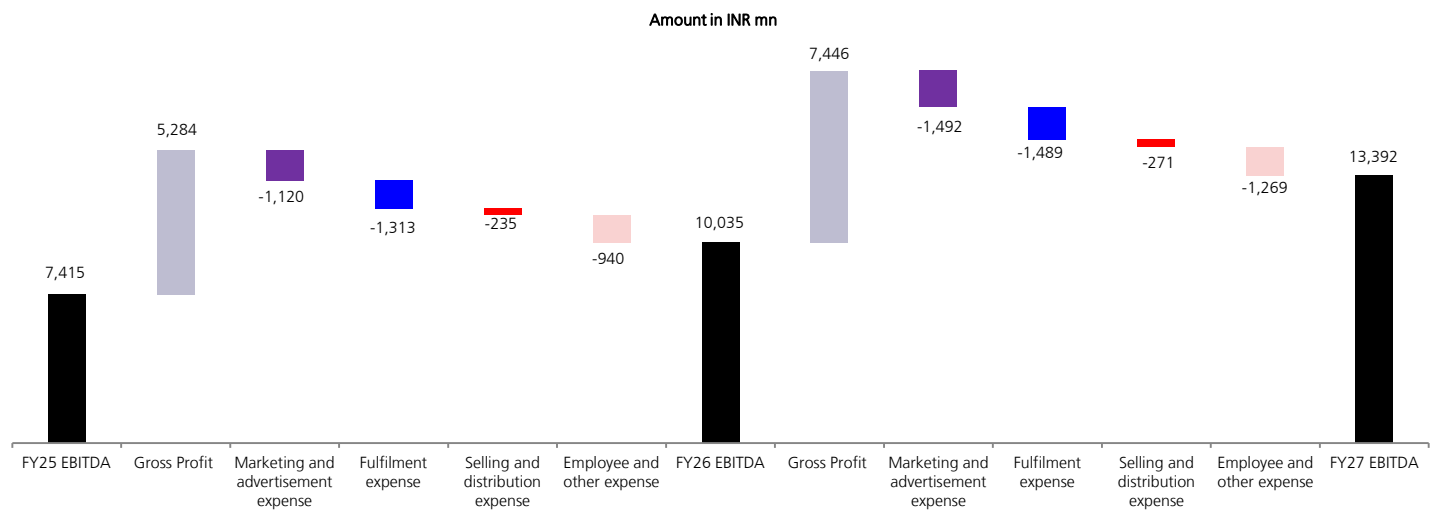
growth across segments. Furthermore, our channel checks suggest that the company continues to gain market share in both online BPC and Fashion. At c. INR 2.7bn, we believe the investment-phase segments' loss has peaked in FY25. We reiterate BUY with Mar'26 TP of INR 25 (INR 240 earlier) as Nykaa remains one of the highest compounding consumption plays in India.

- **Superstore growth remains robust but profitability will be gradual:** Nykaa's eB2B platform, 'SuperStore' (which is part of BPC from 1QFY25 onwards) continues to see strong GMV growth of 53% YoY, growing ~3x in FY23-25 with the company reaching 276k retailers in 1,100 cities. Superstore now contributes ~8% to BPC GMV. Gross margin improved 244bps YoY (driven by increasing share of House of Nykaa brands, premium brands and higher service income) while contribution margin improved sharply with 509bps YoY (-12.6% in FY25) improvement as company is moving from third party warehouses to owned warehouses leading to reduction of fulfilment costs. We expect Superstore business to turn contribution profitable in FY27 with EBITDA profitability only anticipated in FY29.
- **Owned brands remain strong with Fashion owned brands focused solely on Nykaa platform:** Beauty owned brands have shown strong GMV growth of 72% YoY to reach INR 5.3bn in 4QFY25 driven by strong growth in Dot & key (FY25 GMV of INR 9.1bn), Nykaa Cosmetics (FY25 GMV of INR 3.5bn) and Kay Beauty (FY25 GMV of INR 2.4bn). Meanwhile, Fashion owned brands GMV grew 5% YoY to reach INR 1.1bn in 4QFY25. In Fashion, Nykd / Twenty Dresses have reached INR 1.6bn+ / 1bn+ respectively in FY25. In Fashion, company will be refining assortment with focus on only select brands. As 3P fashion marketplaces have struggled for growth, company has revamped its channel strategy by driving higher mix from Nykaa Fashion platform (+38% YoY). Overall, Nykaa's house of brands portfolio has crossed INR 21bn GMV mark.
- **Content and education:** Nykaa leveraged its affiliate program with 28,000+ creators producing 500K+ content pieces, including 15,000+ shoppable videos on Nykaa Play. Social media reach touched 1bn+ impressions (17mn+ social media followers) through various thought leadership initiatives such as 'Nykaa Wali Shaadi', 'Step by step with Nykaa' etc. The company is investing in beauty tech, deploying AI-based tools like virtual try-ons and skin consultations to enhance in-store experience. This commitment to "phygital" (physical + digital) retail has allowed Nykaa to offer a differentiated, education-led shopping journey, especially for high-involvement beauty categories.
- **Nykaa Now:** 'Nykaa Now' is Nykaa's rapid delivery initiative which offers deliveries within 60 minutes, with a broader promise of under 2-hour fulfilment. Currently active in key metro cities, the service has shown strong initial traction, contributing meaningfully to order fulfilment in those regions. What differentiates 'Nykaa Now' is its extensive assortment which other QC platforms lack and with BPC customers being extremely SKU-specific, this moat is expected to stand strong. The initiative is now well beyond the pilot stage and is already integrated into Nykaa's core operations in metros. Nykaa plans to expand the service to additional metros over the next few months, reinforcing its omni-channel strategy and competitive edge.
- **BPC EBITDA Margin expansion back on track with Q4 EBITDA touching 12.1%:** With the management investing into new customer acquisition, there has been significant reinvestment in order to broaden the customer funnel. Hence, core BPC contribution margin has improved 250bps sequentially to 26.7% of NSV. With CM dip now in check and revenue growing in mid-twenties, Nykaa BPC segment is expected to deliver sustained EBITDA margin expansion to reach 13% in FY27 from 11.2% in FY25. Our triangulation of BPC mix across eB2B, Physical Stores, Private Labels and Online Platform suggests that Nykaa's online is currently around 14% EBITDAM with 50bps annual expansion likely. However, other parts of BPC are expected to deliver a much sharper margin enhancement to drive mix-related margin accretion.

**Exhibit 1. Triangulation for EBITDA margins in BPC (channel-wise)**

Particulars	FY25	FY26E	FY27E	Comments
<b>Total BPC GMV</b>	<b>117,742</b>	<b>150,632</b>	<b>189,574</b>	JMFe
eB2B+Nykaa Man	11,194	16,624	23,190	JMFe
Physical Stores	9,039	11,751	15,276	Assuming 30% CAGR
House of Brands	16,950	26,273	40,722	Assuming 55% CAGR
Online Platform	80,559	95,985	110,386	Calculated
<b>GMV-Revenue conversion</b>	<b>61.6%</b>	<b>61.6%</b>	<b>61.8%</b>	JMFe
eB2B+Nykaa Man	58.9%	59.2%	59.6%	JMFe
Physical Stores	62.7%	63.0%	63.5%	Assumed in-line with online platform, lower discounts and returns with lower ad revenue too
House of Brands	57.7%	57.7%	57.7%	Assumed lower conversion than online platform due to minimal ad income and higher discounts
Online Platform	62.7%	63.0%	63.5%	Calculated
<b>Revenue</b>	<b>72,512</b>	<b>92,842</b>	<b>117,082</b>	JMFe
eB2B+Nykaa Man	6,592	9,839	13,818	JMFe
Physical Stores	5,663	7,403	9,700	Calculated
House of Brands	9,772	15,146	23,476	Calculated
Online Platform	50,485	60,454	70,088	Calculated
<b>EBITDA</b>	<b>5,946</b>	<b>8,605</b>	<b>12,227</b>	JMFe
eB2B+Nykaa Man	-1,469	-1,431	-1,165	JMFe
Physical Stores	57	370	728	Assumed
House of Brands	342	984	2,230	Assumed
Online Platform	7,017	8,680	10,434	Calculated
<b>EBITDA margin</b>	<b>8.2%</b>	<b>9.3%</b>	<b>10.4%</b>	
eB2B+Nykaa Man	-22.3%	-14.5%	-8.4%	JMFe
Physical Stores	1.0%	5.0%	7.5%	Assumed 1% margin in FY25 due to rapid store expansion
House of Brands	3.5%	6.5%	9.5%	Assuming EBITDA margin of 3.5% in FY25 with 300bps annual expansion
Online Platform	13.9%	14.4%	14.9%	Online platform margin needs to improve by 50bps annually to meet JMFe

Source: JM Financial

**Exhibit 2. Core BPC segment journey to FY27 EBITDA (in INR mn)**

Source: Company, JM Financial estimates

**Exhibit 3. Nykaa Q4FY25 vis-à-vis JMFe and consensus estimates**

Financial Performance (Consol).	4Q25A	4Q24A	Change (YoY)	3Q25A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	Estimate (Cons)	Variance (vs. Cons.)
<b>Total GMV (INR mn)</b>	41,020	32,172	27.5%	45,279	-9.4%	40,850	0.4%	41,707	-1.6%
BPC	30,580	23,377	30.8%	33,899	-9.8%	30,465	0.4%	31,801	-3.8%
Fashion	10,370	8,760	18.4%	11,299	-8.2%	10,275	0.9%	9,906	4.7%
Others	70	36	94.4%	81	-13.6%	110	-36.6%		
<b>Total NSV (INR mn)</b>	20,430	16,488	23.9%	22,190	-7.9%	20,531	-0.5%		
BPC	17,570	13,979	25.7%	18,817	-6.6%	17,487	0.5%		
Fashion	2,800	2,479	12.9%	3,295	-15.0%	2,937	-4.7%		
Others	60	30	100.0%	78	-23.1%	107	-43.8%		
<b>Revenue from operations (INR mn)</b>	20,618	16,680	23.6%	22,672	-9.1%	20,694	-0.4%	20,771	-0.7%
Gross Profit (INR mn)	9,090	7,102	28.0%	9,911	-8.3%	9,041	0.5%	8,999	1.0%
<b>Gross margin</b>	44.1%	42.6%	151bp	43.7%	37bp	43.7%	40bp	43.3%	77bp
EBITDA (INR mn)	1,334	933	43.0%	1,408	-5.3%	1,228	8.6%	1,312	1.6%
<b>EBITDA margin</b>	6.5%	5.6%	88bp	6.2%	26bp	5.9%	54bp	6.3%	15bp
PAT ex-MI and Exceptional (INR mn)	203	69	192.6%	261	-22.4%	169	20.2%	266	-23.8%
Diluted EPS (INR)	0.07	0.02	192.6%	0.09	-22.4%	0.06	20.2%	0.10	-30.1%

Source: Company, JM Financial, Bloomberg

## Company Financial Metrics

### Exhibit 4. Key Financials

	4QFY24	FY24	1QFY25	2QFY25	3QFY25	4QFY25	FY25	Comments
<b>Group GMV* (INR mn)</b>	<b>32,174</b>	<b>124,463</b>	<b>33,209</b>	<b>36,525</b>	<b>45,279</b>	<b>41,020</b>	<b>156,033</b>	
BPC	23,377	83,409	25,429	27,834	33,899	30,580	117,742	• Consolidated revenue grew 23.6% YoY (-9.1% QoQ) to reach INR 20.6bn, roughly in line with JMFe and street estimates.
Fashion	8,760	32,699	7,741	8,633	11,299	10,370	38,043	
Others	36	68	39	58	81	70	248	
<b>Cons. revenue (INR mn)</b>	<b>16,680</b>	<b>63,856</b>	<b>17,461</b>	<b>18,747</b>	<b>22,672</b>	<b>20,618</b>	<b>79,498</b>	• Gross margin improved by 151bps YoY/37bps QoQ to 44.1% in 4QFY25. On Gross margin level, a beat of 40bps/77bps on JMFe/Cons. respectively.
Change (YoY)	28.1%	24.1%	22.8%	24.4%	26.7%	23.6%	24.5%	
Gross profit (INR mn)	7,102	27,392	7,560	8,210	9,911	9,090	34,772	
<b>Gross margin</b>	<b>42.6%</b>	<b>42.9%</b>	<b>43.3%</b>	<b>43.8%</b>	<b>43.7%</b>	<b>44.1%</b>	<b>43.7%</b>	• EBITDA margin improved 88bps YoY/26bps QoQ to 6.5%, but a beat on JMFe by 54bps and on cons. by 15bps.
Operating profit (EBITDA)	933	3,462	961	1,037	1,408	1,334	4,739	
<b>EBITDA margin</b>	<b>5.6%</b>	<b>5.4%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>6.2%</b>	<b>6.5%</b>	<b>6.0%</b>	• On profitability front, there was a beat of 20% on JMFe with Adj. PAT of INR 203mn vs. INR 261mn/INR 69mn in 3QFY25/4QFY24
Depreciation & amortization	596	2,242	601	636	698	729	2,664	
EBIT	336	1,219	361	400	710	605	2,075	
<b>EBIT margin</b>	<b>2.0%</b>	<b>1.9%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>3.1%</b>	<b>2.9%</b>	<b>2.6%</b>	
Net other income	-141	-529	-140	-188	-264	-209	-801	
Exceptionals	0	0	0	0	0	0	0	
Profit before tax	196	690	221	213	446	396	1,275	
Income tax expense	98	253	78	78	176	205	538	
Share of associate	-7	-40	-6	-5	-6	0	-16	
Minority Interest	21	75	40	29	3	-12	60	
<b>Reported PAT</b>	<b>97</b>	<b>437</b>	<b>142</b>	<b>134</b>	<b>270</b>	<b>191</b>	<b>737</b>	
Change (YoY)	124.8%	76.1%	120.6%	44.7%	47.9%	95.6%	68.8%	
<b>PAT for common stocks</b>	<b>69</b>	<b>323</b>	<b>96</b>	<b>100</b>	<b>261</b>	<b>203</b>	<b>661</b>	
Change (YoY)	180.8%	67.4%	197.9%	71.7%	61.4%	192.6%	105.2%	

Source: Company, JM Financial. Note: \*as per new segmental reporting

## Company Operating Metrics

### Exhibit 5. Key Operating Metrics

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>No. of visits (million)</b>									
BPC	242	269	286	311	303	330	357	401	393
Fashion	127	126	144	157	144	127	147	169	174
<b>Monthly average unique visitors (million)</b>									
BPC	25	27	29	33	32	33	34	NA	NA
Fashion	17	17	18	19	17	16	18	NA	NA
<b>Orders (million)</b>									
BPC Orders (million)	9.2	9.9	10.5	11.7	11.7	12.4	12.9	15.0	14.2
Fashion Orders (million)	1.4	1.5	1.5	2.0	1.7	1.7	1.8	2.1	2.1
<b>Average order value (INR)</b>									
BPC AOV (INR)	1,803	1,849	1,916	2,024	1,788	1,924	2,038	2,127	1,978
Fashion AOV (INR)	4,266	4,058	4,061	4,681	4,546	4,237	4,465	4,901	4,738
Others AOV (INR)	3,368	3,561	3,541	4,027	3,966				
<b>Annual unique transacting consumers (million)</b>									
BPC	10.5	10.8	11.3	11.7	12.4	13.1	13.7	14.8	15.8
Fashion	2.5	2.6	2.8	2.9	3.0	3.1	3.0	3.1	3.2

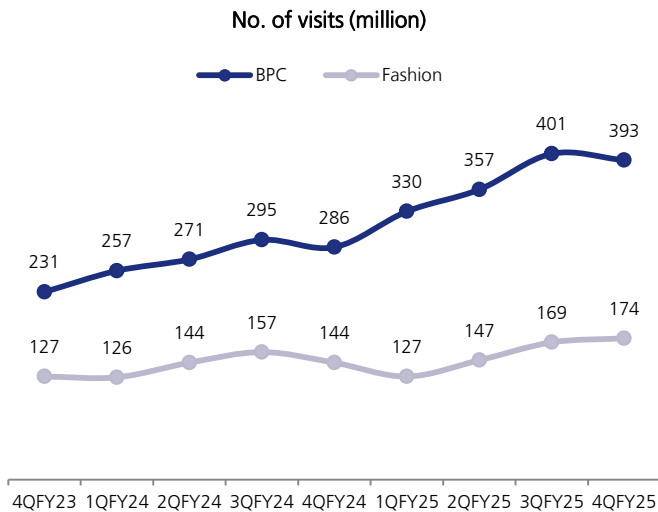
Source: Company, JM Financial.

**Exhibit 6. Quarterly vertical-wise performance**

All numbers are in INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Total GMV</b>	<b>26,672</b>	<b>29,438</b>	<b>36,179</b>	<b>32,172</b>	<b>33,209</b>	<b>36,525</b>	<b>45,279</b>	<b>41,020</b>
BPC	19,908	21,559	25,696	23,377	25,429	27,834	33,899	30,580
Core BPC	18,501	20,016	23,695	21,197	23,122	25,242	30,938	27,246
eB2B+NM BPC	1,407	1,543	2,001	2,180	2,307	2,592	2,961	3,334
Fashion	6,758	7,872	10,465	8,760	7,741	8,633	11,299	10,370
Others	6	8	18	36	39	58	81	70
<b>Total NSV</b>	<b>14,215</b>	<b>14,983</b>	<b>17,868</b>	<b>16,488</b>	<b>17,183</b>	<b>18,432</b>	<b>22,190</b>	<b>20,430</b>
BPC	12,121	12,566	14,954	13,979	14,695	15,661	18,817	17,570
Core BPC	11,298	11,675	13,805	12,712	13,356	14,199	17,170	15,667
eB2B+NM BPC	823	891	1,149	1,267	1,339	1,462	1,647	1,903
Fashion	2,089	2,411	2,899	2,479	2,449	2,714	3,295	2,800
Others	5	6	15	30	39	57	78	60
<b>Revenue</b>	<b>14,218</b>	<b>15,070</b>	<b>17,888</b>	<b>16,680</b>	<b>17,461</b>	<b>18,747</b>	<b>22,672</b>	<b>20,618</b>
BPC	12,984	13,695	16,227	15,193	15,935	17,029	20,600	18,948
Core BPC	12,142	12,782	15,045	13,887	14,545	15,495	18,857	17,022
eB2B+NM BPC	842	913	1,182	1,306	1,390	1,533	1,743	1,925
Fashion	1,225	1,365	1,640	1,454	1,486	1,661	1,990	1,610
Others	9	10	21	33	40	58	82	60
<b>Gross Profit</b>	<b>6,186</b>	<b>6,496</b>	<b>7,607</b>	<b>7,103</b>	<b>7,560</b>	<b>8,210</b>	<b>9,911</b>	<b>9,090</b>
BPC	5,223	5,427	6,317	5,949	6,328	6,828	8,175	7,786
Core BPC	5,111	5,300	6,142	5,764	6,129	6,580	7,891	7,459
as % of revenue	42.1%	41.5%	40.8%	41.5%	42.1%	42.5%	41.8%	43.8%
eB2B+NM BPC	112	127	175	185	199	248	284	327
as % of revenue	13.2%	13.9%	14.8%	14.2%	14.3%	16.2%	16.3%	17.0%
Fashion	957	1,061	1,274	1,137	1,210	1,348	1,691	1,270
as % of revenue	78.1%	77.7%	77.7%	78.2%	81.4%	81.2%	85.0%	78.9%
Others	6	8	16	17	21.8	34.2	45.4	34.2
<b>Contribution Profit</b>	<b>2,940</b>	<b>3,043</b>	<b>3,331</b>	<b>3,250</b>	<b>3,479</b>	<b>3,696</b>	<b>4,296</b>	<b>4,120</b>
BPC	2,853	2,920	3,122	3,057	3,230	3,439	3,997	4,026
Core BPC	2,993	3,081	3,288	3,240	3,409	3,584	4,158	4,177
as % of NSV	26.5%	26.4%	23.8%	25.5%	25.5%	25.2%	24.2%	26.7%
eB2B+NM BPC	-140	-161	-166	-183	-179	-145	-161	-151
as % of NSV	-17.1%	-18.1%	-14.4%	-14.4%	-13.4%	-9.9%	-9.8%	-7.9%
Fashion	89	121	200	209	248.8	256.2	289	94
as % of NSV	4.3%	5.0%	6.9%	8.4%	10.2%	9.4%	8.8%	3.4%
Others	-2	2	9	-16	0.6	0.55	10.4	0.2
<b>EBITDA</b>	<b>735</b>	<b>809</b>	<b>990</b>	<b>938</b>	<b>961</b>	<b>1,037</b>	<b>1,408</b>	<b>1,334</b>
BPC	1,054	1,106	1,235	1,265	1,255	1,356	1,651	1,684
Core BPC	1,339	1,419	1,566	1,597	1,618	1,703	2,038	2,057
as % of NSV	11.9%	12.2%	11.3%	12.6%	12.1%	12.0%	11.9%	13.1%
eB2B+NM BPC	-285	-312	-331	-332	-363	-347	-387	-372
as % of NSV	-34.6%	-35.1%	-28.8%	-26.2%	-27.1%	-23.7%	-23.5%	-19.6%
Fashion	-295	-288	-214	-217	-225	-244	-178	-283
as % of NSV	-14.1%	-11.9%	-7.4%	-8.7%	-9.2%	-9.0%	-5.4%	-10.1%
Others	-23	-10	-31	-111	-69	-75	-65	-68

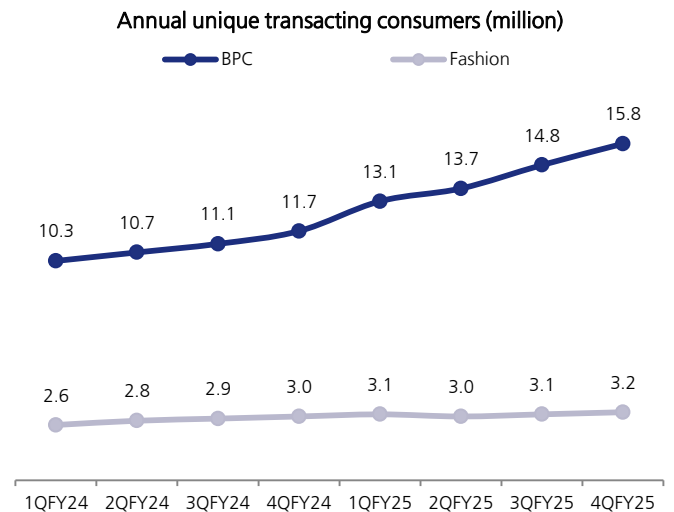
Source: Com Company, JM Financial. Others includes Nykaa Man Lifestyle and LBB for FY24 quarters.

Exhibit 7. Number of visits on Nykaa Platforms



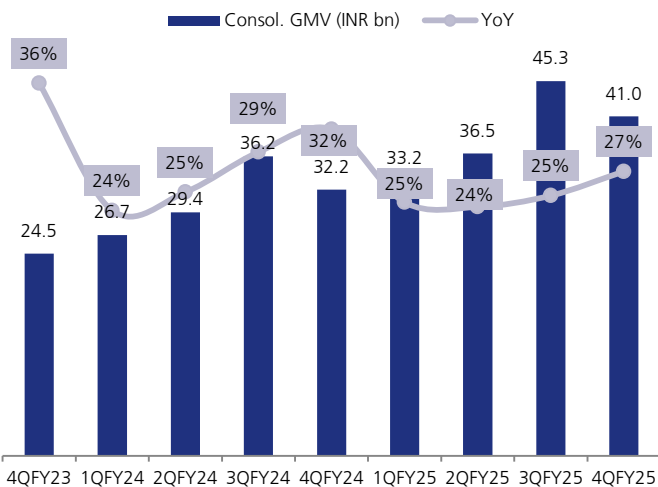
Source: Company, JM Financial

Exhibit 8. Annual unique transacting consumers



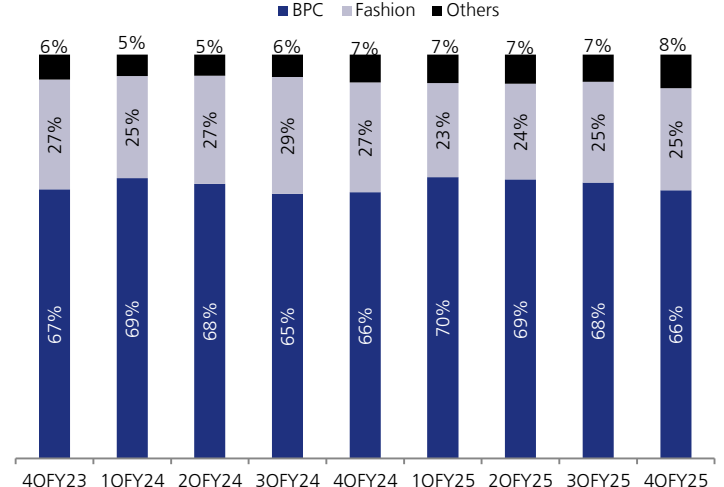
Source: Company, JM Financial

Exhibit 9. Group GMV Trend



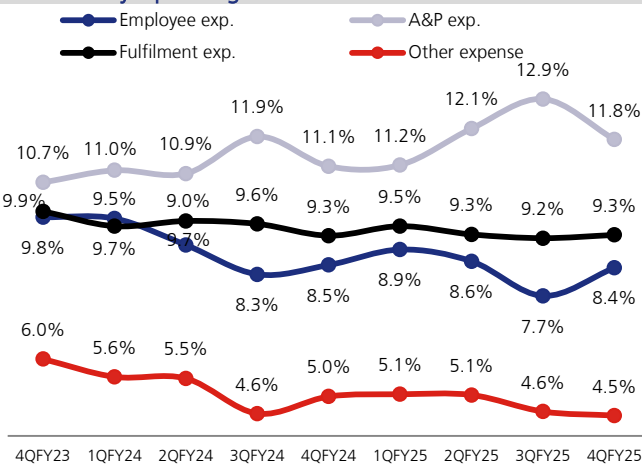
Source: Company, JM Financial

Exhibit 10. Group GMV Share



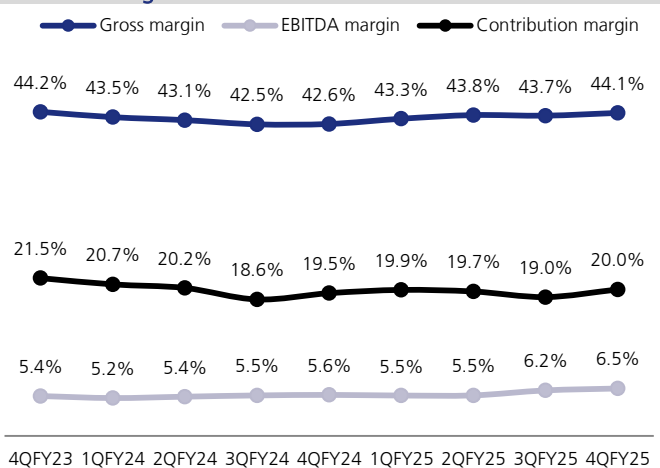
Source: Company, JM Financial. Others includes Nykaa Man Lifestyle and LBB for FY24 quarters.

Exhibit 11. Key Operating costs as % of Revenue



Source: Company, JM Financial

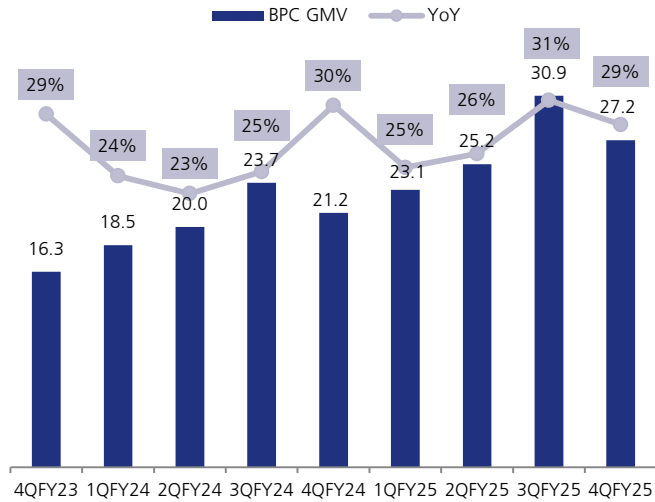
Exhibit 12. Margin Trends



Source: Company, JM Financial

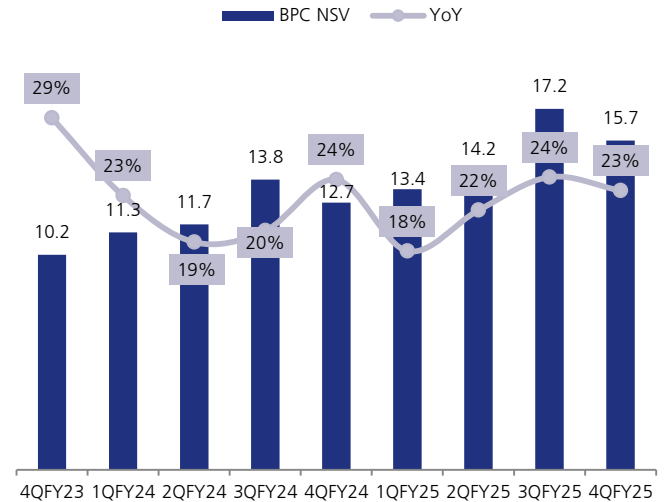
## Core Beauty &amp; Personal Care Operating Metrics

Exhibit 13. GMV trend (INR bn)



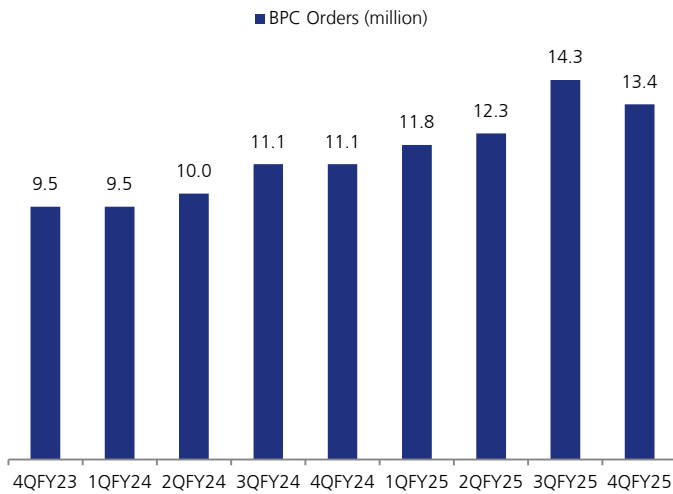
Source: Company, JM Financial

Exhibit 14. NSV trend (INR bn)



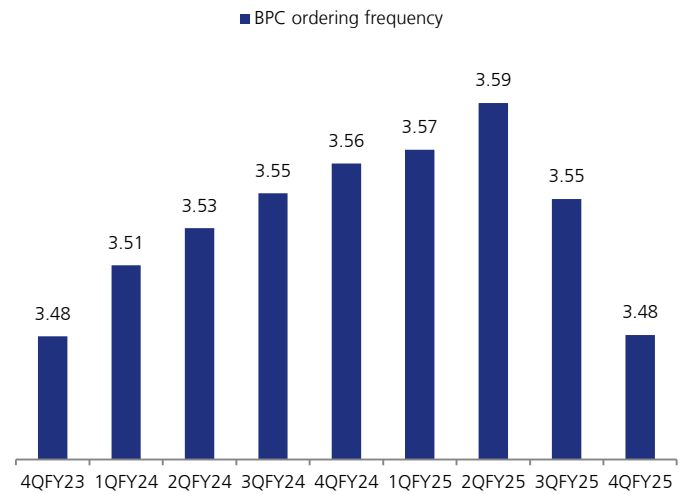
Source: Company, JM Financial

Exhibit 15. Orders trend



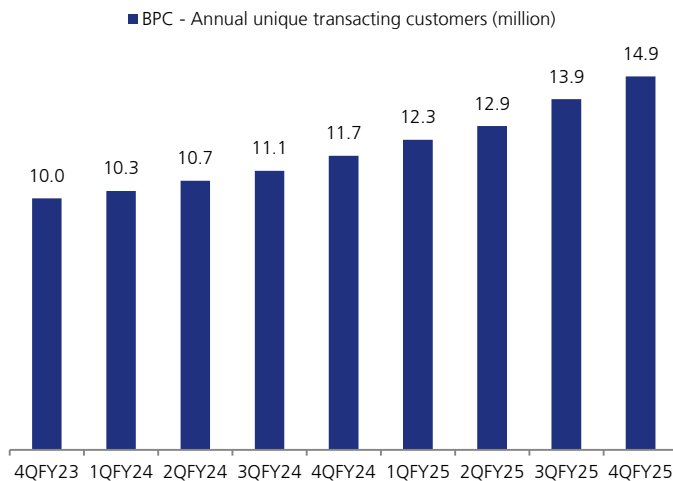
Source: Company, JM Financial

Exhibit 16. Ordering frequency



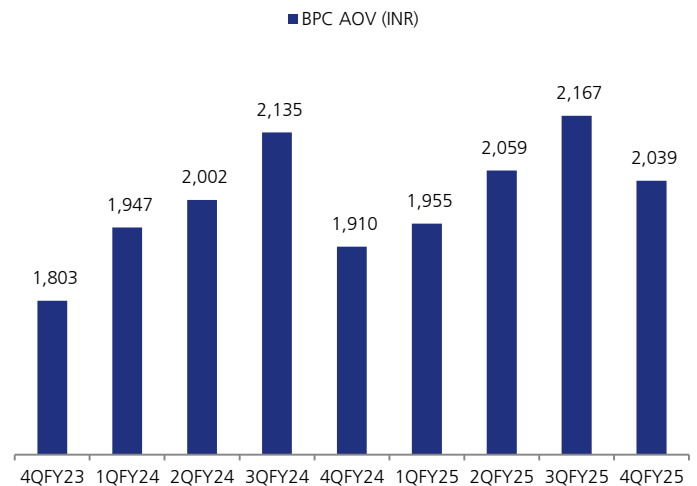
Source: Company, JM Financial

Exhibit 17. Unique transacting consumer trend



Source: Company, JM Financial

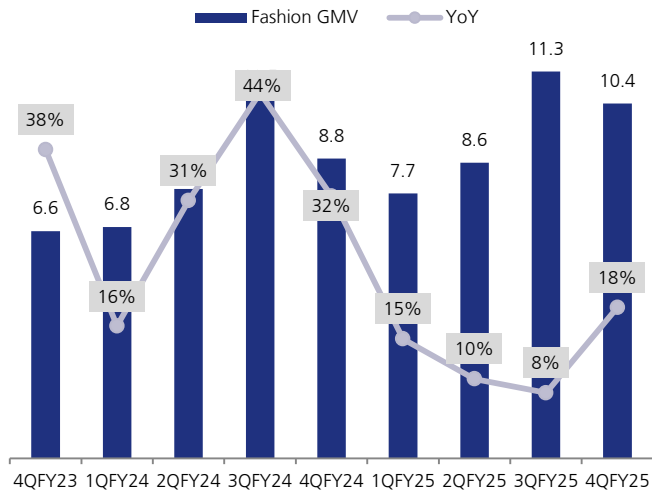
Exhibit 18. Average order value (AOV) Trend



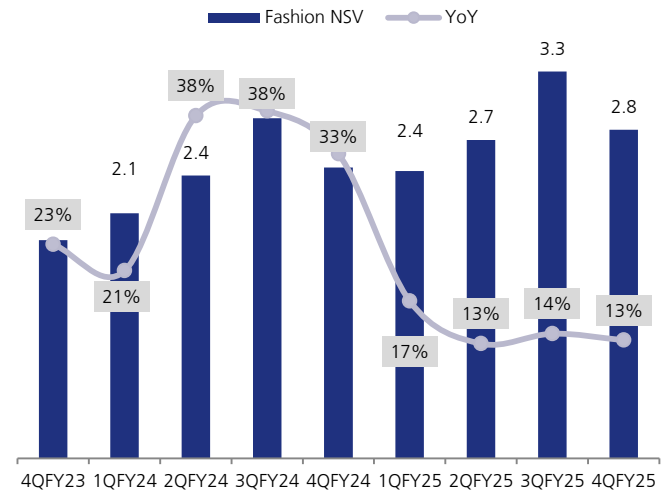
Source: Company, JM Financial



## Fashion Operating Metrics

**Exhibit 19. GMV trend (INR bn)**


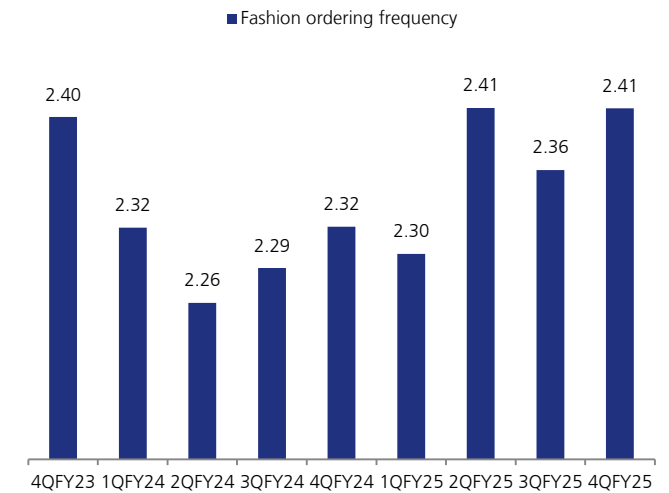
Source: Company, JM Financial

**Exhibit 20. NSV trend (INR bn)**


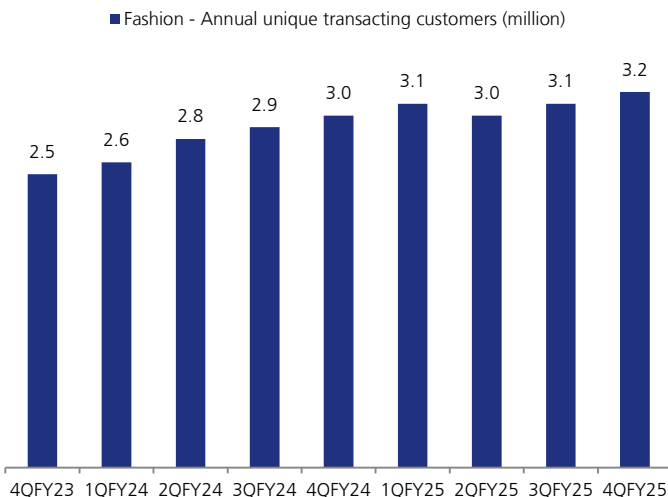
Source: Company, JM Financial

**Exhibit 21. Orders trend**

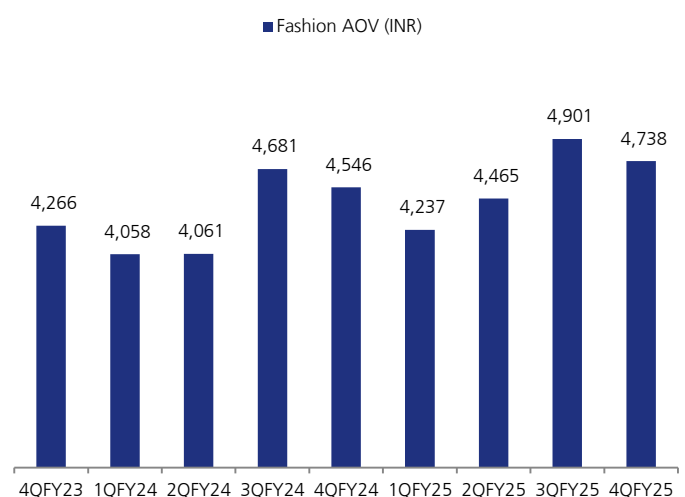

Source: Company, JM Financial

**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 raised to INR 250

### Exhibit 25. What has changed in our estimates – EBITDA dips due to cuts in Fashion; PAT dips due to higher tax estimates

	OLD				NEW				Change			
	FY26E	FY27E	FY28E	FY29E	FY26E	FY27E	FY28E	FY29E	FY26E	FY27E	FY28E	FY29E
Group GMV (INR bn)	199.6	251.3	314.3	393.0	197.5	248.0	308.9	384.6	-1.0%	-1.3%	-1.7%	-2.1%
Consolidated revenue (INR bn)	102.7	130.2	163.9	206.5	102.0	129.1	162.1	203.5	-0.7%	-0.8%	-1.1%	-1.5%
Revenue growth rate (YoY)	29.1%	26.7%	25.9%	26.0%	28.3%	26.6%	25.5%	25.5%	-78bp	-11bp	-37bp	-47bp
Consolidated EBITDA (INR bn)	7.9	12.2	18.1	26.1	7.8	12.1	17.9	25.8	-0.4%	-0.7%	-0.9%	-1.2%
EBITDA margin	7.7%	9.4%	11.0%	12.6%	7.7%	9.4%	11.1%	12.7%	2bp	1bp	2bp	4bp
EBIT margin	5.0%	7.1%	9.0%	10.8%	4.8%	6.8%	8.8%	10.6%	-22bp	-26bp	-26bp	-21bp
PAT (INR bn)	2.65	5.63	10.22	16.01	2.53	5.57	9.93	16.2	-4.6%	-1.1%	-2.9%	1.2%
Diluted EPS (INR)	0.92	1.96	3.56	5.57	0.88	1.94	3.45	5.6	-4.6%	-1.1%	-2.9%	1.2%

Source: Company, JM Financial

## Valuation Methodology: DCF

### Exhibit 26. Key DCF assumptions

<b>WACC</b>	<b>12.5%</b>
Revenue CAGR (FY24-29)	26.1%
Revenue CAGR (FY29-34)	19.9%
Revenue CAGR (FY34-41)	12.5%
EBITDA CAGR (FY24-29)	49.4%
EBITDA CAGR (FY29-34)	28.2%
EBITDA CAGR (FY34-41)	14.7%
Tax Rate	42.2%
NPV of cash flow (2024-2041F)	296,291
<b>Perpetual growth (%)</b>	<b>6.0%</b>
Implied Exit FCF multiple (X)	15.4x
Terminal value (INR mn)	427,927
<b>Enterprise value (INR mn)</b>	<b>724,218</b>
Terminal value as % of Enterprise Value	59.1%
Net debt (INR mn, Mar'25E)	3,631
Minority Interest (INR mn, Mar'25E)	483
<b>Equity value (INR mn)</b>	<b>720,105</b>
Number of shares outstanding (diluted, million)	2,873
<b>Equity value per share (INR)</b>	<b>250</b>

Source: JM Financial

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

		Terminal Growth Rate				
WACC		5.0%	5.5%	6.0%	6.5%	7.0%
	11.00%	300	320	340	370	400
	11.50%	270	290	310	330	350
	12.00%	250	260	280	290	310
	12.50%	230	240	250	260	280
	13.00%	210	220	230	240	250
	13.50%	200	200	210	220	230
	14.00%	180	190	190	200	210

Source: JM Financial, Company

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

		Revenue Growth (% of JMFe)				
EBITDA Margin (% of JMFe)		60%	70%	80%	90%	100%
	60%	40	60	80	110	140
	70%	50	70	100	130	170
	80%	60	90	120	150	200
	90%	70	100	130	170	220
	100%	80	110	150	190	250

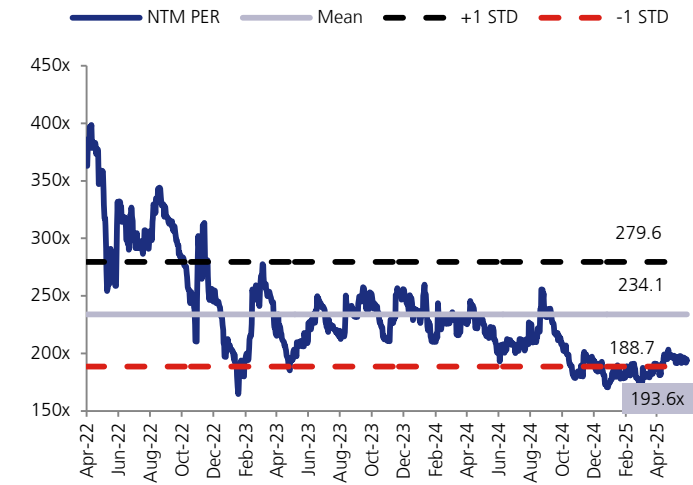
Source: JM Financial, Company

Exhibit 29. NTM EV/EBITDA



Source: JM Financial, Bloomberg

Exhibit 30. NTM PER



Source: JM Financial, Bloomberg

Exhibit 31. Valuation comps

Company	MCap (USD bn)	EV (USD bn)	EV / Revenue (x)			Rev CAGR 24-26E	EV / EBITDA (x)			EBITDA CAGR 24-26E	P / E (x)			EPS CAGR 24-26E
			CY24/ FY25E	CY25/ FY26E	CY26/ FY27E		CY24/ FY25E	CY25/ FY26E	CY26/ FY27E		CY24/ FY25E	CY25/ FY26E	CY26/ FY27E	
Nykaa*	6.8	6.9	7.5x	5.8x	4.6x	27%	125.0x	75.6x	48.9x	60%	879.5x	227.9x	104.5x	190%
<b>India Retail (IR)</b>														
Dmart	30.4	30.5	3.8x	3.2x	2.7x	18%	48.9x	40.7x	33.7x	20%	78.3x	65.5x	54.4x	20%
ABFRL	1.2	1.5	1.0x	0.9x	0.9x	7%	9.5x	7.9x	7.4x	13%	nm	nm	nm	nm
Titan	36.9	39.0	4.9x	4.2x	3.6x	16%	44.6x	37.8x	32.5x	17%	66.7x	54.6x	45.2x	21%
Page Industries	6.0	6.0	9.2x	8.0x	7.2x	13%	42.9x	37.4x	33.3x	13%	62.9x	54.5x	48.2x	14%
Hindustan Unilever	64.5	63.4	8.2x	7.6x	6.8x	10%	35.0x	31.7x	27.7x	12%	50.1x	45.5x	39.2x	13%
ITC	61.1	58.8	6.3x	5.8x	5.4x	8%	17.9x	16.4x	15.1x	9%	24.1x	21.9x	19.5x	11%
Emami	3.0	2.9	6.1x	5.6x	5.2x	8%	22.2x	20.2x	18.6x	9%	27.4x	25.2x	22.9x	9%
Godrej Consumer Products	14.7	14.8	8.1x	7.3x	6.7x	9%	36.9x	32.3x	29.2x	12%	52.9x	45.0x	40.1x	15%
Colgate	7.8	7.7	10.2x	9.4x	8.8x	7%	31.4x	28.8x	26.8x	8%	44.2x	40.2x	37.8x	8%
Tata Consumer Products	12.8	12.9	5.6x	5.2x	5.0x	7%	38.8x	33.3x	30.6x	13%	62.2x	51.3x	46.7x	15%
Trent	23.4	23.6	9.0x	7.1x	5.7x	25%	55.5x	43.4x	34.4x	27%	94.3x	72.3x	56.6x	29%
Honasa	1.2	1.1	4.2x	3.6x	3.1x	16%	66.1x	42.8x	31.8x	44%	84.7x	56.3x	39.6x	46%
<b>India Tech (IT)</b>														
Policybazaar*	9.5	9.3	16.0x	11.8x	9.4x	30%	nm	139.7x	73.0x	242%	275.4x	125.6x	76.9x	89%
Zomato*	26.9	26.4	11.2x	7.3x	5.7x	40%	355.0x	126.8x	51.9x	162%	415.4x	152.6x	63.9x	155%
Info Edge*	10.8	10.9	35.1x	30.5x	26.6x	15%	86.9x	72.4x	61.2x	19%	94.8x	82.6x	70.1x	16%
Car Trade*	0.9	0.8	10.8x	9.1x	7.9x	17%	46.0x	32.5x	24.7x	36%	58.9x	40.3x	31.4x	37%
Paytm*	6.6	5.1	6.3x	4.6x	3.6x	32%	nm	451.3x	36.6x	nm	nm	172.6x	50.1x	nm
Makemytrip	11.1	10.6	11.3x	9.5x	8.1x	18%	58.2x	53.9x	40.4x	20%	66.6x	58.0x	47.9x	18%
Affle*	2.9	2.7	10.2x	8.6x	7.3x	18%	47.8x	38.6x	32.2x	22%	63.7x	50.4x	41.1x	24%
Indiamart*	1.6	1.3	8.0x	7.2x	6.5x	12%	nm	21.4x	19.1x	nm	25.5x	27.6x	25.3x	0%
Just Dial*	0.9	0.3	2.6x	2.5x	2.3x	8%	9.0x	8.1x	7.4x	10%	12.9x	13.9x	12.6x	1%
<b>Global Beauty and Fashion (GBF)</b>														
Etsy	5.7	7.2	2.6x	2.6x	2.6x	0%	9.2x	9.8x	9.7x	-2%	12.1x	12.1x	11.1x	5%
Ulta Beauty	21.1	22.6	2.0x	1.9x	1.9x	4%	12.4x	13.3x	12.9x	-2%	18.6x	19.7x	18.4x	1%
Stitch Fix	0.6	0.4	0.3x	0.4x	0.3x	3%	10.7x	11.0x	9.9x	4%	nm	nm	nm	nm
THG	0.5	0.9	0.3x	0.4x	0.4x	-3%	7.3x	6.7x	5.5x	15%	nm	nm	nm	nm
Proya Cosmetics	4.9	4.4	2.9x	2.5x	2.1x	16%	15.6x	13.3x	11.7x	16%	22.6x	19.2x	16.3x	18%
Guangdong Marubi	2.6	2.3	5.7x	4.5x	3.6x	26%	41.2x	33.3x	26.6x	24%	54.0x	40.3x	32.0x	30%
Shanghai Jahwa	2.2	1.9	2.4x	2.2x	2.0x	9%	nm	26.1x	21.8x	nm	nm	45.7x	35.4x	nm
<b>Mean (IR)</b>			<b>6.4x</b>	<b>5.7x</b>	<b>5.1x</b>	<b>12%</b>	<b>37.5x</b>	<b>31.0x</b>	<b>26.8x</b>	<b>17%</b>	<b>58.9x</b>	<b>48.4x</b>	<b>40.9x</b>	<b>18%</b>
<b>Mean (IT)</b>			<b>11.6x</b>	<b>9.6x</b>	<b>8.2x</b>	<b>20%</b>	<b>170.2x</b>	<b>91.3x</b>	<b>36.3x</b>	<b>61%</b>	<b>113.7x</b>	<b>74.5x</b>	<b>45.9x</b>	<b>38%</b>
<b>Mean (GBF)</b>			<b>2.3x</b>	<b>2.1x</b>	<b>1.8x</b>	<b>8%</b>	<b>16.1x</b>	<b>16.2x</b>	<b>14.0x</b>	<b>9%</b>	<b>26.8x</b>	<b>27.4x</b>	<b>22.6x</b>	<b>13%</b>

Source: Bloomberg. \*JM Financial estimates

## 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	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	63,856	79,498	1,01,991	1,29,144	1,62,117
Sales Growth	24.1%	24.5%	28.3%	26.6%	25.5%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>63,856</b>	<b>79,498</b>	<b>1,01,991</b>	<b>1,29,144</b>	<b>1,62,117</b>
Cost of Goods Sold/Op. Exp	36,464	44,727	57,575	72,967	91,606
Personnel Cost	5,649	6,661	7,806	9,024	10,289
Other Expenses	18,282	23,385	28,769	35,033	42,281
<b>EBITDA</b>	<b>3,461</b>	<b>4,726</b>	<b>7,840</b>	<b>12,120</b>	<b>17,942</b>
EBITDA Margin	5.4%	5.9%	7.7%	9.4%	11.1%
EBITDA Growth	35.1%	36.5%	65.9%	54.6%	48.0%
Depn. & Amort.	2,242	2,664	2,970	3,320	3,724
EBIT	1,219	2,062	4,871	8,801	14,217
Other Income	-529	-801	-669	-449	10
Finance Cost	0	0	0	0	0
PBT before Excep. & Forex	690	1,261	4,201	8,352	14,227
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	690	1,261	4,201	8,352	14,227
Taxes	253	415	1,512	2,547	3,913
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	75	60	138	245	389
Reported Net Profit	362	786	2,551	5,559	9,926
<b>Adjusted Net Profit</b>	<b>362</b>	<b>786</b>	<b>2,551</b>	<b>5,559</b>	<b>9,926</b>
Net Margin	0.6%	1.0%	2.5%	4.3%	6.1%
Diluted Share Cap. (mn)	2,873.3	2,873.3	2,873.3	2,873.3	2,873.3
<b>Diluted EPS (INR)</b>	<b>0.1</b>	<b>0.3</b>	<b>0.9</b>	<b>1.9</b>	<b>3.5</b>
Diluted EPS Growth	56.2%	117.3%	224.4%	118.0%	78.5%
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	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	690	1,275	4,201	8,352	14,227
Depn. & Amort.	2,242	2,664	2,970	3,320	3,724
Net Interest Exp. / Inc. (-)	631	890	669	449	-10
Inc (-) / Dec in WCap.	-2,513	211	-54	-617	-649
Others	264	224	198	229	261
Taxes Paid	-1,312	-597	-1,512	-2,547	-3,913
<b>Operating Cash Flow</b>	<b>3</b>	<b>4,666</b>	<b>6,472</b>	<b>9,185</b>	<b>13,642</b>
Capex	-1,107	-1,272	-1,867	-2,016	-2,134
Free Cash Flow	-1,105	3,394	4,605	7,168	11,508
Inc (-) / Dec in Investments	788	-588	0	0	0
Others	218	-195	443	730	1,269
<b>Investing Cash Flow</b>	<b>-101</b>	<b>-2,054</b>	<b>-1,424</b>	<b>-1,286</b>	<b>-865</b>
Inc / Dec (-) in Capital	172	-2,499	-25	10	12
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	721	971	-2,053	-2,295	-2,596
Others	-451	-593	-736	-726	-716
<b>Financing Cash Flow</b>	<b>443</b>	<b>-2,120</b>	<b>-2,814</b>	<b>-3,011</b>	<b>-3,300</b>
<b>Inc / Dec (-) in Cash</b>	<b>344</b>	<b>492</b>	<b>2,233</b>	<b>4,888</b>	<b>9,477</b>
Opening Cash Balance	414	758	1,249	3,483	8,370
Closing Cash Balance	758	1,249	3,483	8,370	17,847

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	12,622	13,013	15,736	21,535	31,734
Share Capital	2,856	2,859	2,859	2,859	2,859
Reserves & Surplus	9,766	10,154	12,877	18,676	28,874
Preference Share Capital	0	0	0	0	0
Minority Interest	188	414	552	797	1,186
Total Loans	6,804	9,614	9,614	9,614	9,614
Def. Tax Liab. / Assets (-)	-2,690	-2,580	-2,580	-2,580	-2,580
<b>Total - Equity &amp; Liab.</b>	<b>16,924</b>	<b>20,461</b>	<b>23,322</b>	<b>29,366</b>	<b>39,954</b>
Net Fixed Assets	6,979	8,716	9,982	11,325	12,752
Gross Fixed Assets	4,238	5,404	6,774	8,273	9,910
Intangible Assets	1,715	2,332	2,482	2,631	2,744
Less: Depn. & Amort.	1,881	2,687	3,587	4,584	5,700
Capital WIP	2,906	3,666	4,313	5,004	5,798
Investments	3,817	3,617	3,617	3,617	3,617
Current Assets	20,520	24,883	31,692	42,482	58,966
Inventories	11,920	14,175	17,068	20,728	25,132
Sundry Debtors	2,416	2,466	3,024	3,741	4,629
Cash & Bank Balances	758	1,249	3,483	8,370	17,847
Loans & Advances	0	0	0	0	0
Other Current Assets	5,426	6,993	8,117	9,643	11,358
Current Liab. & Prov.	14,392	16,755	21,968	28,057	35,381
Current Liabilities	6,758	9,941	13,006	16,676	21,054
Provisions & Others	7,634	6,814	8,962	11,380	14,327
Net Current Assets	6,128	8,128	9,724	14,425	23,585
<b>Total - Assets</b>	<b>16,924</b>	<b>20,461</b>	<b>23,322</b>	<b>29,366</b>	<b>39,954</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	0.6%	1.0%	2.5%	4.3%	6.1%
Asset Turnover (x)	2.9	3.2	3.6	3.8	3.8
Leverage Factor (x)	1.7	1.9	2.0	1.8	1.6
RoE	2.7%	6.1%	17.7%	29.8%	37.3%

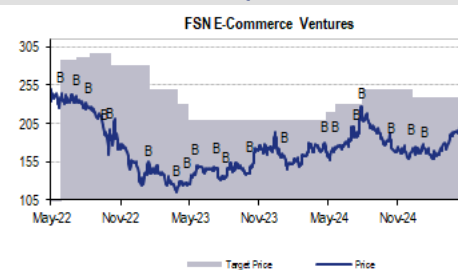
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	4.4	4.6	5.5	7.5	11.1
ROIC	5.3%	8.3%	16.9%	31.6%	50.2%
ROE	2.7%	6.0%	17.2%	28.8%	35.9%
Net Debt/Equity (x)	0.2	0.4	0.2	-0.1	-0.4
P/E (x)	1,611.9	741.8	228.7	104.9	58.8
P/B (x)	46.1	44.6	36.9	27.0	18.3
EV/EBITDA (x)	168.4	123.9	74.4	47.8	31.8
EV/Sales (x)	9.1	7.4	5.7	4.5	3.5
Debtor days	14	11	11	11	10
Inventory days	68	65	61	59	57
Creditor days	23	31	34	36	38

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
24-Jun-22	Buy	289	
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
28-Aug-24	Buy	250	8.7
13-Nov-24	Buy	250	0.0
6-Jan-25	Buy	240	-4.0
11-Feb-25	Buy	240	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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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.
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\* REITs refers to Real Estate Investment Trusts.

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