

# FSN E-Commerce Ventures | BUY

## FY25 Annual Investor Day – A compelling growth story

Nykaa's Investor Day showcased the company's aggressive growth aspirations across BPC and Fashion segments, with its eB2B business already witnessing strong growth momentum. The company also guided towards FY26 EBITDA breakeven for Fashion, earlier than our FY27 estimate. While management refrained from providing BPC EBITDA margin guidance due to its continued focus on growth, we expect contribution margins to remain stable, with EBITDA margin expansion likely supported by operating leverage. Nykaa's suggestion of mid-20s GMV growth in BPC and a 3-4x increase in Fashion NSV over the next five years reflect management's strong confidence in scaling multiple growth levers, reinforcing its distinctive market positioning. Moreover, the company's ability to deliver robust growth in a tepid demand environment over the last year along with margin enhancement further underlines its differentiated offering. We maintain a 'BUY' rating with a Mar'26 TP of INR 250.

- **Immense headroom for growth in BPC:** With FY25 GMV rising 30%, company expects to sustain growth momentum around mid-twenties in the medium term with its two-fold strategy: 1) Deepening market penetration by investing in acquisition of quality customers through online personalisation and expansion of retail footprint in Tier 2+ cities. The company plans to increase its current network of 237 stores in 79 cities to 500+ stores across 100+ cities by FY30; 2) Premiumisation through expanding category width and depth for higher beauty consumption, aspirational marketing for premium beauty, and customer engagement through events and in-app/in-store experiences. Nykaa remains at the forefront of premium beauty in India, with its premium customers spending ~9x the platform average and its top 10% customers spending USD 395 annually, similar to spending levels in developed countries. The management reiterated its strategy to continue investing in growth, while maintaining healthy profitability at the current levels.
- **Fashion playbook ready to scale with profitability in sight:** The management aims to drive rapid growth in Nykaa Fashion with suggestions of NSV reaching 3-4x of the current scale in the next 5 years. This robust growth trajectory is also expected to see rising profitability with EBITDA margin (as a % of NSV) breakeven by FY26 (-8.3% in FY25). By FY28, margin is expected to reach mid to high-single digits, with steady state goal of ~10%. The expected ~1000bps improvement is likely to come from CM improvement, driven by improved conversion rates, lower CAC of retained customers, increasing mix of own brands and growth in LBB which is directly accretive to bottom line. Additionally, ~850bps improvement is expected from operating leverage on overhead costs. While management is guiding for breakeven in FY26, this remains contingent on recovery in discretionary consumer spending. As such, we conservatively project breakeven by FY27.

The company strives to leverage technology to provide consumers with a hyper-personalised experience and engaging shopping experience. Initiatives like NF Edit (curated selections by trend and occasion) and Nykaa Muse (an AI-powered styling assistant) are aimed at enhancing user engagement and discovery. Nykaa Fashion continues to expand its brand portfolio, particularly premium, with partnerships now



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	250
Upside/(Downside)	20.9%
Previous Price Target	250
Change	0.0%

### Key Data – NYKAA IN

Current Market Price	INR207
Market cap (bn)	INR591.5/US\$6.9
Free Float	48%
Shares in issue (mn)	2,859.0
Diluted share (mn)	2,873.3
3-mon avg daily val (mn)	INR2,105.1/US\$24.6
52-week range	230/155
Sensex/Nifty	83,756/25,549
INR/US\$	85.7

### Price Performance

%	1M	6M	12M
Absolute	3.3	28.6	18.4
Relative*	0.6	20.8	12.0

\* 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	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)	1,643.7	756.4	233.2	107.0	59.9
P/B (x)	47.0	45.5	37.6	27.5	18.6
EV/EBITDA (x)	171.7	126.3	75.9	48.7	32.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 26/Jun/2025

extending to ~4,500 brands across D2C, national and global brands. More marquee brands launches are planned in 2HFY26.

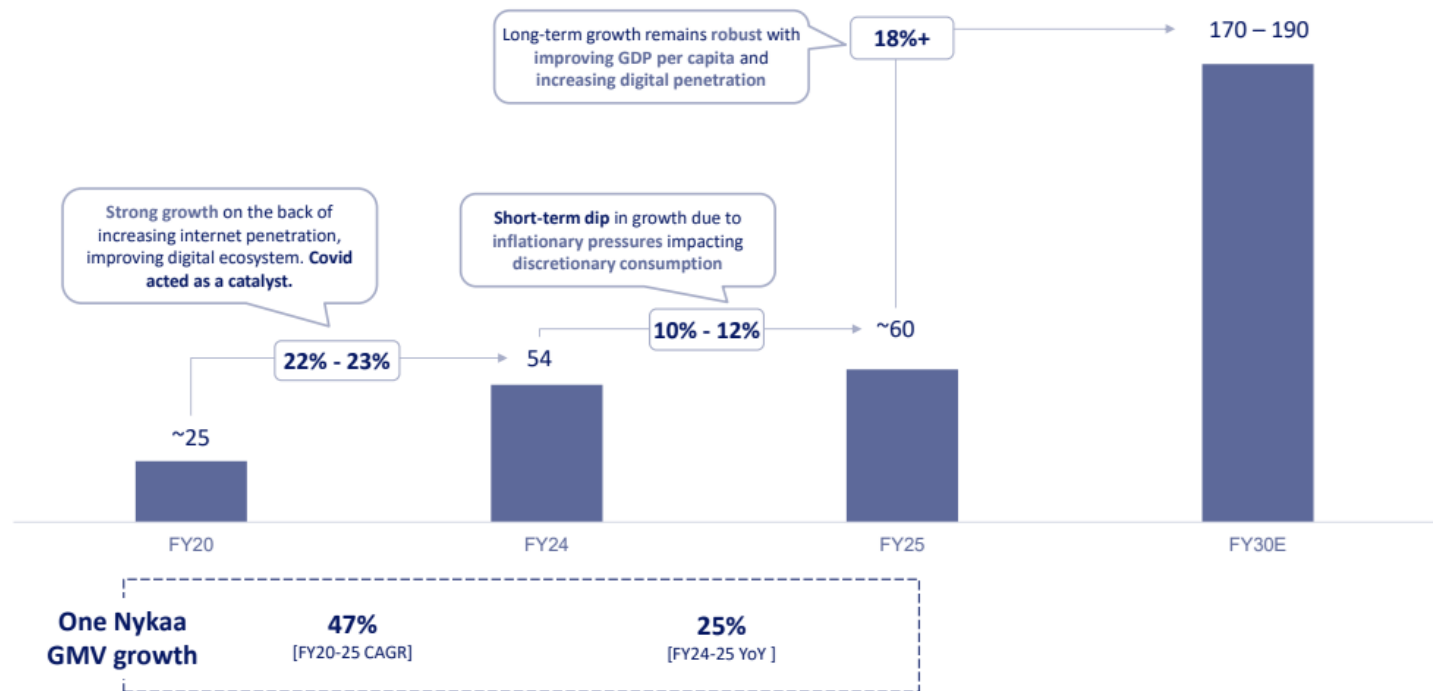
- **Reiterate 'BUY', Mar'26 TP of INR 250:** Despite unfavourable demand environment, Nykaa has delivered against the odds to improve margins while delivering industry-leading growth across segments. Furthermore, our channel checks suggest that the company continues to gain market share in both online 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 250 (~21% upside) as Nykaa remains one of the highest compounding consumption plays in India. While current valuations may appear stretched on FY27 basis, we believe that one should adopt a longer-term perspective, as Nykaa's high-growth trajectory and compounding remain intact over the medium to long term.
- **Strong revenue growth to sustain in BPC, supported by improving GSV to NSV conversion:** Nykaa's BPC segment has seen its cumulative consumer base grow from 8mn in FY20 to 34mn in FY25, reflecting a robust 34% CAGR. Notably, 7mn users were added in each of FY24 and FY25. Assuming a similar addition in FY26, combined BPC segment GMV growth may dip from the ~30% in FY25 due to a higher base. However, revenue growth is expected to remain intact in mid-twenties, driven by improved GMV to NSV conversion. It may be noted that GMV to NSV conversion was lower in FY25 due to higher investments towards customer acquisition, an impact expected to normalise going forward.
- **Delivering convenience through 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. 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. Moreover, unlike QC 10-minute models, Nykaa Now prioritises access to a curated assortment with modest dark store density, enabling faster break-even economics. Currently active in 7 key metro cities, the service has shown strong initial traction, having delivered 1mn+ orders. While AOVs may trend lower given higher frequency, overall annual consumption value (ACV) remains incremental. Management highlighted that this initiative aims at increasing the company's market share in personal care, a category where speed of fulfilment is critical. The initiative also acts as a strategic retention lever, ensuring Nykaa's loyal customers don't shift to competing platforms. With ~70% of orders already delivered same/next day in the top 110 cities, Nykaa Now represents a natural progression in the company's convenience play.
- **Superstore continues to be a key strategic pillar:** With offline channels enjoying a rather large pie of the total beauty market and a notable underpenetration of eB2B in overall B2B retail (2.5-3.5% in 2025P), SuperStore presents Nykaa with an opportunity of a large TAM as well as addressing inefficiencies across the market spectrum i.e. the brands as well as the retailers. The platform has scaled ~3x over FY23-25, reaching 276k retailers in 1,100+ cities across ~12k pincodes. Notably, around 89% of Superstore's revenue came from Tier 2+ cities, reiterating the company's focus on serving the underserved while widening the BPC funnel. Interestingly, even large FMCG brands partner with Nykaa despite their own extensive distribution reach, as Nykaa leverages data and tech to drive growth of their non-core SKUs. The company expects to break-even at 4x of its current scale. Growth will be driven by geographic expansion (targeting 3,200 cities across 19k pincodes), while profitability is expected to improve through 1) higher mix of non-core SKUs and House of Nykaa brands; 2) increased ad monetisation; 3) lower fulfilment costs through operational efficiency and 4) enhanced warehouse efficiency. We project 'SuperStore' to achieve ~4x scale and reach breakeven by FY29.
- **House of Nykaa gaining strength:** Through a lot of thought and attention to detail, Nykaa has successfully developed its own brands (House of Nykaa), delivering top-quality and trendy products to its customers. The company has launched 12 brands across all major categories, including makeup, skincare, haircare and fragrances in BPC, and indian/western wear, athleisure, lingerie, footwear and accessories in Fashion. These brands have collectively achieved GMV of INR 2,100cr. Within this, the 7 BPC brands have delivered INR 1,700cr GMV, growing at 48%+ CAGR over the last 5 years. Dot&Key has

crossed INR 5bn GMV mark, while Nykaa Cosmetics and Kay Beauty are in INR 2-5bn range. These brands rank among the top brands on Nykaa.com across skincare and makeup. Notably, Kay Beauty is set to launch in UK with Space NK, the country's fastest growing beauty retailer. Additionally, these brands are performing across multiple platforms, beyond just Nykaa's online store. The company aims to scale House of Nykaa BPC to INR 6,000cr GMV by FY30.

- **Management Guidance and Other Updates:** **BPC** 1) GMV is expected to grow at mid-20s% on a CAGR basis over FY25-30E. 2) Contribution margin should be in line with current levels, as the company will continue investing in customer acquisition and improving customer retention. 3) Retail footprint should expand to 500+ stores across 100+ cities by FY30E. **Fashion** 1) NSV is expected to grow ~3-4x in the next five years. 2) Improvement in marketing efficiencies, mix of own brands, fulfilment costs, market expenses and overheads should lead to EBITDA margin expansion by ~1,850bps to reach steady state margins. Additionally, the segment should turn EBITDA margin breakeven by FY26E, with steady state margins at ~10%+. **Superstore** 1) EBITDA breakeven should be reached at 4x of current scale. 2) In the medium-term, the company is aiming for GMV to reach ~3x. **House of Nykaa** 1) House of Nykaa BPC GMV is expected to grow at 30% CAGR to reach INR 6,000cr+ GMV by FY30E. **International** 1) Company made a strategic move of expanding its global footprint under the brand 'Nysaa' to tap into the GCC beauty market with website going live in Jan'24 and the first store opening up in Mar'24. Currently, there are four operational stores, with 2-3 more expected to open in the coming quarter. While progress has been slower than initially anticipated, the company maintains that the initiative remains on track and has indicated that further updates will be shared in the next six months.
- **Triangulation of BPC EBITDA Margin:** Nykaa's BPC vertical comprises of four distinct verticals – 1) Online platform, 2) Physical stores, 3) eB2B, and 4) House of Nykaa – each with a different margin profile. The first two, being more mature, have already achieved a healthy profitability levels ([Exhibit 4](#)). However, as newer and faster-growing businesses like eB2B start contributing a larger share to the overall beauty mix, the blended margin improvement may appear muted. That said, the company continues to prioritise growth, while maintaining a strong margin profile in its established businesses, implying minimal risk of margin dilution. Moreover, the two mature businesses also offer multiple levers for incremental profitability, including 1) rollout of new ad formats, 2) faster growth of premium brands, 3) outperformance of owned brands vs. the platform, and 4) operating leverage.

## Exhibit 1. Nykaa has delivered strong growth despite consumption slowdown

## India E-commerce market size (\$ bn)



Source: Bain (How India shops online 2024/2025)

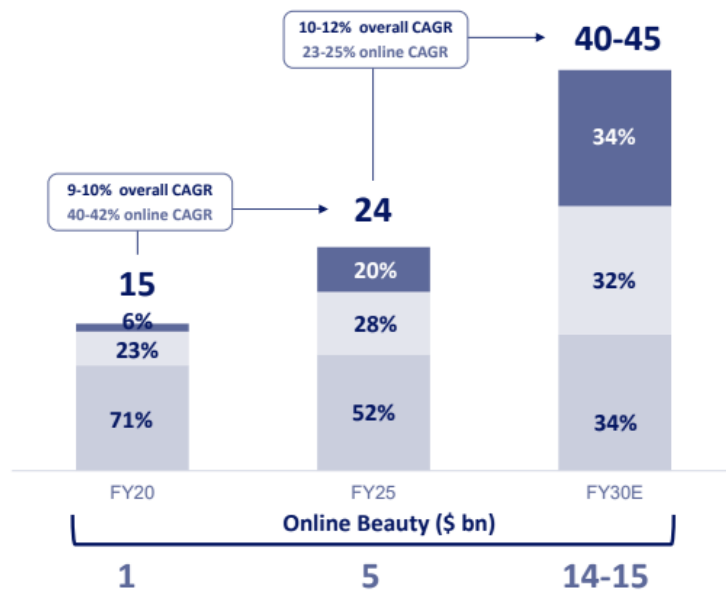
Source: Company

## Exhibit 2. BPC Market size is expected to reach USD 40-45bn by 2030

## India BPC market size (\$ bn)

## Premiumization, a key theme in beauty

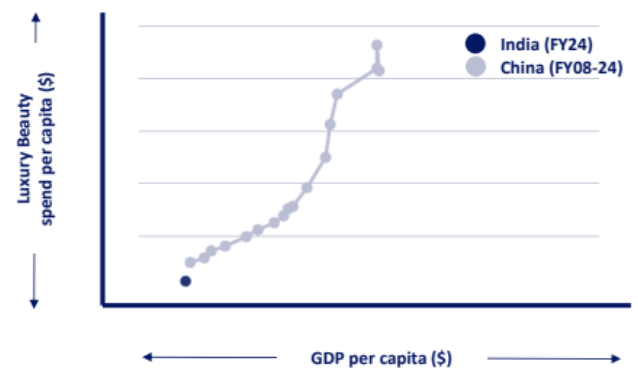
■ Unorganized Offline ■ Organized Offline ■ Online



## Luxury Beauty



4-5%

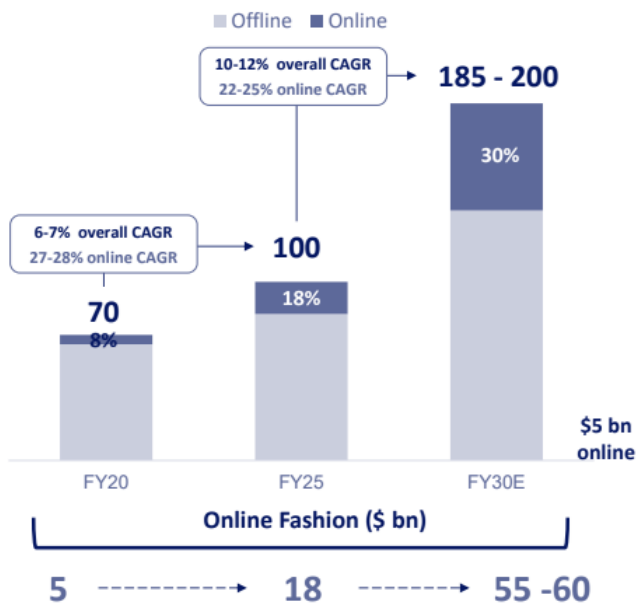
of overall Beauty  
[FY25]

Source: Redseer (India's got retail 2025), Kearney (Indias massive untapped growth opportunity in luxury beauty)

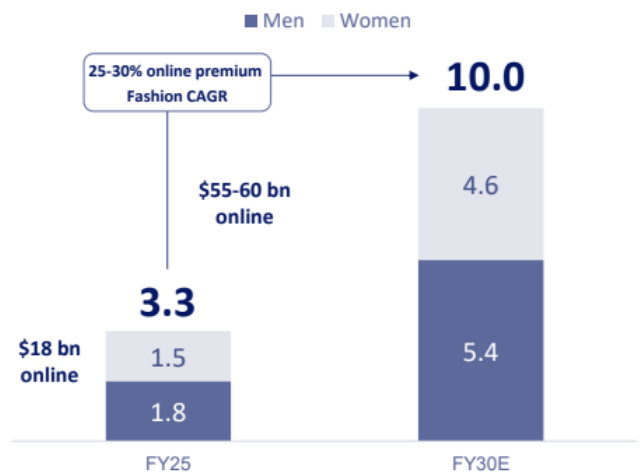
Source: Company

## Exhibit 3. Online Fashion Market size is expected to reach USD 60bn by 2030

## India Fashion Market Size (\$ bn)



## India online premium fashion market (\$ bn)



**Premium fashion market in India is expected to become 3x by 2030**

Source: Redseer (India's got retail 2025), and Meta

Source: Company

## Exhibit 4. 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

## 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%

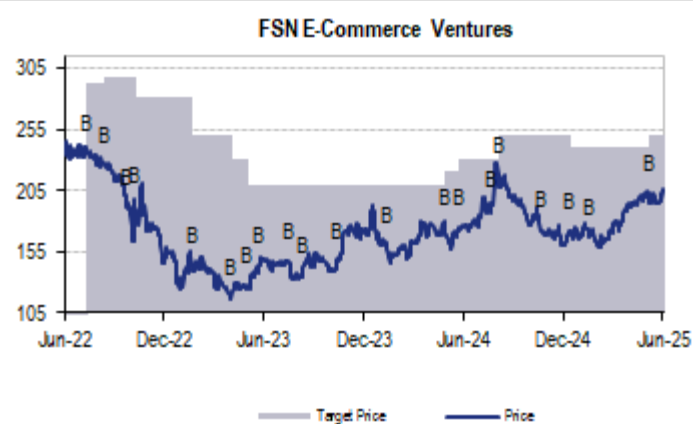
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	4.4	4.6	5.5	7.5	11.1
ROIC	5.3%	8.3%	16.9%	31.6%	50.2%
ROE	2.7%	6.0%	17.2%	28.8%	35.9%
Net Debt/Equity (x)	0.2	0.4	0.2	-0.1	-0.4
P/E (x)	1,643.7	756.4	233.2	107.0	59.9
P/B (x)	47.0	45.5	37.6	27.5	18.6
EV/EBITDA (x)	171.7	126.3	75.9	48.7	32.4
EV/Sales (x)	9.3	7.5	5.8	4.6	3.6
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.
6-Aug-22	Buy	292	
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
31-May-25	Buy	250	4.2

## Recommendation History





## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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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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