

Deep Dive Nykaa



Fsn E-commerce Ventures

BPC ambition plausible; Fashion's a stretch though

The note ponders the odds of delivery for each segment of Nykaa juxtaposed against its stated ambition. The BPC ambition of achieving mid-late 20s growth over FY24-28 seems aggressive but plausible (built-in 25% CAGR). We expect the focus to shift to customer acquisition amid rising competitive intensity in BPC, compared to the focus on milking existing customers over FY21-24. GCC presents an interesting opportunity. In Fashion, the ambition to hit 2.5-3x FY24 scale while achieving mid-single-digit EBITDAM by FY27 (from -10.3% in FY24) seems quite a stretch (built-in 23% NSV CAGR, -2.5% EBITDAM). The focus here will be on improving existing customers' GMV contribution (ambition: 75-80% of GMV), which is unit economics-accretive. We differ on the quantum of change possible (factoring in a generous 1,000bps EBITDAM swing over FY24-27 vs. management's ambition of 1,300-1,600bps). Our REDUCE rating stands with a DCF-based TP of INR165 (implying 102x Jun-26 P/E/67x Jun-26 EV/EBITDA). Estimates largely remain unchanged.

- Beauty & personal care (BPC) ambitions plausible:** Management's stated growth ambition for BPC GMV is in the mid-to-late 20s (we pencil in 25% CAGR) over FY24-28. It remains aggressive on its offline plans too (ambition: 40% CAGR). BPC is a long-tail category that potentially offers upside from product cross-selling which in turn aids purchase frequency (PF), average basket sizes (ABS) and consequently annual consumer value (ACV). All this was true three years back too. However, despite the rise in GMV contribution (70% to 79% over FY21-24) from existing customers (unit economics-accretive), the average order values (AoVs/PFs) have only grown at 0.6/5% CAGR respectively over FY21-24 as new customers averaged out KPIs downwards at a portfolio level. We suspect the room to improve GMV from existing customers and, consequently, ABS & PF from here is limited at a portfolio level, given that Nykaa is likely to step up on customer acquisition amid rising competition. This is corroborated by management's intent to maintain contribution margins at FY24 levels (25.5%) over FY24-28 and reinvest in new customer acquisition and retention rates. Note: We build in a 300bps improvement already at the EBITDA level to factor in scale-led operating leverage over FY24-28.
- Fashion ambitions a bit 'out there'...:** Management continues to focus on improving assortment breadth/relevance and has stated ambition of hitting 2.5-3x FY24 scale while achieving a positive EBITDAM by FY26 and mid-single-digit EBITDAM by FY27 (from -10.3% in FY24; 1,300-1,600bps swing) — a stretch, in our view. Levers for this are (a) improving private label salience; (2) reducing returns and improving fulfilment costs; and (3) earning more ad income. However, the biggest profitability unlock in fashion will come from lower marketing spending (CAC). Management expects marketing spending to come down by 550-650 bps over FY24-27, which seems unlikely, in our view, even if one is benevolent with their forecasts (refer to table). Even our best-case scenario presents ~460bps savings in marketing spending (which factors in 70%+ GMV contribution from existing customers). In Fashion, we've pencilled in -2 to -3% EBITDAM (as % of NSV) in FY27.

REDUCE

CMP (as on 28 Jun 2024)	INR 176
Target Price	INR 165
NIFTY	24,011

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 150	INR165
EBITDA%	FY25E	FY26E
	-	-

KEY STOCK DATA

Bloomberg code	NYKAA IN
No. of Shares (mn)	2,857
MCap (INR bn) / (\$ mn)	504/6,044
6m avg traded value (INR mn)	1,231
52 Week high / low	INR 196/130

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.9	2.3	19.3
Relative (%)	1.6	(6.8)	(4.4)

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	52.24	52.22
FIs & Local MFs	15.25	17.16
FPIs	10.65	10.32
Public & Others	21.86	20.30

Source : BSE

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- **...our rebuttal on Fashion ambition is on two counts:** (1) On scale: Over FY22-24, AoV/NSV per order (grew ~18/11% CAGR) along with AUTC growth (29% CAGR) were active growth constituents which ensured 28% NSV CAGR. AoVs/NSVs grew on account of rising GMV contributions from existing customers (73% to 79% over FY22-24). However, current AoVs (@ 2x industry average) and purchase frequencies (~2.3x) seem nearly fully optimised vs. peers. We don't see the above two KPIs contributing meaningfully to growth over FY24-27. Hence, we believe growth is likely to be anchored on AUTC growth, which should be measured if Nykaa intends to improve on unit economics (as % of NSV). Note: marketing spending only increased (from INR309 to INR345) on a per-order basis over FY22-24. (2) On margins: Management's optimism of such a steep profitability swing in fashion over FY24-27 is underpinned by further improvement in GMV contribution from existing customers (CAC and unit economics-friendly; FY27 ambition: 75-80% contribution). However, in our view, it's difficult to tread the same path in Fashion as in BPC on this KPI, given the discovery-based nature of consumer shopping in Fashion. If management attempts to achieve this, it is likely to come at the cost of scale, in our view. Note: from a marketplace standpoint; Myntra continues to be aggressive on CAC spends.
- **Superstore @ 9x scale can achieve 3-5% EBITDAM:** Progress of Nykaa's B2B offering 'Superstore' continues to track well. Meaningful improvements have been made both on scale and unit economics. The segment now serves 195k retailers (vs 19k/109k in FY22/FY23). AOV/ABS increased 23/33% YoY in FY24. Orders grew 71% YoY in FY24 to 1.2mn. This scale-up has been aided by improved unit economics. EBITDA margin improved by 2,200bps YoY in FY24 and management expects this to further improve by 2,000bps over FY24-26. The company has outlined an ambition of achieving a GMV of ~9x of FY24 and an EBITDA margin of 3-5% in the medium term. Note: we factor in 4-5x FY24 scale and EBITDAM of -12% by FY28.
- **GCC presents an interesting opportunity:** Nykaa launched its BPC foray Nysaa in partnership with the Apparel Group (JV) in Mar 2024. This presents an interesting opportunity as the region is highly potent in terms of BPC spending. The market presents a USD30bn opportunity (population: 59mn; BPC spends per capita: ~USD500+). Note: Apparel Group has 80+ brands with 2,200+ retail stores in 14 countries and is available on 15 e-commerce platforms. **Nysaa intends to add five stores in GCC in FY25 and exit the year with ~USD10-15 in revenue.** The format aims to increase its presence to 70 stores and garner a 7% share of the prestige beauty market in five years (USD 1.9bn currently).
- **On ad income:** The improved ad tech stack is designed to offer layered advertising spots (i.e., more ad inventory). This coupled with its preferred partner positioning keeps management confident of gaining its fair share of ad dollars within the marketplace. The company has benefited in terms of click-through rates (CTR) across both BPC (1.6x YoY) and Fashion (2.3x YoY) over FY24. However, we suspect that with rising competition, the ad income is likely to be closely contended for amid the top three players over the medium-to-long term. We expect ad/shipping income to moderate to 8.1% of NSV by FY27 (from 8.9% in FY24 and 11.1% in FY19).
- **On private labels and offline/omni-strategy:** Nykaa continues to improve on its owned brand portfolio in both segments (BPC/Fashion). Owned brands in BPC/Fashion contributed 13.1/12.7% in FY24 vs. 10/7.8% in FY22 respectively. Management also highlighted that it sees offline in BPC as a must-have channel and it has noticed that offline expansion leads to increased and more profitable online sales as these omni-consumers typically have higher ABS and purchase frequencies.

- What's built in?** We expect Nykaa to clock 27/23/47% (overall: 28%) revenue CAGR for BPC/fashion/other segments (INR 109.3/10.5/14.9bn) over FY24-27 respectively. Customer addition and CAC remain the anchor variables across segments. We are building in a 400bps expansion in EBITDAM to 6.8% (Pre-IND AS 116), given (1) core BPC product margins improve from 4% to 7% courtesy higher private labels, (2) scale-led operating efficiencies come into play, and (3) fashion losses ebb (building in a break-even in FY28/29). RoCEs could improve to 20%+ by FY27 (from 3.3% in FY24).
- Valuation and outlook:** While Nykaa remains an efficient online business, especially for BPC, its success in part is due to the absence of potent competitors (a fact that is gradually changing). Fashion remains a WIP and its path to profitability remains unclear (despite the stated ambition). Ex-ad income, the lack of non-linear monetisation levers forces us to restrict our valuation compass somewhere between a linear business and a pure platform. Hence, our REDUCE rating on Nykaa stands with a DCF-based TP of INR165/sh (implying 67x Jun-26 EV/EBITDA and 102x Jun-26 P/E).

Financial Summary

(Rs mn)	4Q	4Q	YoY (%)	3Q	QoQ	FY23	FY24	FY25E	FY26E	FY27E
	FY24	FY23		FY24	(%)					
Net Revenue	16,680	13,017	28.1	17,888	(6.8)	51,438	63,856	84,209	107,760	134,712
EBITDA	933	707	32.0	988	(5.6)	2,560	3,462	6,303	9,233	12,489
Pre-IND-AS EBITDA						1,179	1,769	4,071	6,377	8,920
APAT	91	23	298.7	175	(48.0)	210	397	2,238	4,011	6,004
EPS (Rs)	0.0	0.0	298.2	0.1	(48.0)	0.1	0.1	0.8	1.4	2.1
P/E (x)						2,381.5	1,257.4	223.4	124.6	83.2
EV/EBITDA (x)						425.7	284.8	123.7	78.6	55.8
Core RoCE(%)						1.9	2.6	10.9	16.8	21.6

Estimate changes

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	84,209	83,531	0.8	107,760	105,869	1.8	134,712	134,712	-
Gross Profit	35,826	35,484	1.0	45,509	44,483	2.3	56,419	56,419	-
Gross Profit Margin (%)	42.5	42.5	6 bps	42.2	42.0	22 bps	41.9	41.9	-
Reported EBITDA	6,303	6,192	1.8	9,233	8,891	3.8	12,489	12,489.4	-
Reported EBITDA margin (%)	7.5	7.4	7 bps	8.6	8.4	17 bps	9.3	9.3	-
Pre-IND AS EBITDA*	4,071	4,062	0.2	6,377	6,297	1.3	8,920	8,920	-
EBITDA margin (%)*	4.8	4.9	(3 bps)	5.9	5.9	(3 bps)	6.6	6.6	-

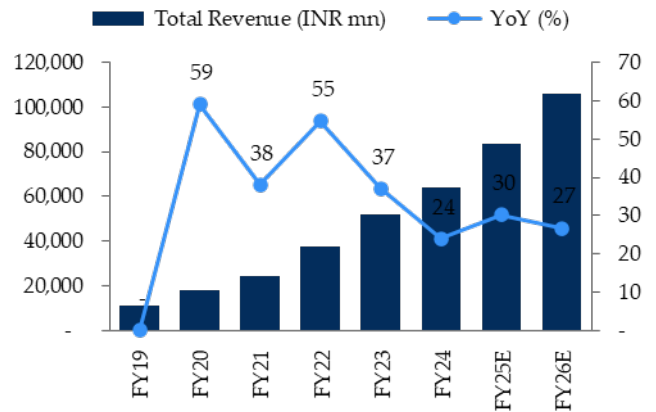
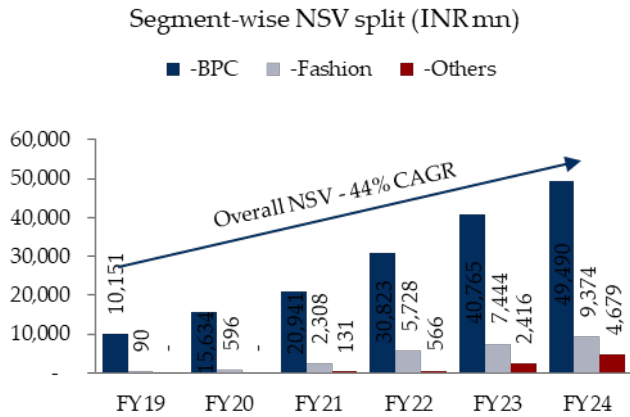
Peer comparison

Company	CMP	M cap (INR bn)	Reco	TP	Revenue (Rs. bn)				EBITDA (Rs. bn)				EBITDAM (%)				Adj. PBT*				Adj. PBTM (%)			
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
F&G																								
Avenue Supermarts	4,717	3,058	Reduce	3,600	418	495	585	684	35	39	50	60	8.4	7.9	8.5	8.7	30.7	34.2	43.3	52.3	7.3	6.9	7.4	7.6
Apparel & Innerwear																								
ABFRL	312	296	Sell	220	124	140	155	176	3	1	6	9	2.7	0.9	4.0	5.4	(2.1)	(10.8)	(10.9)	(8.9)	(1.7)	(7.7)	(7.0)	(5.1)
Shoppers Stop	754	83	Sell	630	40	42	49	58	3	2	3	4	7.1	5.7	6.3	6.1	1.1	0.5	1.1	1.8	2.7	1.2	2.3	3.2
V-MART	2,922	58	Buy	2,560	25	28	32	37	1	0	1	2	3.7	0.3	4.6	6.1	(0.3)	(1.5)	(0.3)	0.3	(1.1)	(5.4)	(0.8)	0.9
Trent	5,480	1,948	Sell	3,000	77	119	166	204	7	14	17	22	8.8	11.7	10.0	10.9	3.0	9.8	15.4	21.1	3.9	8.2	9.3	10.3
SSKL	186	29	Buy	310	14	14	16	20	2	2	2	3	13.7	12.9	14.2	15.9	1.3	1.4	2.1	3.2	9.3	9.8	12.9	16.1
Jewellery																								
Titan Company	3,404	3,022	Sell	2,750	406	511	581	649	45	48	59	67	11.1	9.4	10.1	10.4	41.4	40.9	52.0	60.7	10.2	8.0	9.0	9.4
Footwear																								
Bata India	1,514	195	Reduce	1,370	35	35	39	44	5	4	6	7	14.0	12.8	14.2	15.1	3.9	3.3	4.3	5.3	11.3	9.5	10.8	12.0
Relaxo Footwears	827	206	Sell	750	28	29	34	39	3	3	5	6	10.2	11.9	15.9	16.5	1.9	2.4	4.1	5.1	6.9	8.3	12.1	12.9
Metro Brands	1,229	334	Sell	870	21	24	28	33	5	5	6	7	23.9	22.0	21.9	22.0	4.3	3.9	4.6	5.5	20.4	16.6	16.3	16.9
Horizontal/Vertical Retailers																								
FSN E-Commerce (Nykaa)	176	503	Reduce	165	51	64	84	108	1	2	4	6	2.3	2.8	4.8	5.9	0.1	0.4	2.8	5.1	0.2	0.6	3.3	4.7
Paints & Adhesives																								
Asian Paints	2,917	2,798	Reduce	2,750	345	355	386	429	63	76	79	85	18.2	21.4	20.4	19.8	52.6	65.3	65.9	69.5	15.2	18.4	17.1	16.2
Berger Paints	504	490	Reduce	510	106	112	125	141	15	19	21	23	14.1	16.6	16.4	16.5	11.2	14.5	16.5	18.7	10.6	13.0	13.1	13.3
Kansai Nerolac	270	218	Reduce	300	75	78	88	99	8	10	12	13	10.8	13.2	13.3	12.9	6.1	8.1	9.4	10.3	8.1	10.4	10.7	10.4

Company	PAT (Rs. bn)				EPS (Rs)				P/E (x)				EV/EBITDA (x)				P/Adj. PBT				RoE(%)				RoCE(%)				RoIC (%)			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
F&G																																
Avenue Supermarts	25.6	26.9	33.7	40.8	39.4	41.4	51.8	62.8	120	114	91	75	87	78	62	51	100	89	71	58	18.9	16.8	17.7	17.9	17.7	15.8	16.7	17.1	19.1	16.1	17.2	18.1
Apparel & Innerwear																																
ABFRL	(0.6)	(7.4)	(6.7)	(4.7)	(0.7)	(7.4)	(6.7)	(6.3)	(446)	(42)	(46)	(50)	97	263	55	35	(144)	(27)	(27)	(33)	(1.8)	(16.2)	(11.1)	(6.7)	1.0	(3.5)	(3.2)	(1.6)	0.6	(1.9)	1.7	3.5
Shoppers Stop	1.2	0.8	1.0	1.6	11.1	7.3	9.2	14.1	68	103	82	53	29	35	27	24	77	160	72	45	15.6	9.4	10.0	12.6	17.4	11.1	10.4	12.6	18.6	9.7	10.1	9.6
V-MART	(0.1)	(1.0)	(0.0)	0.4	(4.0)	(48.9)	(2.3)	20.2	(734)	(60)	#####	145	65	611	40	26	(206)	(38)	(218)	184	(0.8)	(10.1)	(0.5)	4.6	(0.4)	(8.0)	0.5	5.3	2.1	(5.3)	4.2	10.2
Trent	5.5	10.3	14.3	18.9	15.6	29.0	40.1	53.1	341	183	132	100	279	135	112	84	642	198	126	92	16.9	27.0	27.1	27.9	15.5	19.1	27.3	27.2	13.5	16.7	24.0	31.3
SSKL	1.0	1.0	1.6	2.3	6.4	6.6	10.2	14.7	29	28	18	13	17	15	11	8	23	21	13	9	26.5	13.5	13.5	16.6	22.8	14.3	14.4	17.4	19.4	18.6	22.1	27.0
Jewellery																																
Titan Company	32.7	35.0	41.4	49.0	36.9	39.3	46.5	55.0	92	87	73	62	69	66	54	47	73	74	58	50	29.3	30.6	35.2	33.1	17.5	16.0	16.9	17.5	18.7	16.6	18.1	19.5
Footwear																																
Bata India	3.2	2.6	3.6	4.5	25.1	23.6	28.1	35.3	60	64	54	43	39	43	33	27	50	59	46	37	18.7	16.9	10.5	10.5	18.6	18.5	17.5	17.9	31.9	24.0	22.6	25.9
Relaxo Footwears	1.5	2.0	3.3	4.1	6.2	8.1	13.1	16.5	133	103	63	50	71	59	37	31	108	86	50	41	8.7	11.3	16.5	18.5	8.8	11.4	16.5	18.4	9.3	11.8	19.0	22.7
Metro Brands	3.7	4.2	4.2	5.2	13.4	15.3	15.4	19.1	91	80	80	64	64	63	52	44	77	85	73	61	24.2	22.7	17.9	17.9	25.9	23.3	18.2	18.2	51.0	41.8	35.1	38.0
Horizontal/Vertical Retailers																																
FSN E-Commerce (Nykaa)	0.2	0.4	2.2	4.0	0.1	0.1	0.8	1.4	2,401	#####	225	126	429	287	125	79	6,151	#####	183	99	1.5	2.9	15.3	21.1	2.4	3.3	11.9	17.2	1.9	2.6	10.9	16.8
Paints & Adhesives																																
Asian Paints	40.6	54.6	53.4	56.9	45.2	58.6	55.7	59.3	65	50	52	49	44	36	36	33	53	43	42	40	27.2	31.5	26.9	25.2	23.5	26.9	23.0	21.9	27.6	29.8	24.0	21.5
Berger Paints	8.6	11.7	13.2	15.0	8.9	10.0	11.3	12.9	57	50	44	39	33	31	28	25	44	34	30	26	20.4	23.7	22.6	22.0	17.1	20.3	20.3	20.1	17.8	20.2	21.8	23.6
Kansai Nerolac	4.7	6.7	7.8	8.5	5.8	8.2	9.7	10.5	47	33	28	26	27	21	19	17	36	27	23	21	10.8	13.2	13.5	13.7	10.8	13.1	13.5	13.7	11.6	11.7	16.7	16.8

Focus Charts

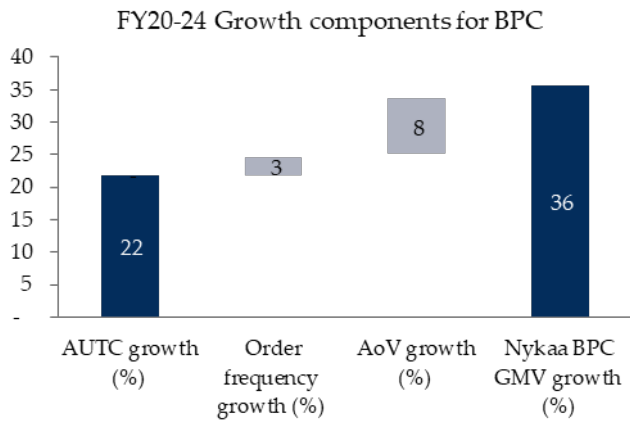
Nykaa has clocked 44%/42% NSV/revenue CAGR over FY19-24



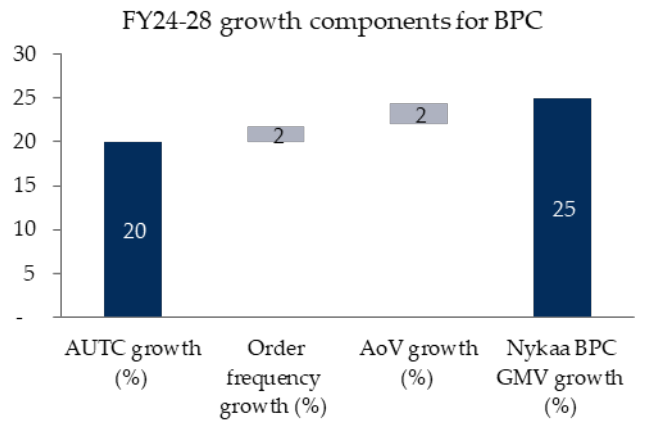
Source: Companies, HSIE Research

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Over FY20-24, the rising GMV contribution from existing customers ensured all growth levers were well utilised (AUTC, order frequency, AoV)...however, over FY24-28, elasticity to improve order frequency and AoV seems limited in BPC as focus shifts to new customer acquisition.

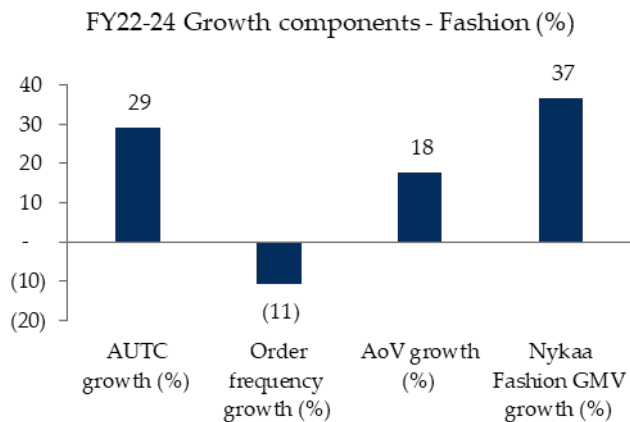


Source: Companies, HSIE Research

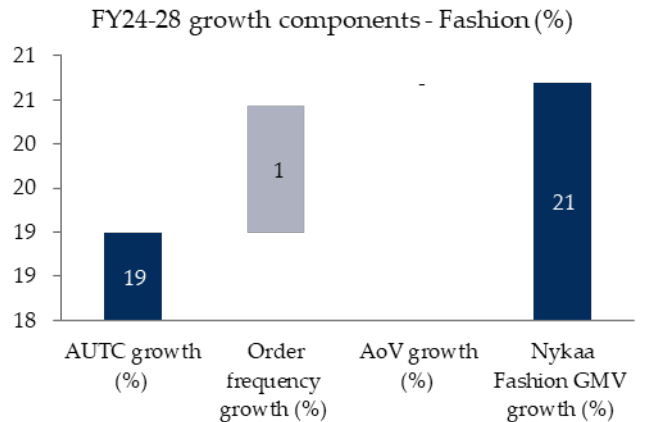


Source: Company, HSIE Research

...ditto for fashion...as AoVs and order frequency seem near fully optimised

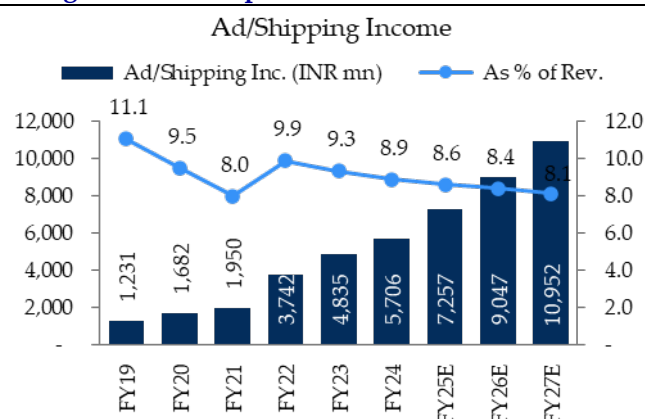


Source: Companies, HSIE Research

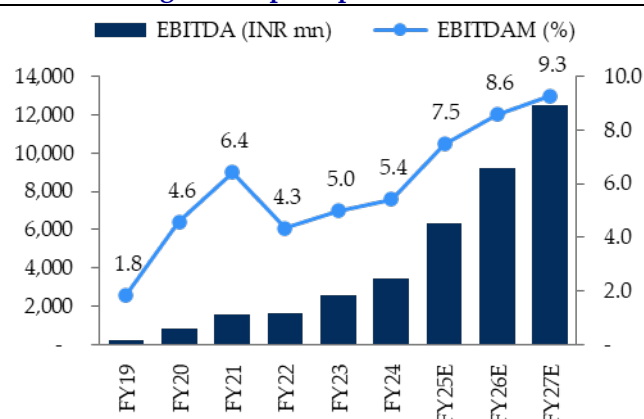


Source: Company, HSIE Research

Rising competition could keep ad income growth < NSV growth...however, (1) improving product margins (2) ebbing fashion & Superstore losses could aid overall EBITDAM...building in 390bps expansion over FY24-27



Source: Companies, HSIE Research



Source: Company, HSIE Research

Cash generating power (CFO-ex WC) still lags capital needs courtesy fashion and eB2B investments...However, the peak investments phase seems behind

Particular (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Sources of Funds									
Cash from Operations (excl. WC change)	(1)	(94)	287	890	1,903	1,831	2,839	3,828	11,482
Less: Rent Adjustment	-	-	211	471	429	652	1,169	1,479	4,412
: Int on Lease Liability Adjustment	-	-	-	-	-	-	-	-	-
Other Income	-	-	1	1	36	166	181	218	602
Sub Total (A)	(1)	(94)	76	419	1,510	1,345	1,851	2,567	7,672
Net Proceeds from Issue of Capital	112	-	1,340	1,037	1,029	8,729	288	279	12,815
Borrowings	250	777	1,426	419	(800)	1,456	1,263	2,200	6,990
Total (B)	361	682	2,841	1,876	1,739	11,529	3,403	5,046	27,477
Application of Funds									
Working Capital	243	445	1,284	829	405	5,371	4,241	3,825	16,643
Net Capex	115	144	1,618	(888)	421	940	2,082	1,107	5,539
Investments -									
- in subsidiary	-	-	0	-	16	508	702	-	1,227
- others	-	-	2	739	897	4,746	(3,999)	(788)	1,597
Other Investing Cash flows	(4)	(0)	-	-	-	-	-	-	(5)
Interest	0	83	197	298	177	262	334	558	1,909
Net Change in cash	7	10	(260)	898	(176)	(297)	42	344	568
Total (C)	361	682	2,841	1,876	1,739	11,529	3,403	5,046	27,477
As a % of Source of Funds (A)									
WC + Capex	(26,517)	(626)	3,825	(14)	55	469	342	192	289
Obligatory payments (Interest)	(0)	(88)	260	71	12	20	18	22	25
Total	(26,517)	(715)	4,085	57	66	489	360	214	314

Source: Companies, HSIE Research

BPC ambitions plausible

Alas, not all past growth levers offer elasticity to improve!

- The company is ambitious on BPC growth rates; aims to maintain margins:** At its investor day (in June 2024), Nykaa's management stated an ambition to grow the BPC segment at a healthy mid-to-late 20s (%) and maintain its 30%+ market share within the online pie. Underpinnings of growth are likely to be (1) the rising purchase frequencies and average basket sizes (ABS) via improvement in category width and depth; (2) premiumisation; (3) the tripling of the current scale of its Nykaa Global store by adding more international brands to the catalogue (80-100 brands from 39 currently); and (4) growth of its own-brand portfolio and offline retail.
- Margins:** The company aims to maintain contribution margins at FY24 levels (25.5%) and reinvest efficiency gains, if any, in customer acquisition and other growth levers.
- Efficiency:** The company has reduced its order-to-delivery time by 18%, fulfilment costs per order by 19% and split shipments by 24% (since FY21) courtesy its regionalisation of warehousing strategy. Note: Nykaa increased its distribution capabilities from 18 warehouses in FY21 to 44 warehouses in FY24.
- Offline BPC:** Management highlighted that offline retail has an accretive impact on annual consumption value. A typical omnichannel customer has 4-5x the annual consumption value (ACV) and 3-5x the purchase frequency of an online BPC customer.

Performance snapshot for FY21-24 and FY28 ambitions for BPC

Particulars	FY21	FY24	FY28E
BPC GMV	INR 33.5bn	INR 83.4bn	Aims to grow in the mid-to- late 20s (%)
Growth (%)	60% (CAGR FY18-21)	34% (CAGR FY21-24)	(CAGR FY24-28E)
Retail GMV	INR 1.9bn	INR 6.9bn	8-10% contribution to O+O GMV
Growth (%)	150%+ (CAGR FY18-21)	50%+ (CAGR FY21-24)	40%+ (CAGR FY24-28E)
Stores/Area	77 stores/ 60k+ sq ft	187 stores/ 170k+ sq ft	400 stores/ 400k+ sq ft
Contribution Margin (%)	22.7%	25.5%	Aim to keep margin in line with FY24; Reinvesting potential improvement in growth
Customer Metrics	Cumulative customer base: ~10mn AUTC: 5.2mn Cumulative orders: 50mn+	Cumulative customer base: ~25mn AUTC: 11mn Cumulative orders: 150mn+	Continue to invest in new customer acquisition & improving retention

Source: Company, HSIE Research

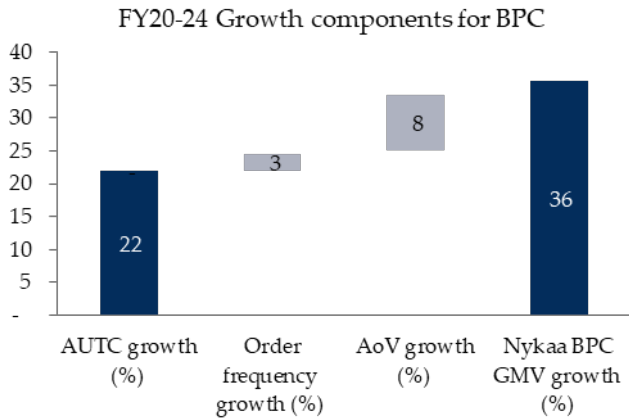
- Nykaa Global Store:** Nykaa Global Store has now become India's largest beauty brand importer and distributor. The segment has come a long way from selling independent brands on the Nykaa platform only in FY21 to now selling 39 international brands with distribution extended to 3P E-Comm Beauty horizontals. The segment has scaled 5x over FY21-24.

Particulars	FY21	FY24	FY28E
GMV	1x 50% Growth CAGR fuelled by existing brand growth, distribution expansion & brand launches	5x	15x
Brands	19 Key Launches in FY24: Fenty Beauty, Urban Decay, ColourPop, AHC, Dr Barbara Sturm	39	80-100
Brand Partners	Independent Only Huda, Pixy, ELF, Tony Moly	Global beauty conglomerates L'oreal Luxe, Puig, Amore pacific, Unilever	Global beauty conglomerates L'oreal Luxe, Puig, Amore Pacific, Unilever etc Independents and D2C
Nykaa Retail	Nykaa.com & Nykaa Retail only	Nykaa.com & Nykaa Retail 3P E-com distribution in beauty horizontals	Nykaa.com & Nykaa Retail 3P E-com distribution Department Store, Brand boutique, In-clinic, Brand websites

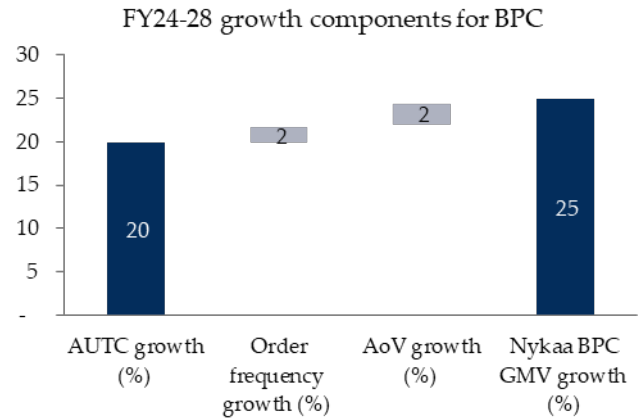
Source: Company, HSIE Research

- Not all past BPC growth levers may be at play over FY24-28:** Over FY20-24, all growth constituents/levers were at play (AUTC, order frequencies and AoVs). This ensured a healthy 36% CAGR during this period. Order frequencies and AoVs/NSV per order improved as GMV contribution from existing customers (unit-economics friendly) improved (from 70% to 79%). However, given the imperative to step up customer acquisition, we suspect the elasticity to improve upon GMV contribution from existing customers and, consequently, AoVs and order frequencies is limited over FY24-28. We've built in a healthy 25% CAGR over FY24-28 for the BPC segment (anchored in 20% AUTC growth).
- Management's commentary on maintaining contribution margins at FY24 levels (25.5%) over FY24-28 and reinvesting in new customer acquisition and retention rates also suggests that the focus is likely to be on recruiting new customers. Note: we build in a 300bps improvement already at the EBITDA level to factor in scaled operating leverage over FY24-28.

Like FY20-24, we expect AUTC growth to anchor GMV growth over FY24-28; however, we don't see much incremental elasticity in order frequency and AoV, given new customer additions are likely to be stepped up

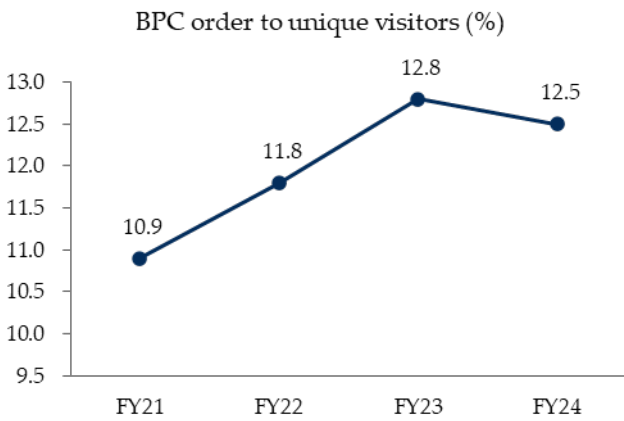


Source: Companies, HSIE Research

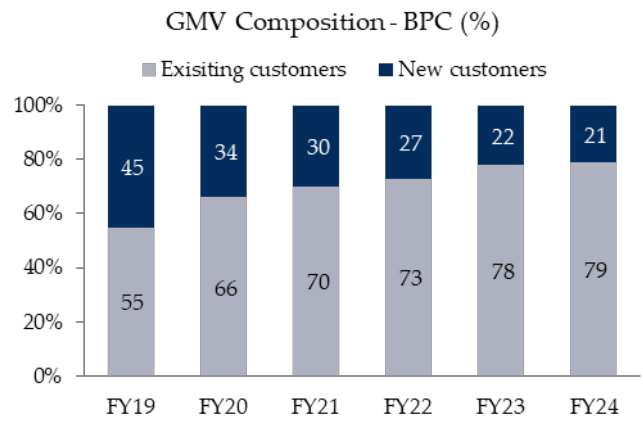


Source: Company, HSIE Research

Orders to unique visitors improved as a consequence of higher GMV from existing customers



Source: Companies, HSIE Research



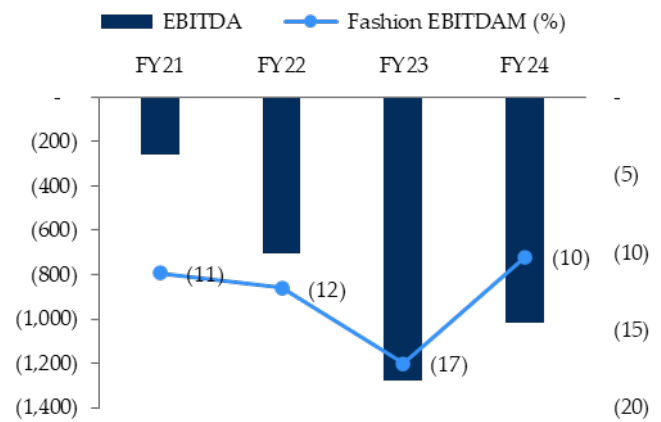
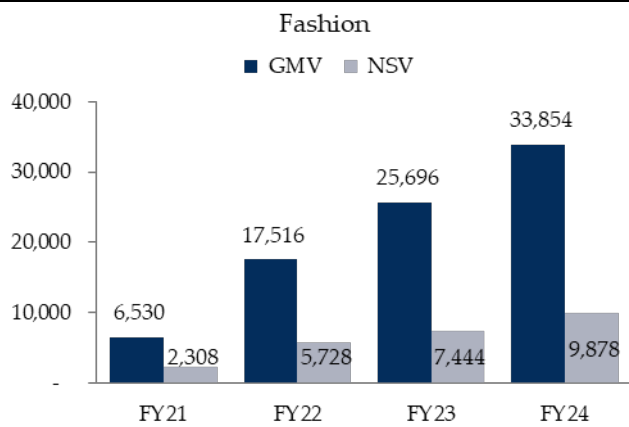
Source: Company, HSIE Research

- GCC presents an interesting opportunity:** Nykaa launched its BPC foray Nysaa in partnership with the Apparel Group (JV) in Mar 2024. This presents an interesting opportunity as the region is highly potent in terms of BPC spending. The market presents a USD30bn opportunity (population: 59mn; BPC spends per capita: ~USD500+). Note: Apparel Group has 80+ brands with 2,200+ retail stores in 14 countries and is available on 15 e-commerce platforms.
- Nysaa intends to add five stores in GCC in FY25 and exit the year with ~ USD 10-15mn** in revenue. The format aims to increase its presence to 70 stores and garner a 7% share of the prestige beauty market in five years (USD 1.9bn currently). The format currently has a 10% online share and offline/online AoVs of USD76/55 respectively. The category mix is cosmetics-skewed (make-up: 65%/skincare: 25%/fragrances: 10%). Currently, the store ARR stands at USD 2mn.

Fashion ambition seems a bit 'out there'

- The fashion journey so far!** Of the USD80bn fashion market, Nykaa operates in the online premium space in fashion, which is pegged at ~USD2.9bn (potentially rising to USD10bn by FY30, as per Redseer estimates). While still early days, Nykaa has scaled to ~INR9.88bn (in NSV terms) from scratch over FY20-24.
- During this journey, Nykaa improved on the proportion of business coming from existing customers (48% now vs 9% in FY21) by improving orders to unique visitors (1.5% to 2.9% over FY21-24). This should have improved unit economics in a meaningful way as customer acquisition costs (CAC) are lower for existing customers vs new customers. However, like all online fashion marketplaces, the path to profitability has been quite unclear. Fashion EBITDAM stands at -10.3% as % of NSV in FY24 (a similar level to FY21).

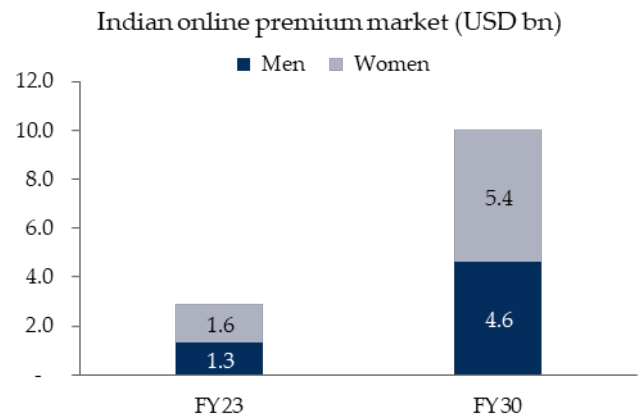
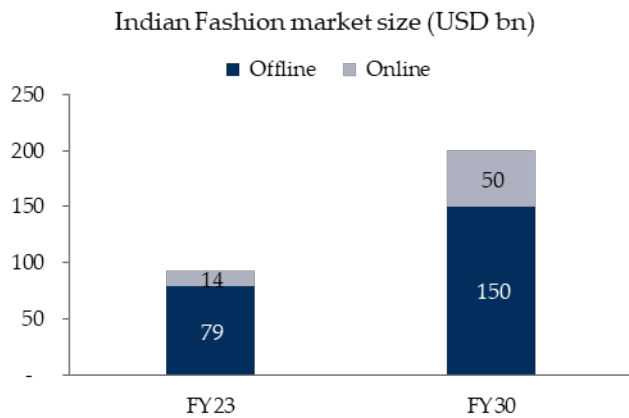
While Nykaa Fashion achieved reasonable scale over FY21-24, EBITDAM remains near FY21 levels



Source: Companies, HSIE Research

Source: Company, HSIE Research

Indian fashion and online premium market size

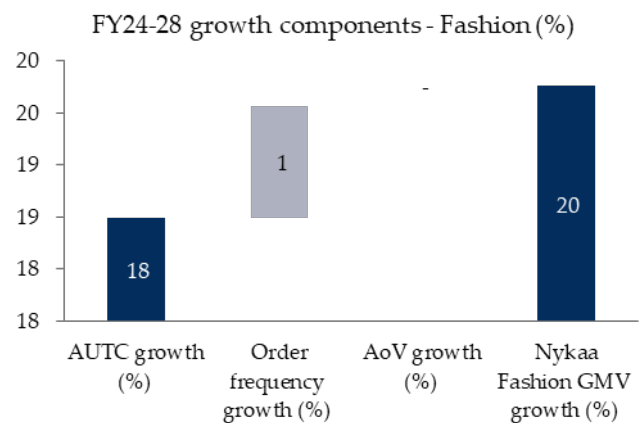
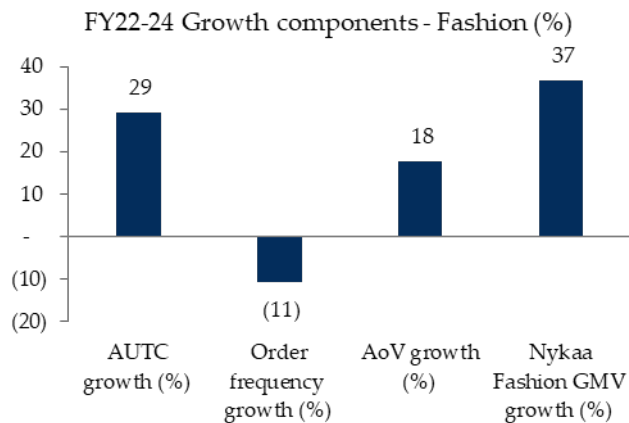


Source: Companies, Nykaa Investor Day Presentation, HSIE Research

Source: Company, Nykaa Investor Day Presentation, HSIE Research

- Ambition to tread scale and unit economics in Fashion seems a bit 'out there':** Management's fashion business ambitions of getting to 2.5-3x FY24 scale, a positive EBITDAM by FY26, and a mid-single-digit EBITDAM by FY27 remain quite stretched in our view as not all growth levers available in FY22-24 are likely to be present over FY24-27.
- To give some perspective, over FY22-24, apart from customer additions; AoV growth was the second biggest contributor to overall growth in Fashion (a function of the rising skew of GMV from existing customers). While the skew is likely to continue rising from here, the room to expand AoVs seems limited as at ~INR4,800 (AoV)/~2,800-3,000 – SP (HSIE), it is already an order of magnitude higher than peers (so, one can't bank on it). Ordering frequencies (number of orders/AUTC) have declined over FY22-24 and now stand at ~2.2-2x already within the category (apparel) range. We don't expect these levers to play a key role in growth over FY24-27. Hence, we believe, most of the heavy lifting for GMV growth over FY24-27 is likely to be from AUTC growth and that too needs to be calibrated if one is gunning for a significant turnaround of fortunes in terms of unit economics (Nykaa has ambitions to hit mid-single-digit EBITDAM by FY27 – a 1,300-1,600bps swing).

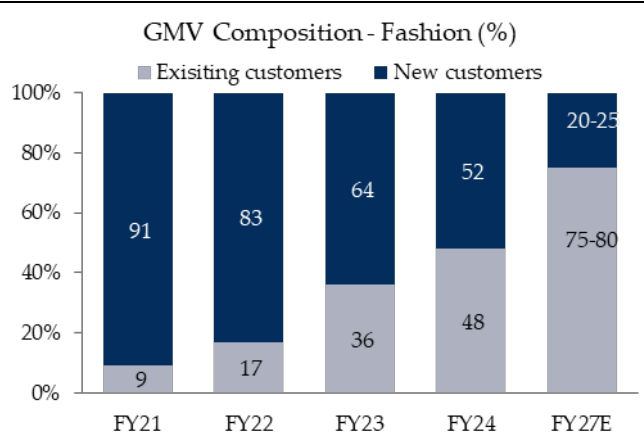
Unlike in FY22-24, we don't expect order frequency; AoVs to be meaningful growth lever for fashion over FY24-28



Source: Companies, HSIE Research, Note: Order frequency is calculated as No. of orders/AUTC. This is the best proxy we have for order frequency.

Source: Company, HSIE Research

Nykaa Fashion continues to improve on its order to conversion rates and its existing customers' GMV contribution (which are unit economics friendly moves)



Source: Companies, HSIE Research

Source: Company, HSIE Research

- **FY24-27 EBITDAM swing in fashion seems unrealistic: Over FY20-24**, one may argue that Nykaa added nearly its entire 6mn cumulative customer base (fashion). Hence, CAC costs/marketing spending remained elevated and potentially the journey over FY24-27 may be different with significant improvement across the entire cost structure, especially if the focus is on milking the existing customer base.
- Rationalization of marketing spends is the biggest lever to pull if Nykaa were to achieve its ambition of mid-single-digit EBITDAM by FY27. The company expects to bring down marketing spends by 550-650bps by FY27—accounting for nearly 65-70% of the incremental contribution margin swing (800-1,000bps) and contributing >40% of the EBITDAM swing envisaged over FY24-27 (1,300-1,600bps). We believe this ambition is quite steep, which led us to assess the potential savings from better absorption of marketing spends as Nykaa Fashion scales.
- Our back-of-the-envelope computation takes into account (a) a certain customer mix improvement (existing: new customer base) and (b) spend per customer for new and existing customers. Even **our best-case scenario presents ~460bps savings in marketing spends (Nykaa's ambition of 550-650bps). This scenario pencils in the existing customer base improving to 30% in FY27 (from an estimated 20% in FY24) with spending per customer declining by 2% CAGR for both customer profiles** Note: the 20:80 existing: new customer ratio is an assumption (Existing: new customer GMV contribution stands at 48:52 for FY24). **We've already factored nearly the best-case scenario (INR442bps improvement over FY24-27).**

The best case scenario (baked in) falls short of the stated ambition for Nykaa fashion (550-650bps improvement over FY24-27 in marketing spends)

Particulars	Best Case				Base Case				Worst Case			
	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27
Fashion AUTC (mn)	3.0	3.6	4.3	5.1	3.0	3.6	4.3	5.1	3.0	3.6	4.3	5.1
Existing	0.6	0.8	1.1	1.5	0.6	0.8	1.0	1.3	0.6	0.8	0.9	1.2
New	2.4	2.8	3.2	3.5	2.4	2.8	3.3	3.7	2.4	2.8	3.3	3.9
Customer mix (%) -												
Existing	20%	23%	26%	30%	20%	22%	24%	26%	20%	21%	22%	23%
New	80%	77%	74%	70%	80%	78%	76%	74%	80%	79%	78%	77%
Total marketing spends (INR mn)												
Existing	125	169	223	297	125	163	210	266	125	158	196	242
Growth (%)		35%	32%	33%		31%	29%	27%		26%	25%	23%
New	2,426	2,746	3,078	3,367	2,426	2,810	3,226	3,669	2,426	2,875	3,378	3,935
Growth (%)		13%	12%	9%		16%	15%	14%		19%	17%	16%
Spend per customer (INR)												
Existing	208	204	200	196	208	206	204	202	208	208	208	208
Growth (%)		-2%	-2%	-2%		-1%	-1%	-1%		0%	0%	0%
New	1,011	991	971	951	1,011	1,001	991	981	1,011	1,011	1,011	1,011
Growth (%)		-2%	-2%	-2%		-1%	-1%	-1%		0%	0%	0%
New:Existing spend per customer	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Fashion NSV (INR mn)	9,878	12,288	14,623	17,255	9,878	12,288	14,623	17,255	9,878	12,288	14,623	17,255
Marketing exp (INR mn)	2,551	2,915	3,300	3,664	2,551	2,973	3,436	3,935	2,551	3,032	3,574	4,177
as % of NSV	25.8	23.7	22.6	21.2	25.8	24.2	23.5	22.8	25.8	24.7	24.4	24.2
FY24-27 Improvement in marketing spends (bps)				459 bps				302 bps				162 bps

Source: Companies, HSIE Research, Note: Existing: New customer mix highlighted is split of the customer base which is an assumption. Contribution to GMV from existing:new customers is in the ratio of 48:52.

Nykaa's ambition for its fashion business vs HSIE expectations for FY24-27

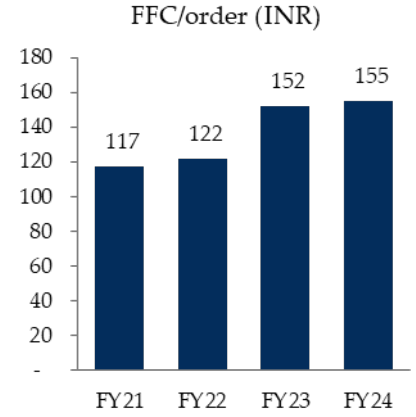
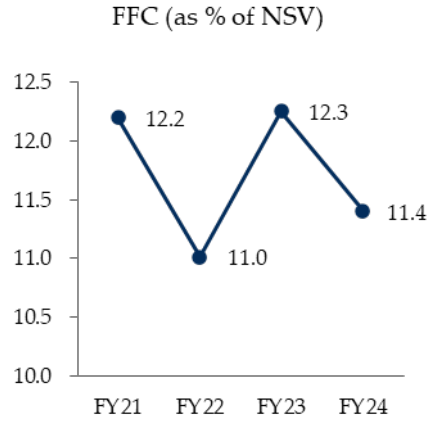
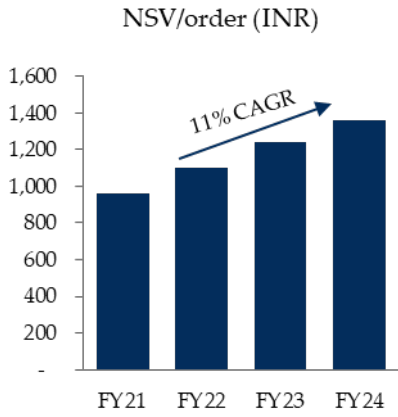
Nykaa Fashion	FY23	FY24	FY24-27 Company Ambitions	HSIE expectations
NSV (INR mn)	7,800	9,878	Ambition to achieve 2.5-3x FY24 scale	17,255
GM (As % of NSV)	44.2	44.8	150-200 bps expansion	60 bps expansion
Fulfilment costs	11.9	11.1	100-150 bps reduction	78 bps expansion
Marketing expenses	28.1	25.8	550-650 bps reduction	442 bps expansion
S&D expenses	1.8	1.6		
Contribution margin (%)	2.2	6.2	800-1000 bps expansion	580 bps expansion
Total overhead expenses	19.3	16.5	500-600 bps reduction	420 bps expansion
EBITDAM (As % of NSV)	(17.1)	(10.3)	1300-1600 bps expansion	1,007 bps expansion

Source: Companies, HSIE Research

- Downward normalisation of AoV/NSV per order is a key risk to unit economics (not factored in).** In FY24, Nykaa Fashion's already high AoV (~INR4,750 now; estimated INR2,800-3,000 in selling price terms) jumped 20% YoY due to the rising contribution of existing customers to GMV. This certainly helped the cause of unit economics. However, on a per-order basis, fulfillment costs (from INR122/order to INR155) and marketing expenses (INR309/order to INR345/order) have only inched up over FY22-24.
- Any downward normalisation of AoV or NSV per order against the backdrop of rising competition could potentially pose a risk to the stated ambition of improving contribution/EBITDAM by 800-1,000/1,300-1,600 bps over FY24-27 (not factored in). We've already factored in a ~1007bps improvement in Fashion over FY24-27 and expect Nykaa to hit EBITDAM losses (as % of NSV) of -2%.

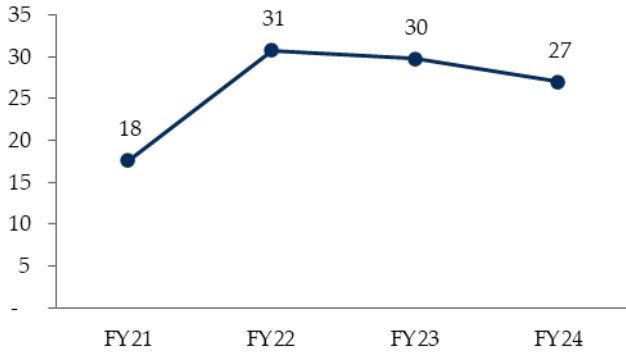
NSV/order grew @ 11 CAGR over FY22-24

...despite this, no leverage benefits can be seen from fulfilment costs yet (as % of NSV or on per order basis)

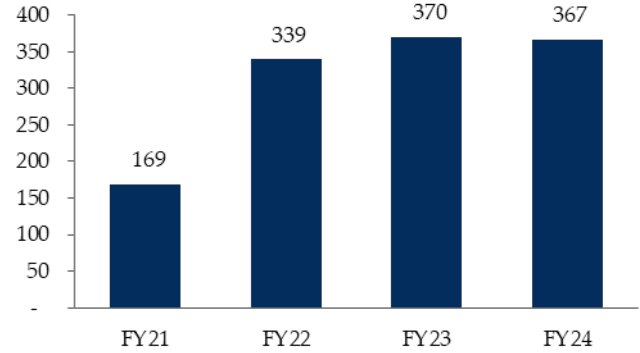


...marketing + S&D expenses (as % of NSV) improved over FY22-24 led by rising existing customers' GMV/NSV contribution. On a per order basis though, not much progress has been made yet

Marketing + S&D expenses (As % of NSV)



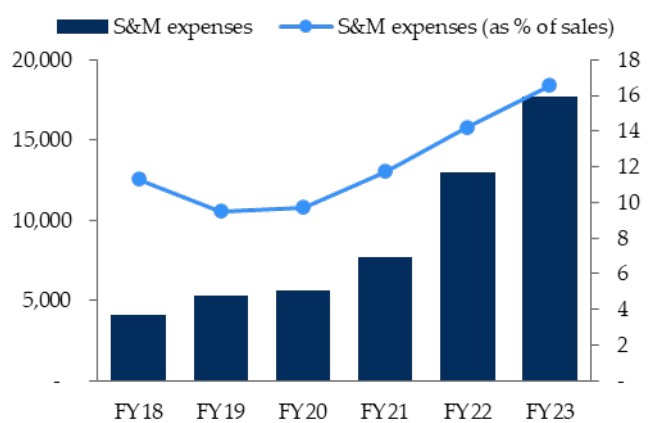
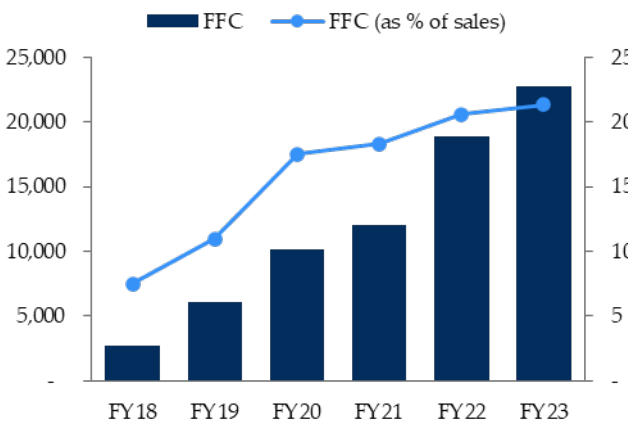
Marketing + S&D expenses per order



Source: Companies, HSIE Research

Source: Company, HSIE Research

Myntra' fulfilment costs and marketing spends (even with 3x FY18 scale) have only worsened over FY18-23



Source: Companies, HSIE Research

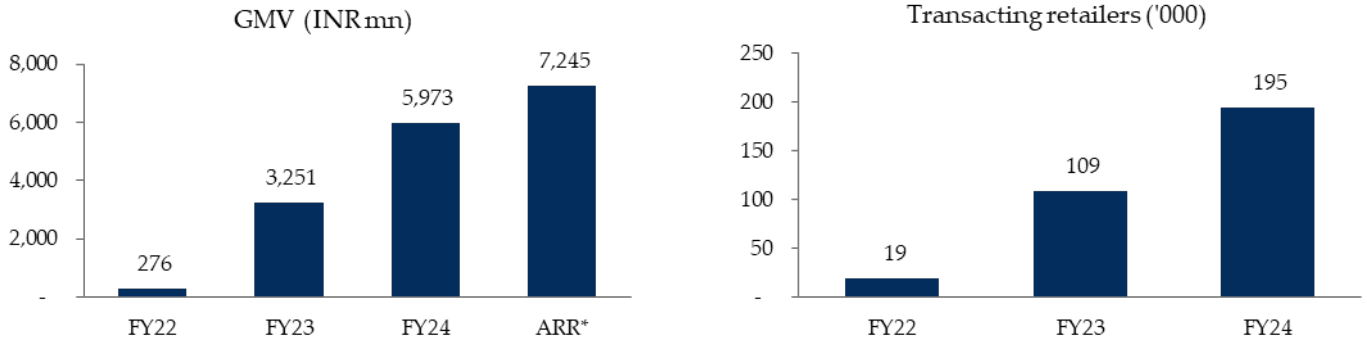
Source: Company, HSIE Research

Superstore aim: 9x scale; 3-5% medium-run margin

Key takes:

- There is certainly a case to be made for disintermediation of the current B2B supply chain as the traditional retail distribution suffers from many deficiencies. Distributors are brand-exclusive in traditional setups and work for assigned geographies which leads to limited reach resulting in inefficient logistics. In a traditional setup, retailers have (1) limited access to new brands, (2) lack of credit facility, (3) opaque pricing in the wholesale market, (4) inefficient supply chain resulting in increased cost, (5) hassle of managing multiple distributors, and (6) lack of market intelligence and trends.
- Hence, headroom for growth in eB2B remains largely untapped in India. eB2B penetration in India is less than 1% of the overall B2B retail in 2022 vs. 10-15% in China. This penetration is expected to increase to 7-8% by 2030 in India (from \$5-6bn in 2022 to \$90-100bn in 2030).
- In a traditional setup, challenger brands do not have ready distribution access while large FMCG brands have (1) overreliance on top SKUs, (2) inefficient supply chain resulting in increased cost, (3) distribution attrition, and (4) no feedback loop to capture consumer insights.
- Nykaa has an established network of 13 warehouses with a capacity of 250k sq. ft which serves 1,000+ cities. It serves 195k transacting retailers in FY24 vs. 19k/109k in FY22/23. It clocked a GMV of INR 5.97bn in FY24 vs. INR 0.28/3.25bn in FY22/23. 86% of the sales were from Tier 2+ cities. 54% of the sales were from non-kirana formats such as beauty centres, pharmacies, and salons.
- AOV/average basket size increased 23/33% YoY in FY24. Orders grew 71% YoY in FY24 to 1.2mn. This scale-up has been aided by improved unit economics. Service income improved 165bps YoY in FY24 courtesy increase in ad-income share. Fulfilment cost declined by 676bps YoY courtesy scale-based efficiency, regionalisation strategy and several initiatives to reduce packaging cost. S&D cost reduced by 566bps due to higher BDE productivity. Overall contribution margin improved by 919bps YoY in FY24.
- For the featured brands' portfolios, the company clocks 1.4x the average gross margins. We expect that the share of featured brands in the mix will increase from 40% in FY24 (exit) to 60% in FY26 (exit). Visibility income is expected to increase to 1.5x by FY26 (exit). Both the improvements will inch the gross margins up to 1.4x in FY26 vs FY24 exit (GM for Q4FY24 – 11.6%).
- The company is shifting from a third-party warehouse to own warehouse. The average cost in a third-party warehouse is 1.8x which reduces to just 0.8x in own warehouse (0.6x in a warehouse with efficient utilisation). Average warehouse cost and fulfilment cost to reduce by 40/20% respectively by FY26 vs FY24.
- **EBITDA margin improved by 2,200bps YoY in FY24 and management expects to further improve it by 2,000bps in the next two years.**
- **The company has an ambition of achieving a GMV of ~9x of FY24 and an EBITDA margin of 3-5%.**

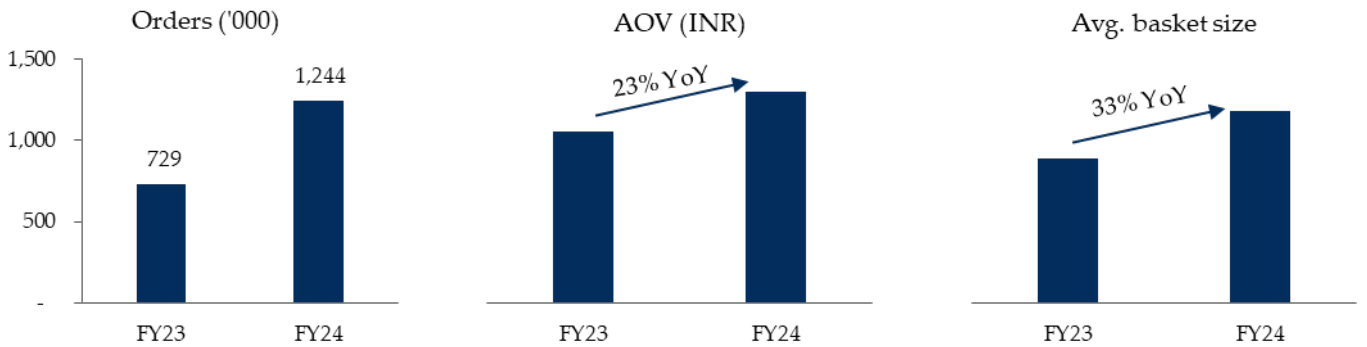
Nykaa Superstore’s GMV and transacting retailer journey over FY22-24



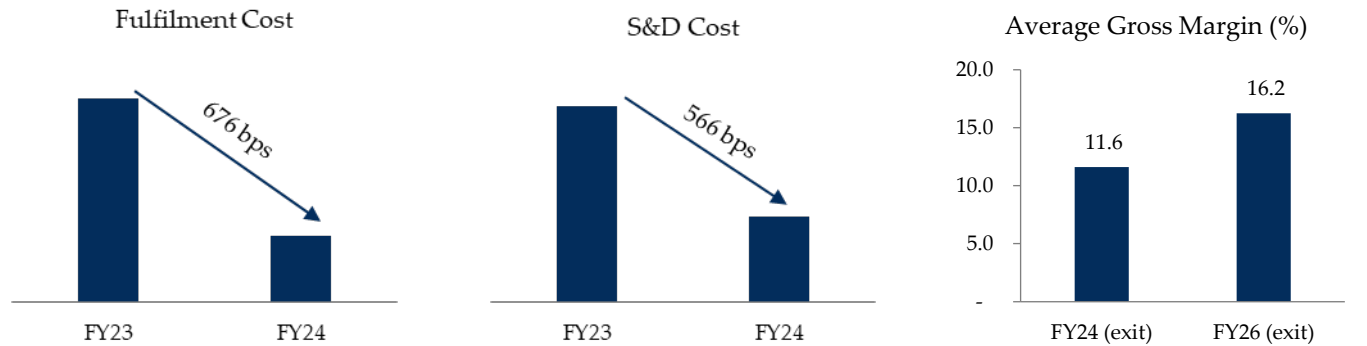
Source: Companies, HSIE Research

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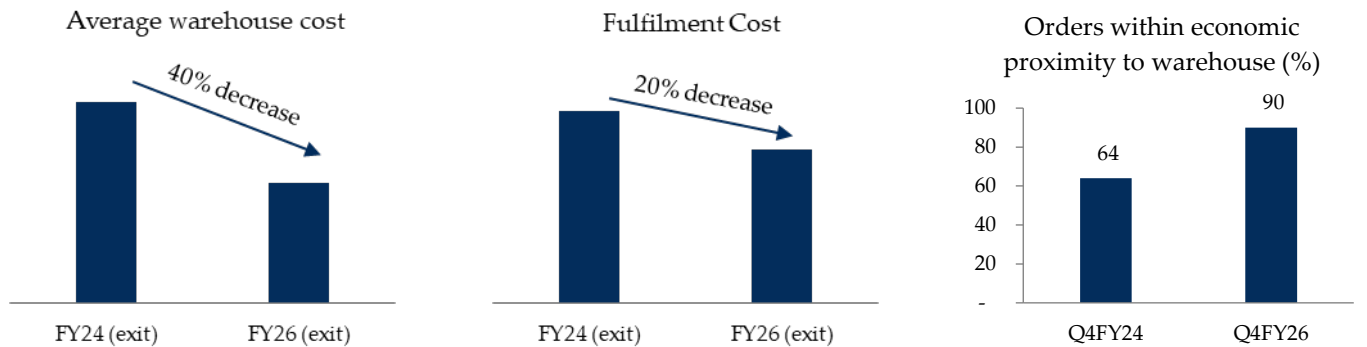
Key performance indicators for Superstore (FY24 vs FY23)



Key performance indicators for Superstore (FY24 vs FY23)



Key performance indicators for Superstore (FY24 vs FY23)



Snapshot: Key Performance Indicators

	FY19	FY20	FY21	FY22	FY23	FY24
Number of visits (mn)						
Beauty and Personal care (mn)	378	575	659	841	937	1,109
Fashion	0	38	172	441	504	571
Others				41	57	60
Monthly average Unique Visitors (mn)						
Beauty and Personal Care	9.1	12.2	13.5	19.0	23.0	28.9
Fashion	0.0	1.7	5.8	15.0	17.0	17.4
Others				2.0	3.0	3.0
Annual Unique Transacting Consumers (mn)						
Beauty and Personal Care	3.5	5.3	5.6	8.0	10.0	11.7
Fashion	-	0.1	0.6	1.8	2.5	3.0
Others				0.4	0.5	0.7
Orders (mn)						
Beauty and Personal Care	11.0	17.0	17.1	26.5	34.8	41.7
Fashion	0.4	1.1	2.4	5.2	6.0	6.9
Others				0.6	1.4	2.1
Average Order Value (INR)						
Beauty and Personal Care	1,433	1,448	1,963	1,857	1,857	2,000
Fashion	655	1,604	2,739	3,420	3,973	4,741
Others				2,726	3,420	3,977
Gross Merchandise Value (GMV; INR mn)						
Beauty and Personal Care	16,219	24,981	33,542	50,089	66,491	83,409
Fashion	282	1,868	6,530	17,516	25,696	32,699
Others			389	1,727	5,245	8,353
Total GMV						
Net Revenue (INR mn)	68%	69%	68%	68%	67%	65%
Beauty and Personal Care	11,110	17,309	22,836	33,997	44,820	53,855
Fashion	4	366	1,438	3,254	4,347	5,302
Others			135	488	2,271	4,699

Income statement:

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Net Revenues	17,675	24,409	37,739	51,438	63,856	84,209	1,07,760	1,34,712
Growth (%)	59.0	38.1	54.6	36.3	24.1	31.9	28.0	25.0
Material Expenses	10,142	14,926	21,300	28,657	36,464	48,383	62,251	78,293
A&P Expense	2,022	1,695	4,781	6,946	8,913	10,826	13,188	15,754
Fulfillment expenses	1,730	2,177	3,956	4,548	6,085	7,828	9,923	12,396
Employee Expense	1,956	2,330	3,259	4,917	5,649	6,681	7,994	9,547
Rent Expenses	66	83	106	213	230	303	399	512
Other Expenses	949	1,632	2,704	3,597	3,054	3,885	4,773	5,720
EBITDA	811	1,567	1,633	2,560	3,462	6,303	9,233	12,489
EBITDA Growth (%)	295.2	93.3	4.2	56.8	35.2	82.1	46.5	35.3
EBITDA Margin (%)	4.6	6.4	4.3	5.0	5.4	7.5	8.6	9.3
Pre IND AS EBITDA	273	1,054	874	1,179	1,769	4,071	6,377	8,920
Pre IND AS EBITDA Growth (%)	(1,011.6)	285.6	(17.1)	34.9	50.1	130.1	56.6	39.9
Pre Ind AS EBITDA Margin (%)	1.5	4.3	2.3	2.3	2.8	4.8	5.9	6.6
Depreciation	595	716	964	1,733	2,242	2,736	3,212	3,801
EBIT	215	851	668	828	1,219	3,567	6,021	8,688
EBIT - Pre IND AS	61	747	483	517	744	2,769	4,953	7,381
Other Income (Including EO Items)	103	118	270	302	299	235	291	455
Interest	443	307	465	746	828	812	953	1,120
Interest - Pre IND AS	303	177	263	397	437	476	517	568
PBT	(124)	661	473	384	690	2,990	5,360	8,024
Total Tax	39	45	60	136	253	753	1,349	2,020
PAT before share of associate earnings	(163)	616	413	248	437	2,238	4,011	6,004
Share of associate earnings	-	-	-	(39)	(40)	-	-	-
RPAT	(163)	616	413	210	397	2,238	4,011	6,004
Exceptional Gain/(loss)	-	-	-	-	-	-	-	-
Adjusted PAT	(163)	616	413	210	397	2,238	4,011	6,004
APAT Growth (%)	(33.4)	(477.3)	(33.0)	(49.2)	89.6	462.9	79.2	49.7
Adjusted EPS (Rs)	(0.3)	1.3	0.9	0.1	0.1	0.8	1.4	2.1
EPS Growth (%)	(33.4)	(477.3)	(33.0)	(91.6)	89.4	462.9	79.2	49.7

Balance sheet

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
SOURCES OF FUNDS								
Share Capital - Equity	146	151	474	2,852	2,856	2,856	2,856	2,856
Reserves	3,076	4,749	12,925	10,928	9,766	13,011	18,268	25,862
Total Shareholders' Funds	3,221	4,899	13,399	13,780	12,622	15,867	21,124	28,718
Minority Interest	7	8	56	141	188	188	188	188
Long Term Debt	2	17	9	4	-	-	-	-
Short Term Debt	2,673	1,858	3,321	4,600	6,804	6,804	5,804	4,804
Total Debt	2,675	1,875	3,330	4,604	6,804	6,804	5,804	4,804
Lease Liabilities	1,450	1,452	2,596	3,381	2,891	3,818	4,901	6,137
Net Deferred Taxes	3	247	22	-	-	-	-	-
Other Non-current Liabilities & Provns	471	850	2,889	1,373	712	712	712	712
TOTAL SOURCES OF FUNDS	7,827	9,332	22,292	23,280	23,217	27,390	32,728	40,559
APPLICATION OF FUNDS								
Net Block	841	921	2,032	3,547	3,699	3,632	3,542	3,430
CWIP	8	20	98	20	61	61	61	61
Other Non-current Assets	2,097	2,274	4,342	6,061	6,481	7,318	8,295	9,411
Total Non-current Assets	2,946	3,215	6,471	9,628	10,241	11,011	11,898	12,901
Inventories	4,453	4,981	8,756	10,051	11,920	15,489	19,526	24,040
Debtors	984	766	945	1,635	2,416	3,186	4,077	5,097
Other Current Assets	1,067	1,568	7,617	6,316	6,687	8,818	11,225	13,959
Cash & Equivalents	1,794	2,490	2,670	1,869	2,742	3,114	4,062	6,954
Total Current Assets	8,299	9,805	19,989	19,872	23,765	30,607	38,890	50,050
Creditors	3,133	3,162	3,621	2,654	3,867	5,099	6,378	7,789
Other Current Liabilities & Provns	285	526	548	3,566	6,922	9,128	11,681	14,603
Total Current Liabilities	3,418	3,688	4,168	6,220	10,789	14,228	18,059	22,392
Net Current Assets	4,881	6,117	15,821	13,652	12,976	16,379	20,831	27,658
TOTAL APPLICATION OF FUNDS	7,827	9,332	22,292	23,280	23,217	27,390	32,728	40,559

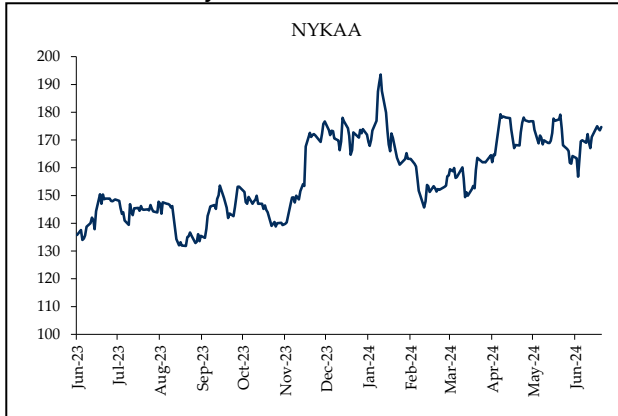
Cash flow statement

Year ending March	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Reported PBT	(124)	753	473	384	690	2,990	5,360	8,024
Non-operating & EO Items	(24)	172	58	(24)	67	(235)	(291)	(455)
Interest Expenses	443	307	465	746	828	812	953	1,120
Depreciation	595	671	835	1,733	2,242	2,736	3,212	3,801
Working Capital Change	(786)	(273)	(4,649)	(3,290)	(2,513)	(3,031)	(3,503)	(3,936)
Tax Paid	(43)	(132)	(722)	(951)	(1,312)	(753)	(1,349)	(2,020)
OPERATING CASH FLOW (a)	62	1,498	(3,540)	(1,402)	3	2,519	4,381	6,534
Capex	888	(437)	(1,448)	(2,784)	(1,107)	(1,235)	(1,335)	(1,426)
Free Cash Flow (FCF)	949	1,062	(4,988)	(4,186)	(1,105)	1,284	3,046	5,108
Investments	(739)	(897)	(4,746)	3,999	788	-	-	-
Non-operating Income	1	36	166	181	218	235	291	455
INVESTING CASH FLOW (b)	149	(1,297)	(6,028)	1,396	(101)	(1,000)	(1,043)	(971)
Debt Issuance/(Repaid)	1,153	46	1,195	929	1,643	(812)	(1,953)	(2,120)
FCFE	2,103	1,107	(3,793)	(3,257)	538	472	1,093	2,988
Share Capital Issuance	5	6	8,727	288	279	-	-	-
Dividend	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
FINANCING CASH FLOW (c)	1,159	52	9,922	1,217	1,922	(812)	(1,953)	(2,120)
NET CASH FLOW (a+b+c)	1,369	253	355	1,211	1,823	707	1,385	3,444
EO Items, Others	-	-	-	-	-	-	-	-
Closing Cash & Equivalents	1,756	2,477	2,670	1,487	2,399	2,770	3,719	6,611

Key Ratios

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
PROFITABILITY (%)								
GPM	42.6	38.9	43.6	44.3	42.9	42.5	42.2	41.9
EBITDA Margin	4.6	6.4	4.3	5.0	5.4	7.5	8.6	9.3
EBIT Margin	1.2	3.5	1.8	1.6	1.9	4.2	5.6	6.4
APAT Margin	(0.9)	2.5	1.1	0.4	0.6	2.7	3.7	4.5
RoE	(5.9)	15.2	4.5	1.5	3.0	15.7	21.7	24.1
RoIC (or Core RoCE)	5.5	12.3	4.4	2.6	3.7	11.9	17.0	20.9
RoCE	6.2	10.5	5.2	3.0	4.0	11.2	15.7	18.7
RoE*	(5.9)	15.0	4.5	1.5	2.9	15.3	21.1	23.5
RoIC (or Core RoCE)*	2.2	13.8	3.9	1.9	2.6	10.9	16.8	21.6
RoCE*	4.4	10.9	4.8	2.4	3.3	11.9	17.2	20.7
EFFICIENCY								
Tax Rate (%)	(31.5)	6.8	12.7	35.4	36.7	25.2	25.2	25.2
Total Asset Turnover (x)	2.9	3.6	1.9	2.4	3.1	3.5	3.8	4.0
Fixed Asset Turnover (x)	18.6	22.0	19.6	14.8	14.0	14.5	15.1	15.8
Inventory (days)	92.0	74.5	84.7	71.3	68.1	67.1	66.1	65.1
Debtors (days)	20.3	11.5	9.1	11.6	13.8	13.8	13.8	13.8
Other Current Assets (days)	22.0	23.4	73.7	44.8	38.2	38.2	38.0	37.8
Payables (days)	64.7	47.3	35.0	18.8	22.1	22.1	21.6	21.1
Other Current Liab & Provs (days)	5.9	7.9	5.3	25.3	39.6	39.6	39.6	39.6
Cash Conversion Cycle (days)	63.7	54.2	127.2	83.6	58.5	57.5	56.8	56.1
Net D/E (x)	0.3	(0.1)	0.0	0.2	0.3	0.2	0.1	(0.1)
Interest Coverage (x)	0.5	2.8	1.4	1.1	1.5	4.4	6.3	7.8
PER SHARE DATA (Rs)								
EPS	(0.3)	1.3	0.9	0.1	0.1	0.8	1.4	2.1
CEPS	1.0	2.9	2.9	0.7	0.9	1.7	2.5	3.4
Dividend	-	-	-	-	-	-	-	-
Book Value	7.1	10.6	28.4	4.8	4.4	5.6	7.4	10.1
VALUATION								
P/E (x)	(504)	134	200	2,381	1,257	223	125	83
P/BV (x)	25	17	6	36	40	31	24	17
EV/EBITDA (x)	1,738.1	460.6	566.5	425.7	284.8	123.7	78.6	55.8
EV/Revenues (x)	26.9	19.9	13.1	9.8	7.9	6.0	4.7	3.7
OCF/EV (%)	0.0	0.3	(0.7)	(0.3)	0.0	0.5	0.9	1.3
FCF/EV (%)	0.2	0.2	(1.0)	(0.8)	(0.2)	0.3	0.6	1.0
FCFE/Mkt Cap (%)	0.4	0.2	(0.8)	(0.7)	0.1	0.1	0.2	0.6
Dividend Yield (%)	-	-	-	-	-	-	-	-

1 Yr Price History



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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