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Issue Detail	
Price Band (Rs)	Rs.1085 - 1125
Face Value (Rs)	1
Issue Size (Rs)	5,349.42Cr
Issue Type	Book Building
Minimum lot	12 Shares
Issue Opens	October 28, 2021
Issue Closes	November 01, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	November 08, 2021
Unblocking of Funds	November 09, 2021
Credit of shares to Demat Account	November 10, 2021
Listing on exchange	November 11, 2021

Other Detail	
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, Morgan Stanley India Company Private Limited, BofA Securities India Limited, Citigroup Global Markets India Private Limited, ICICI Securities Limited, JM Financial Limited
Registrar	Link Intime India Private Limited

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FSN E-Commerce Ventures Limited (Nykaa)

Company Background

FSN E-Commerce Ventures Limited ("Nykaa") was incorporated on April 24, 2012. Nykaa is a digitally native consumer technology platform, delivering a content-led, lifestyle retail experience to consumers. They have a diverse portfolio of beauty, personal care and fashion products, including their owned brand products manufactured by them. Nykaa opened their first physical store in 2014, and has 80 physical stores across 40 cities as of August 31, 2021. Their physical stores currently exist in 3 formats, Nykaa Luxe, Nykaa On Trend and Nykaa Kiosks.

Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.630Cr and Offer for sale of Equity Shares aggregating upto Rs.4719.42Cr.

Issue Objectives

- Investment in certain of our Subsidiaries, namely, FSN Brands and / or Nykaa Fashion for funding the set-up of new retail stores: Rs.42Cr.
- Capital expenditure to be incurred by the company and investment in certain of their Subsidiaries, namely, Nykaa E-Retail, Nykaa Fashion and FSN Brands for funding the set-up of new warehouses: Rs.42Cr.
- Repayment/prepayment of certain financial facilities availed by our Company: Rs.156 Crore.
- Expenditure to enhance the visibility and awareness of the brands:Rs.234Cr.
- To meet general corporate purposes.

IPO Share Allotment Pattern

Category	Allocation	Number of Shares at Rs.1085	Number of Shares at Rs.1125	Issue Size [^] (Rs.Cr)
QIB	75%	3,56,46,834	3,54,91,995	3,992.85
Non-Institutional	15%	71,29,367	70,98,399	798.57
Retail	10%	47,52,911	47,32,266	532.38
Employee*		2,50,000	2,50,000	25.63
Total		4,77,79,112	4,75,72,660	5,349.42

Source: Company RHP, ACMIIL Research, ^ Issue at upper price band* Employee Discount: Rs.100/- Per Share

Outlook and Valuations

The Indian Beauty and Personal Care / Fashion market is expected to reach to grow at a CAGR of 13%/18%, set to reach Rs.2Trillion/Rs.8.7Trillion by CY25 from Rs. 1.1 Trillion/3.7 Trillion in CY20. Growth would largely be driven by a higher propensity to shop online owing to increased internet/smartphone penetration as well as more convenient payment infrastructure. Nykaa transformed beauty and personal care e-commerce in India. **At the upper price band of Rs.1,125, stock is aggressively priced at 21.7x on FY21 Sales. Hence, we recommend subscribing to the issue only for listing gains.**

Business Overview

Nykaa offers consumers an Omni-channel experience with an endeavor to cater to the consumers' preferences and convenience:

Online: Company's online channels include mobile applications, websites and mobile sites. As of August 31, 2021, they had cumulative downloads of 55.8 million across all their mobile applications and during the Financial Year 2021, 88.2% of their online GMV came through their mobile applications.

Offline: Their offline channel comprises of 80 physical stores across 40 cities in India over 3 different store formats as of August 31, 2021.

Nykaa has two business verticals:

1) **Nykaa:** Beauty and personal care

2) **Nykaa Fashion:** Apparel and accessories

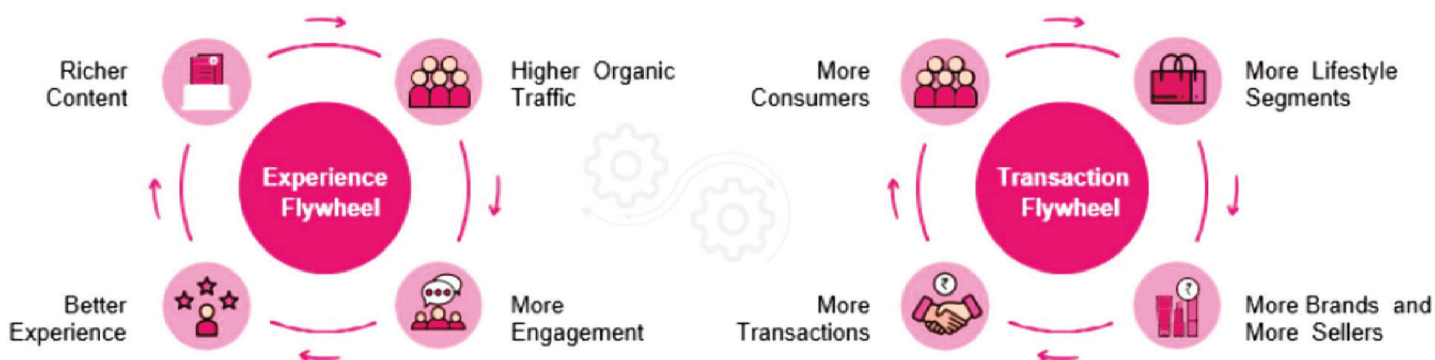
As of March 31, 2021, Nykaa offered approximately 3.1 million SKUs from 4,078 national and international brands to their consumers across business verticals. For the 3 months ended June 30, 2021, the total Gross Merchandise Value GMV was Rs.1,469.61 crore, which grew 238.8% from the 3 months ended June 30, 2020. The beauty and personal care offering is extensive with 256,149 SKUs from 2,644 brands primarily across make-up, skincare, haircare, bath and body, fragrance, grooming appliances, personal care, and health and wellness categories as of August 31, 2021. The company manufactures owned brand beauty and personal care which are sold under their owned brands such as "Nykaa Cosmetics", "Nykaa Naturals" and "Kay Beauty". Nykaa opened their first physical store in 2014, and has 80 physical stores across 40 cities as of August 31, 2021. Their physical stores currently exist in 3 formats, Nykaa Luxe, Nykaa On Trend and Nykaa Kiosks.

COMPETITIVE STRENGTHS

One of India's leading lifestyle focused consumer technology platform

Nykaa is a destination of choice for their consumers not only for engaging, personalized shopping experiences but also to understand latest trends in beauty, grooming and fashion in India. Their leading position drives self-reinforcing flywheels, which further drive strong network effects. Leveraging their brand strength, they have been able to and will continue to add more lifestyle verticals and adjacencies on their platform which is expected to further increase their consumer base.

Self-reinforcing Flywheels Driving Strong Network Effects



The preferred destination for luxury and prestige products in India for consumers and brands

Nykaa has the highest Average Order Value among the leading online beauty and personal care platforms in India and they are the largest luxury beauty and personal care platform in India. A large number of leading luxury and prestige beauty and personal care brands such as Armani Beauty, Aveda, Azzaro Fragrance, Bobbi Brown, Bvlgari, Charlotte Tilbury, Clinique, Diesel Fragrance, Dior, Estee Lauder, Forest Essentials, Givenchy, Hermes, Huda Beauty, Jo Malone, Kama Ayurveda, Kiehl's, L'occitane, MAC, Mugler Fragrance, Pixi, Ralph Lauren Fragrance, Smashbox, Sulwhasoo, Too Faced and Tom Ford and Yves Saint Laurent Beauty retail with them, making them the shopping destination of choice in India for their products.

Further, a significant number of leading luxury and prestige fashion brands such as Aachho, Adisee, AMPM, Boat, Falguni & Shane Peacock, Fayon Kids, Forever New, Garmin, Guess Bags, Gaya, Hidesign, House of Masaba, Janya's closet, Kalyan Jewellers, Kazo, Little West Street, Masilo, Maspar, Outhouse, Payal Singhal, Ritu Kumar, Saksham & Neharicka, Suhani Pittie, Sougat Paul, Tribe by Amrapali, Triumph, Vitamins, Wonderchef, Wacoal, Zenic and Zink London offer their products on their platform, making them their retail destination of choice in India. As a result of these bespoke services, many global luxury brands such as Charlotte Tilbury, Huda Beauty, Mario Badescu, Pixi and Tangle Teezer have chosen Nykaa to import, launch and sell their products to consumers in India.

Resilient, capital efficient business with a combination of strong growth and profitability

Nykaa has built a scaled business with strong growth and profitability. In the Financial Year 2021, their GMV was Rs.4,045.98 crore with revenue from operations of Rs.2,440.90 crore and a 6.61% EBITDA margin. The revenue from operations grew 38.10% in the Financial Year 2021 as compared to the Financial Year 2020, despite the adverse impact of COVID-19 on their business. The capital turnover ratio has improved from 3.1 times in the Financial Year 2019 to 4.2 times in the Financial Year 2021. They have focused on capital efficiency and unit economics, while simultaneously building for scale and growth. They have been able to achieve this scale with only Rs.577.74 crore primary investment into the company as of March 31, 2021.

Key operating and financial metrics

	FY2019		FY2020		FY2021	
	Beauty and Personal Care	Fashion	Beauty and Personal Care	Fashion	Beauty and Personal Care	Fashion
No. of Visits (No. in Cr)	37.80	0.01	57.47	3.78	65.89	17.21
Monthly Average Unique Visitors (No. in Cr)	0.91	0.00	1.22	0.17	1.35	0.58
Annual Unique Transacting Consume(No.in Cr)	0.35	0.00	0.53	0.01	0.56	0.06
Orders (No. in Cr)	1.10	0.04	1.70	0.11	1.71	0.24
Average Order Value (AOV) (Rs.in Cr)	1,433	655	1,448	1,604	1,963	2,739
Gross Merchandise Value (GMV) (Rs.in Cr)	1,621.92	28.16	2,498.14	186.78	3,380.41	665.57
Total (Rs.in Cr)	1,650.08		2,684.92		4,4045.98	
GMV Growth (%)	-		50.7%		62.7%	

Source: Company RHP, ACMIIL Research, *Not annualized*annualized

The proprietary technology stack

Over the years Nykaa has invested in building their own proprietary platform, the Nykaa technology platform. Their platform architecture comprises small, maintainable, scalable building blocks following the principles of service oriented architecture. This has enabled them to support multiple business models, execute new initiatives and make operational efficiency gains across offerings, new and existing. Their online platform has various differentiated technology driven features such as virtual try-on of make-up products, in-app store-in-store concepts, in-app personalized content feed, live streaming and time bound commercial offerings that prompt consumers to explore and purchase.

Financial Snapshot

Particulars (Rs.Mn)	FY19	FY20	FY21	3MFY21
Equity share capital	142	146	151	155
Net worth	2,306	3,222	4,900	6,989
Net asset value per share	5.55	7.52	11.00	15.47^
Revenue from Operations	11,113	17,675	24,409	8,170
EBITDA	205	811	1,614	269
EBITDA %	1.85%	4.59%	6.61%	3.30%
Net Profit	(245)	(163)	620	35
Net Profit Margin	(2.21)%	(0.92)%	2.54%	0.43%
Diluted EPS (Rs)	(0.59)	(0.39)	1.34	0.07
ROE	(10.63)%	(5.16)%	12.62%	0.49%^

Source: Company RHP, ACMIIL Research, ^ Not annualised

Comparison With Listed Peers: The company has no listed peers to compare with.

Risk and Concerns

- Nykaa may not be able to boost revenue if they are unable to attract new customers or do it in a cost-effective Manner.
- Any damage to their brand or reputation could have a negative impact on their business.
- They operate in an extremely competitive sector, and their inability to compete successfully could affect their bottom line.

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Union Budget Report	Techno-Funda
Weekly Derivative Synopsis	Top Mutual Fund Schemes
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