

**CMP: INR 172**

**Outlook: Positive**

**Stock Info**

BSE	543384
NSE	NYKAA
Bloomberg	NYKAA.IN
Sector	Retailing
Face Value (INR)	1
Equity Capital (INR Mn)	474.5
Mkt Cap (INR Mn)	487,055
52w H/L (INR)	430/ 163
Avg Daily Vol (in 000')	70,743

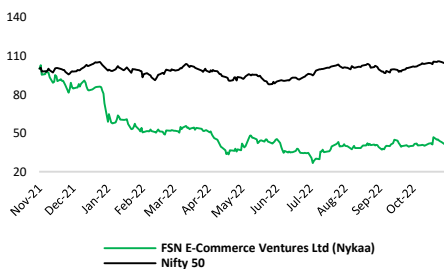
**Shareholding Pattern %**

(As on Sept, 2022)

Promoters	52.41
FII	6.54
DII	2.96
Public & Others	38.09

Stock Performance (%)	1m	3m	12m
NYKAA	-9.9	-23.8	-54.1
Nifty	3.5	4.2	5.4

**NYKAA Vs Nifty**



**About Company:** Nykaa.com is India's biggest online destination for beauty & wellness. With over 2500+ brands, 5 lakh+ products and delivery all across India, the company is a one-stop-shop for consumers.

**Investment Rationale:**

- **Nykaa had a mixed result during Q2FY23:** Overall, GMV grew by 9% QoQ (39% YoY) although Fashion business GMV grew by just 3% QoQ (flattish MAUV for last 5 quarters) despite some benefits of festive season in Q2FY23 and small size in a larger market (compared to BPC). Scale up of own brands (increased contribution to GMV and improving gross margins) was impressive. We also liked the resilient unit economics in BPC business and continued investments in new businesses. Collaborations with Apparel Group in GCC market appears to be a decent opportunity.

- **BPC to drive competitive advantage:** NYKAA has a wide portfolio of ~0.3mn SKUs from 3,000+ brands and draws ~21mn monthly average unique visitors (as of FY22). The company has deployed initiatives such as an inventory-led model to resolve authenticity/trust issue, exclusive brand tie-ups to provide wider product choices, curated BPC-focused app to provide a superior customer experience, omnichannel and strong influencer network to drive customer awareness as well as premiumization for users. India's BPC industry is relatively consolidated from legacy players who use traditional retail channels. New D2C players are expanding the opportunity by using online channels to increase their reach faster and providing access to international brands. NYKAA is uniquely positioned to benefit here by providing a channel as well as developing its own brands.

- **Nykaa expanding addressable opportunity and driving higher order value:** NYKAA offers a wide fashion portfolio of ~4.3mn SKUs over 1,500 brands across women, men, kids, technology and home categories. The company's strong emphasis on curation with a focus on new season selection, limited discount push, various private-label offerings, etc., make it stand out compared to peers. Further, a fragmented market (top 15 brands contribute only ~8% industry revenue share currently) provides opportunity for marketplace players. Thus, NYKAA should benefit by targeting new customers, expanding order the size of existing customers, improving unit economics and profitability in the medium term.

- **Omni-channel presence addressing significant offline opportunity as well:** Organized retail through stores is a significant opportunity, as well, which is likely to contribute ~30-40% of the industry across BPC/Fashion. NYKAA operates 105 physical stores across India, as on FY22, spread across three formats - Luxe, On Trend and Kiosks. These address the need for 'touch and feel' experience for higher-value and/or complex categories such as fragrances and make-up, and ultimately complement the online experience and drive awareness. Physical stores currently contribute ~7.5%/6.6% to the Q4FY22/FY22 BPC GMV of the company.

- **Outlook:** We expect a significant structural growth opportunity, due to India's favorable demographics, rising affluence driving aspirational spending, increased women labor force participation and rising social media influence. Also, as India's online penetration in BPC (~8%) and fashion (~12%) is much lower than the US/China/Korea/Japan at 30-40%. **At INR 172, company trades 24.9x FY25E P/B and 111x FY25E P/E (Bloomberg Estimates).**

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**Stock Rating Scale**

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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