

Pratik Prajapati
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Issue Details

Issue Details	
Issue Size (Value in Rs. million, Upper Band)	53,519
Fresh Issue (No. of Shares in Lakhs)	56.00
Offer for Sale (No. of Shares in Lakhs)	419.73
Bid/Issue opens on	28-Oct-21
Bid/Issue closes on	1-Nov-21
Face Value	Rs. 1
Price Band	1085-1125
Minimum Lot	12

Objects of the Issue

The Fresh Issue: ₹6,300 Million

- Repayment/prepayment of certain financial facilities availed by the Company.
- Funding working capital requirements of the Company
- General corporate purposes.
- Investment in certain of the company's Subsidiaries

Offer for Sale: ₹ 47,219 Million

- The company will not receive any proceeds from the Offer for Sale.

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

Capital Structure ((₹ Million)	Aggregate Value
Authorized share capital	3250.00
Subscribed paid up capital (Pre-Offer)	467.32
Paid up capital (Post - Offer)	472.92

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	54.2	52.6
Public	45.8	47.4
Total	100.0	100.0

Financials

Particulars (Rs. In Million)	6M-FY22	FY21	FY20	FY19
Revenue from operations	8169.9	24409.0	17675.3	11113.9
Operating expenses	7900.5	22794.7	16864.8	10908.8
EBITDA	269.4	1614.3	810.6	205.1
Other Income	47.2	117.4	103.2	49.9
EBIDT	316.6	1731.7	913.7	255.0
Interest	90.1	307.0	442.9	263.4
Depreciation	195.0	671.3	595.1	308.8
PBT	31.5	753.4	-124.3	-317.2
Tax	-3.7	133.9	39.1	-71.8
PAT	35.2	619.4	-163.4	-245.4
EPS	0.08	1.33	-0.35	-0.53
Ratio	6M-FY22	FY21	FY20	FY19
EBITDAM	3.3%	6.6%	4.6%	1.8%
PATM	0.4%	2.5%	-0.9%	-2.2%
Sales growth	183.0%	38.1%	59.0%	

Company Description

Nykaa are a digitally native consumer technology platform, delivering a content-led, and lifestyle retail experience to consumers. Since their incorporation in 2012, they have invested both capital and creative energy towards designing a differentiated journey of brand discovery for their consumers. Nykaa have a diverse portfolio of beauty, personal care and fashion products, including their owned brand products manufactured by them. As a result, they have established themselves not only as a lifestyle retail platform, but also as a consumer brand. Nykaa offer consumers an Omnichannel experience with an endeavor to cater to the consumers' preferences and convenience:

- ❖ Online: Nykaa online channels include mobile applications, websites and mobile sites. As of August 31, 2021, company had cumulative downloads of 55.8 million across all their mobile applications and during the five months ended August 31, 2021, 88.2% of their online GMV came through their mobile applications. Nykaa has one of the highest share of mobile application-led transactions, among the leading online retail platforms in India during Financial Year 2021 and the five months ended August 31, 2021.
- ❖ Offline: Nykaa offline channel comprises 80 physical stores across 40 cities in India over three different store formats as of August 31, 2021. Nykaa physical stores offer a select offering of products as well as a seamless experience across the physical and digital worlds.

The Company lifestyle portfolio spans across beauty, personal care and fashion products. They believe that consumers have different journeys for different lifestyle needs, and this has led them to build business vertical-specific mobile applications, websites and physical stores.

These independent channels allow them to tailor their content and curation optimally for the convenience of consumers and to cater to the different consumer journeys that exist in these business verticals:

- ❖ Nykaa: Beauty and personal care
- ❖ Nykaa Fashion: Apparel and accessories

Valuation

Nykaa is the largest Specialty Beauty and Personal Care platform in India in terms of value of products sold in FY21. The mobile phone space in India has been significantly disrupted by smartphones in the last 5-6 years, driven by availability of low-cost alternatives from local as well as global brands. By 2025, India is expected to have 750-850 million smartphone users implying a smartphone penetration of 52-59%. Consumer spending on essential health and wellness products is on the rise. BPC products and appliances for at-home grooming are also seeing a higher demand.

The company at the upper band of the IPO is offered at 21.6x price to sales for FY21. The valuation of the IPO is rich, demanding a market cap of Rs. 532,040 million. There are no listed companies in India that engage in a business similar to that of the Company. Accordingly, the company has a unique business proposition amongst its customer base and also has an aspirational brand image which augurs well for the company in the long term.

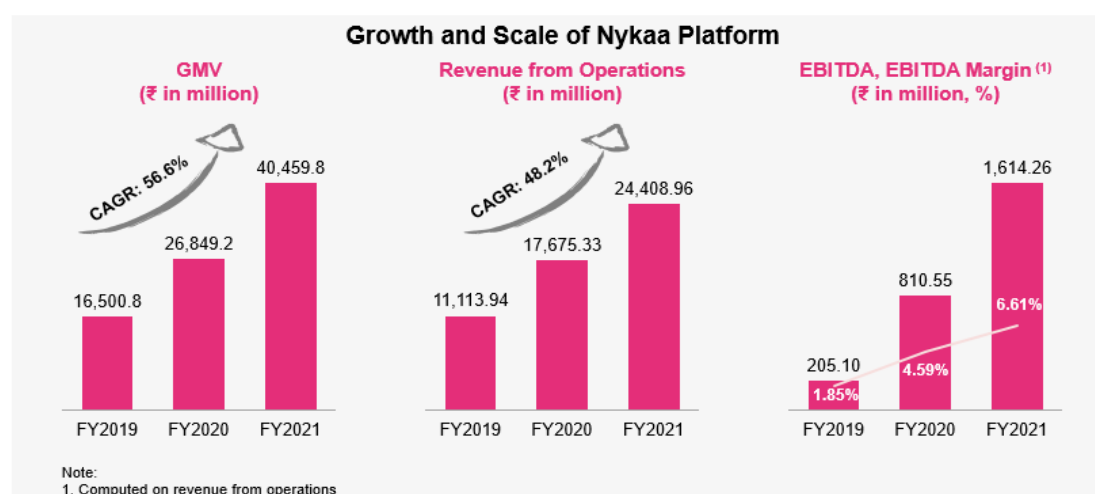
Moreover, the rise of digital-only brands and the direct-to-customer online channel has introduced innovative and effective ways for brands to sell. Local emerging brands have also witnessed increased popularity and following in recent times. Considering the future prospect for the company and it being placed at a sweet spot as the first mover advantage we assign "Subscribe-Long Term" Rating to this IPO.

In addition to leveraging their strengths in comprehensive merchandising, brand relationships and delivery experience, they focus on educating consumers via digital content, digital communities and techproduct innovations, which is an integral component of their business model.

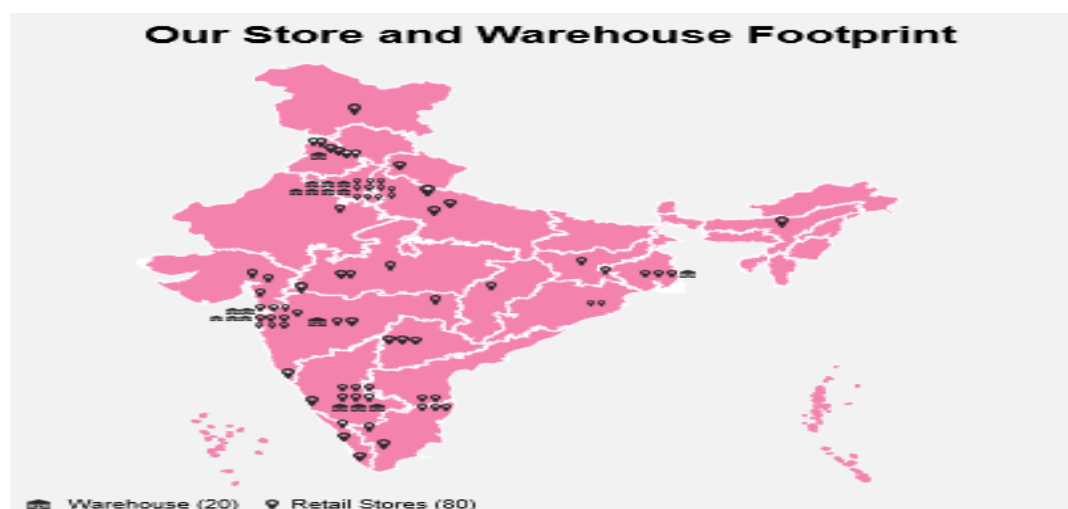


As of August 31, 2021, The Company offered approximately 3.1 million SKUs from 4,078 national and international brands to their consumers across business verticals. In the Financial Year 2021, total GMV was ₹40,459.8 million, which grew 50.7% from the Financial Year 2020. The company revenue from operations in the Financial Year 2021 was ₹24,408.96 million, which grew 38.10% from the Financial Year 2020. The company restated profit for the year in the Financial Year 2021 was ₹619.45 million, as compared to a restated loss of ₹163.40 million for the Financial Year 2020. They generated EBITDA of ₹1,614.26 million and an EBITDA margin of 6.61% in the Financial Year 2021.

For the three months ended June 30, 2021, Nykaa total GMV was ₹14,696.1 million, which grew 238.8% from the three months ended June 30, 2020. Their revenue from operations for the three months ended June 30, 2021 was ₹8,169.91 million, which grew 183.05% from the three months ended June 30, 2020. The company's restated profit for the three months ended June 30, 2021 was ₹35.22 million, as compared to a restated loss of ₹545.07 million for the three months ended June 30, 2020. They generated EBITDA of ₹269.37 million and an EBITDA margin of 3.30% for the three months ended June 30, 2021.



GEOGRAPHICAL PRESENCE



As of August 31, 2021, they had an integrated supply chain comprising of 20 warehouses (of which two are outsourced) across India, with a total capacity of 665,371 sq. ft., supported by 80 physical stores.

Key Operating and Financial Metrics

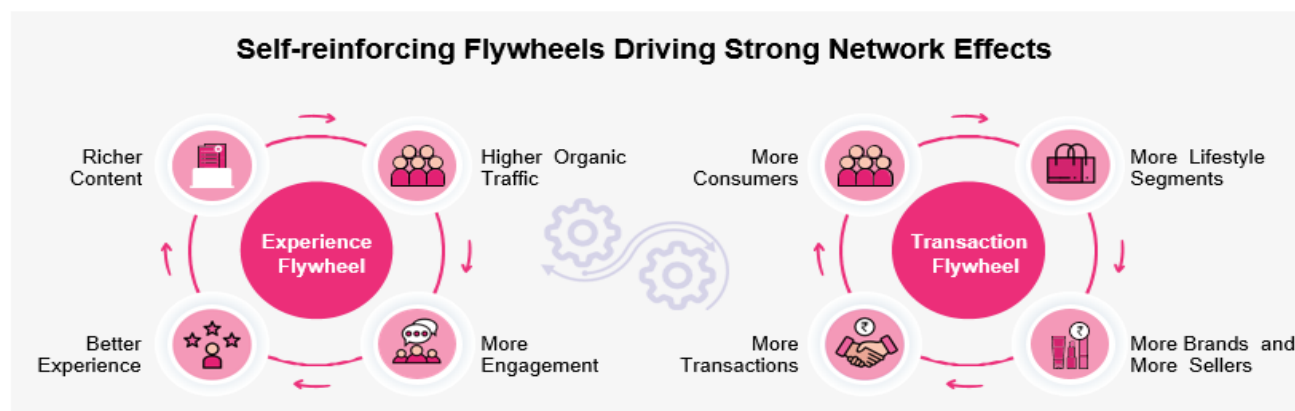
		Financial Year			Three Month Ended June 30		Five Months Ended
Metric*	Unit	2019	2020	2021	2020	2021	31-Aug-21
Number of Visits							
Beauty and Personal Care	Million	378	574.7	658.9	93.2	214.3	369.6
Fashion	Million	0.1	37.8	172.1	10.0	98.4	177.3
Monthly Average Unique Visitors							
Beauty and Personal Care	Million	9.1	12.2	13.5	8.4	19.1	20.3
Fashion	Million	0.03	1.7	5.8	1.5	13.4	14.7
Annual Unique Transacting Consumers							
Beauty and Personal Care	Million	3.5	5.3	5.6	4.8	6.7	7.1
Fashion	Million	0.0	0.1	0.6	0.2	1.0	1.2
Orders							
Beauty and Personal Care	Million	11	17	17.1	1.9	5.9	10.2
Fashion	Million	0.4	1.1	2.4	0.2	1.2	2.1
Average Order Value (AOV)							
Beauty and Personal Care	Million	1433	1488	1963	2092	1837	1886
Fashion	Million	655	1604	2739	2343	3170	3197
Gross Merchandise Value (GMV)#							
Beauty and Personal Care	₹ in Million	16219.2	24981.4	33804.1	3907.8	10847.8	19316.3
Fashion	₹ in Million	281.6	1867.4	6655.7	429.8	3848.3	6897.3
Total	₹ in Million	16500.8	26848.8	40459.8	4337.6	14696.1	26213.6
GMV Growth			62.70%	50.70%		238.80%	

* For definitions of certain capitalized terms used in the table above, see "Definitions and Abbreviations – Technical/Industry Related Terms or Abbreviations"

Monetary value of Orders inclusive of taxes and gross of discounts, if any, across their websites, mobile applications and physical stores prior to product returns or order cancellations and including sales to and through third party channels.

Strengths:➤ **One of India's leading lifestyle focused consumer technology platform**

The company believes it is a destination of choice for their consumers not only for engaging, personalized shopping experiences but also to understand the latest trends in beauty, grooming and fashion in India. Nykaa are the largest Specialty Beauty and Personal Care Platform in India in terms of value of products sold in the Financial Year 2021 and the five months ended August 31, 2021, and one of the fastest growing fashion platforms in India based on growth in GMV from the Financial Year 2020 to the Financial Year 2021. They believe their leading position drives self-reinforcing flywheels, which further drive strong network effects. The brand affinity that they have built with their consumers, attracts them to engage on their platform, and increase in consumer traffic, increases the number of transactions on their platform. With more consumers and more transactions, it becomes imperative for more brands and more sellers to be associated with us which further increases the choice for their consumers. 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.



Nykaa experience flywheel further accelerates their transaction flywheel. The company's sizable volume of content drives increased organic traffic and retention on their platform, which in turn drives higher engagement and better experience, helping them create more content and further drive consumer experience and transactions. They believe they have gained significant prominence not only as a lifestyle retail platform, but also a leading lifestyle brand and influencer.

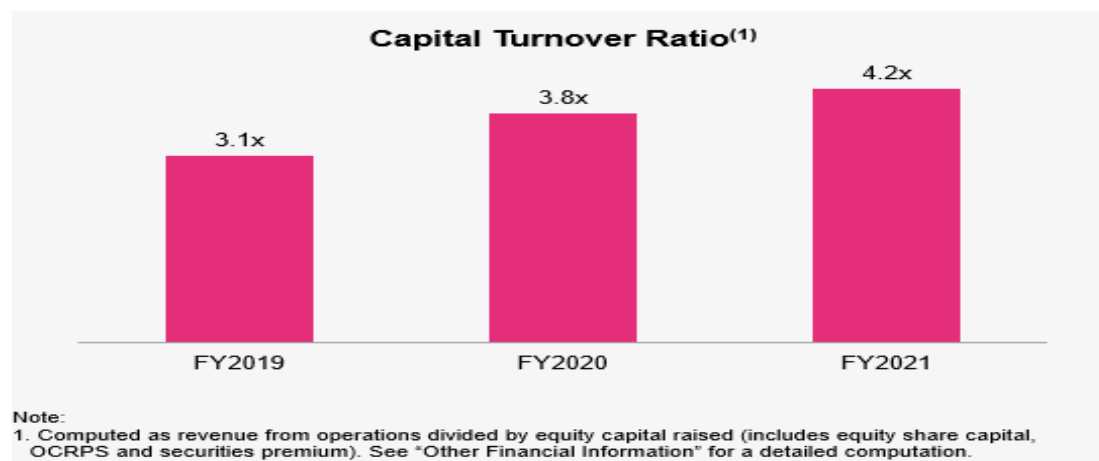
➤ **The preferred destination for luxury and prestige products in India for consumers and brands**

Nykaa has the highest AOV 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 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 Nykaa platform, making them their retail destination of choice in India. They have tailored specific capabilities across marketing, technology, supply chain, fulfillment, and consumer service to create a differentiated ecosystem for such brands and their consumers.

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

The company has built a scaled business with strong growth and profitability. In the Financial Year 2021, their GMV was ₹40,459.8 million with revenue from operations of ₹24,408.96 million 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 restated profit for the year in the Financial Year 2021 was ₹619.45 million, as compared to a restated loss of ₹163.40 million for the Financial Year 2020. For the three months ended June 30, 2021, GMV was ₹14,696.1 million with revenue from operations of ₹8,169.91 million and a 3.30% EBITDA margin. The revenue from operations grew 183.05% for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. The restated profit for the three months ended June 30, 2021 was ₹35.22 million, as compared to a restated loss of ₹545.07 million for the three months ended June 30, 2020.



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. The company has been able to achieve this scale with only ₹5,777.38 million primary investment into the Company as of March 31, 2021.

➤ **proprietary technology stack**

Over the years the company has invested in building their own proprietary platform, the Nykaa technology platform. They continue to evolve it keeping in mind not only today's challenges but also factoring for future agility. Their platform architecture comprises small, maintainable, scalable building blocks following the principles of a 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. At the same time, the architecture retains the flexibility to customize technology requirements for individual businesses. For example, they were able to quickly launch and scale-up their fashion business using the same Nykaa technology platform while customizing discovery for the fashion vertical.

Their data analytics capabilities powered by scalable data engineering allows them to consume a large number of data points across consumer interactions, product attributes, consumer demographics, marketing campaigns, inventory and pricing. The in-house data team is able to leverage this information to create dynamic hyper-personalized experiences for their consumers across their journeys on their platform. The 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.

➤ **Founder-led company supported by a professional management team**

The company sustainable growth in business has been achieved through their founder-led management team with relevant experience and complementary skill sets. They are led by their Founder, Executive Chairperson, Managing Director and Chief Executive Officer, Falguni Nayar, who started the business in 2012. She is driven by a desire to transform the traditional and transactional ways of lifestyle e-commerce in India. She has been the driving force in developing and growing their business. Her understanding of the consumer, intuitive entrepreneurship and involvement in key aspects of their business has helped accelerate and drive their profitable growth. Falguni is complemented by a professional management team which shares the same vision and values as hers to drive their growth.

Key Strategies:

➤ **Continue to acquire new consumers and increase consumer loyalty**

Nykaa has built their consumer base over the years and continues to aim to attract new consumers to their platform by providing an engaging shopping experience. As they refine their content engine, technology capabilities and assortment, the company increases engagement with every new visit to their platform, thereby increasing ability to acquire new consumers. The company uses levers of "voice, video and vernacular" to improve their reach and acquire consumers. The company also plans to deepen their existing consumer relationships to enhance revenues by increasing their wallet share from such consumers. They believe they can increase purchase frequency and AOV by improving personalization, improved targeting and by continuing to refine their data analytics.

➤ Deepen and broaden their brand relationships

Nykaa believes their track record of being brand custodians, and not solely being focused on transactional commerce, resonates with brands around the world. As part of their continuous efforts to offer a curated assortment of brands and products to their consumer base, they will continue to invest in entering into new brand relationships. Nykaa will also continue to nurture their existing brand relationships. They endeavor to improve sales and hence create value for their brand relationships through improved merchandising, refined marketing and new data driven brand specific experiences. They want to ensure that their platform maintains its position as a go-to lifestyle destination for its diverse brand relationships.

➤ Leveraging on art of retailing to expand into lifestyle adjacencies and launch new channels

Nykaa started as a beauty and personal care platform for women, and have expanded to lifestyle offerings across beauty and personal care, grooming, fashion and home products, for consumers across a variety of demographics. Their understanding and customized execution of multiple categories and subcategories within lifestyle retail enables them to foray into other lifestyle adjacencies to target that their platform becomes the single largest destination for lifestyle needs of their diverse consumers. They recently launched The Global Store, an online channel that enables Indian consumers to buy select beauty and personal care products of several prominent foreign brands from accredited overseas retailers.

➤ Further expand Omni channel capabilities

The company aims to invest further towards expansion of their physical store network to serve more consumers across the country with their Omni channel experience. At the same time, they seek to further leverage the synergies between the offline and online channels to create a seamless journey across touchpoints. Nykaa will continue to invest in people and infrastructure to build further capabilities for delivering an integrated online-offline shopping experience. As an extension of their Omni channel capabilities, they commenced Nykaa PRO, a membership-based program for beauty professionals and makeup artists, providing them access to products, offers and classes, including educational content. They are also conducting trials of Super Store, an online channel with a separate mobile application for standalone local retailers in India to offer them select beauty and personal care products to offer to their consumers.

➤ Invest in their owned brand portfolio

The company experience shows that the lifestyle consumer base is rapidly evolving. The success of their owned brand portfolio so far has come from identifying market gaps and building innovative products to address consumer needs by leveraging their marketing and consumer insights. They aim to increase the product offerings in their current owned brand portfolio across the business verticals and add newer long-term focused brands. At the same time, they intend that their owned brands portfolio will continue to uphold the product quality and authenticity standards that they stand for.

➤ Focused, selective international expansion as well as acquisitions and joint ventures in India

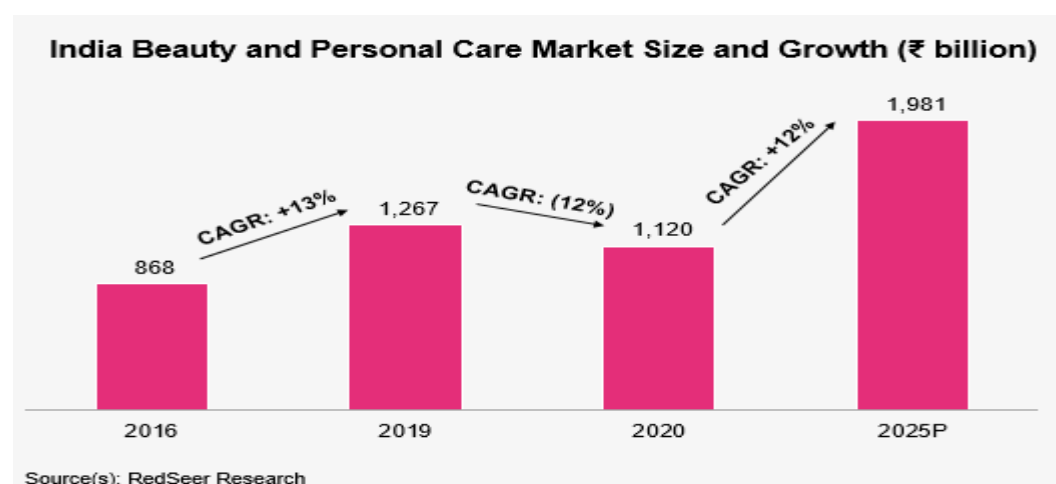
Nykaa has gained experience in India of localizing global trends for specific sub-markets and tastes. As they grow their consumer base in India, They will also aim to explore expansion selectively and prudently into international markets. Further, their experience in acquisitions and joint ventures has provided them insights and growth opportunities, and they intend to continue to consider such transactions in India, particularly to supplement their market leading position, product offerings, channels and owned brands as well as expand in other lifestyle adjacencies.

Industry Snapshot:

➤ India Beauty and Personal Care Market

India is projected to become a INR 1,981 billion beauty and personal care opportunity by 2025

The Beauty and Personal Care Market in India was sized at INR 1,267 billion in 2019, growing at a CAGR of 13% in the last 3 years. Though the market fell down to INR 1,120 billion in 2020 as a result of reduced spending during the first COVID-19 wave, it is projected to grow at a CAGR of 12% to reach INR 1,981 billion in 2025 implying a CAGR of 7.7% from the pre-COVID-19 market in 2019.



Similar to the overall retail space, India BPC is heavily dominated by the unorganized channel, which primarily includes local grocery shops and departmental stores. With Indian consumers becoming more evolved in their BPC shopping habits, share of unorganized BPC market had reduced to 72% in 2020 from 77% in 2016.

➤ Key Trends in India Beauty and Personal Care Market

Consumer spending on essential health and wellness products is on the rise. BPC products and appliances for at-home grooming are also seeing a higher demand. The rise of digital-only brands and the direct-to-customer online channel has introduced innovative and effective ways for brands to sell and reach their products and drive increased consumer engagement. Moreover, local emerging brands have witnessed increased popularity and following in the recent times. These brands are able to efficiently respond to the changing market trends, with the help of local market insights, price competitiveness and a convenient online channel.

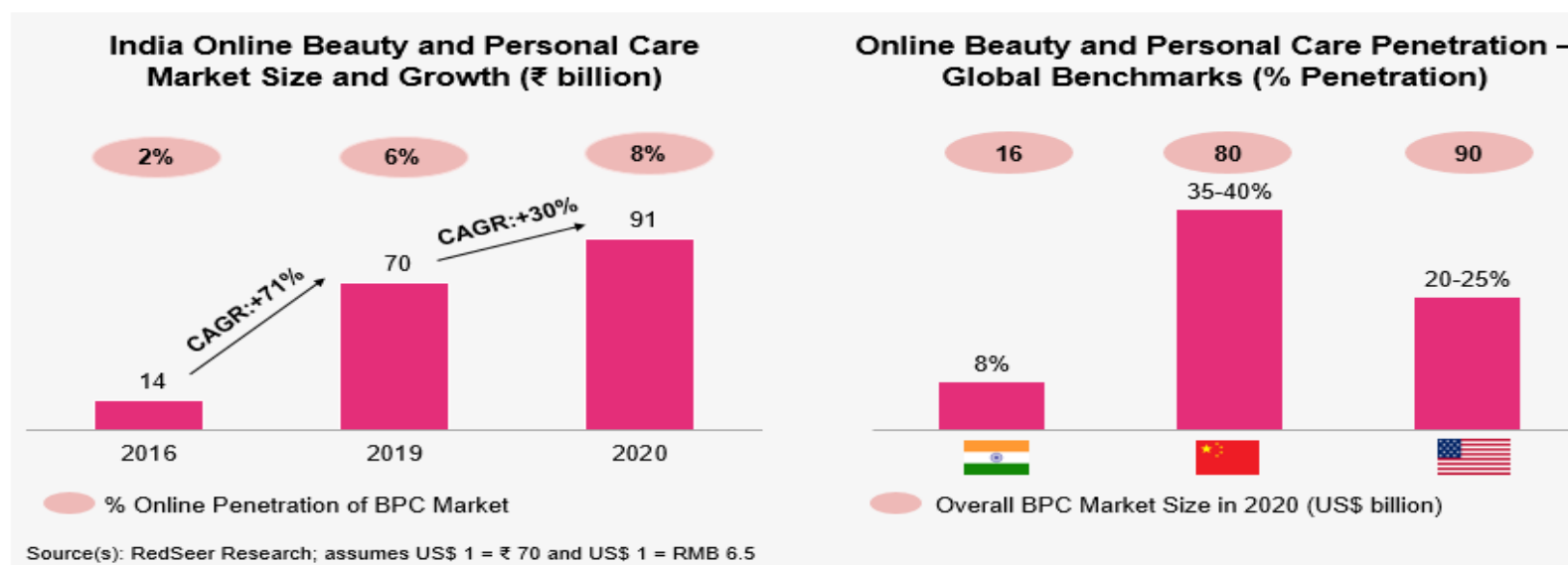
➤ Challenges in India Beauty and Personal Care Market

Multiple challenges faced by consumers and brands with the traditional physical Beauty and Personal Care retail in India. Traditional physical BPC retail in India fails to address key consumer painpoints. Consumers often find their desired products to be out-of-stock at stores. Consumers are restricted to choose from limited products due to space constraint in stores. With an increasing proliferation of counterfeit products, consumers are unsure of the genuineness of the products. Prestige brands are generally sold only via exclusive offline brand outlets or high-end multi-brand outlets available in niche premium locations, thus limiting consumer access. Offline consumer experience is largely transactional, due to limited original content and advice to facilitate inspiration and discovery in most of the offline stores. On the other hand, BPC brands also face challenges in India. Brands struggle to have a wider consumer base and reach pan-India consumers. Due to the presence of multiple intermediaries in the traditional value chain, there is significant inefficiency in product flow and margin leakage. Smaller brands face considerable challenges to scale up in the traditional model given limited capital and unfavourable trade terms with distributors.

➤ India Online Beauty and Personal Care Market

Online Beauty and Personal Care Market in India has grown at promising 60% CAGR in the last 4 years, penetrating 8% of the India Beauty and Personal Care Market in 2020. Online BPC retail platforms are effectively resolving challenges faced by both consumers and brands with the help of superior application of technology, efficient supply chain and quality control, access to a wider selection of products and brands including niche luxury brands, original content and advice from experts, door-step deliveries and wider geographic reach.

Online channel accounted for 2% of the India BPC market in 2016. Following this, the sector grew at a strong 71% CAGR over the next three years to penetrate 6% of the BPC market in 2019, at ₹70 billion. The sector further grew at 30% from 2019 to 2020 to reach ₹91 billion. Online channels accounted for approximately 8-10% of the overall BPC market in Financial Year 2021 and the five months ended August 31, 2021. Growing online shopping penetration in Tier 2+ cities, consistent investment for growth of the sector, rising affinity for branded products that are available online with a wide assortment, increasing need for convenient shopping experience, rising adoption of e-commerce by Generation Zs and Millennials who are the key growth enablers in the BPC category and higher consumer trust on products bought online, are the key drivers of growth in the market. There is a large headroom ahead for further penetration in India, as suggested by higher penetration in the developed markets such as the United States (20-25%) and China (35-40%).



Increase in the online BPC userbase has been a key ingredient of the sector's growth. The rise in AOV despite the rising penetration in non-Metros is attributed to the wider acceptance of BPC as a key e-commerce category by Indian consumers in the last 3-4 years, due to the higher trust commanded by online BPC platforms with the help of engaging content and popular influencers. Trust is an important factor in this category, due to which vertical e-tailing platforms specializing in the BPC space, have enjoyed high growth in the online market. This has enabled consumers to shop for prestige BPC products and newer product categories, thus driving higher AOVs.

Omnichannel Model in Indian Beauty and Personal Care Market

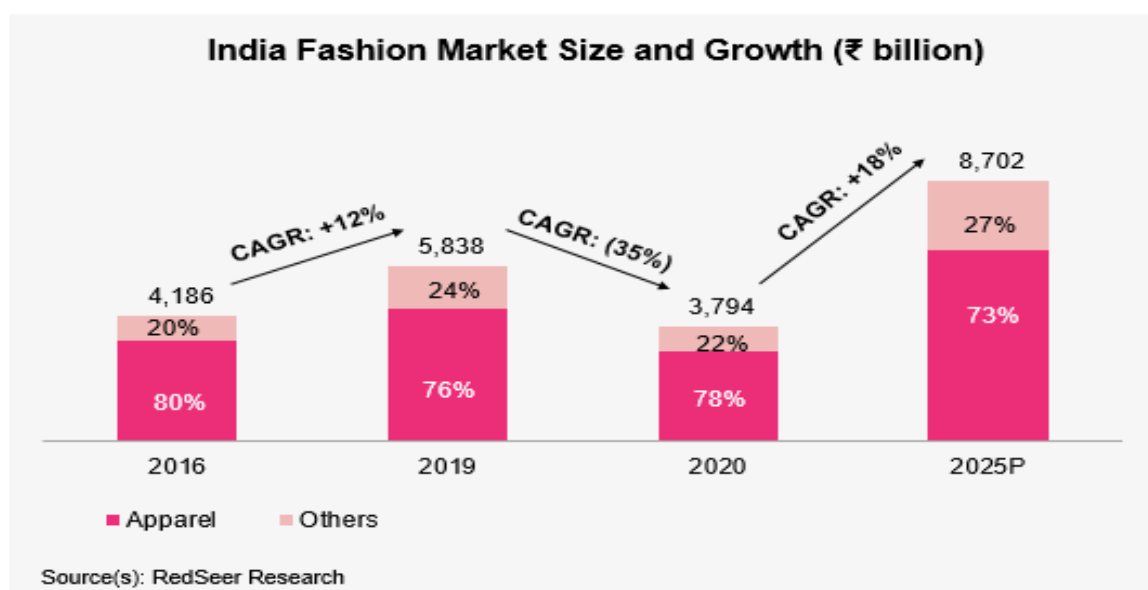
Omnichannel model will be beneficial for online BPC platforms. Supplementing their online platforms with a physical retail store presence helps complete consumer experience. The touch and feel, test and try elements become crucial in certain specialized BPC categories. Offline stores play an important role in providing desired experience and help establish a stronger trust among the consumers. An Omnichannel approach helps in providing consumers with a complete shopping journey and retail experience, with consumers able to enjoy the benefits of inventory well informed by hyperlocal patterns. Consumers are likely to be engaged better if attended in-person, which is feasible in offline stores. Together with online content on the platform, engagement in offline stores elevates the consumer experience. This drives more consumers to try out newer brands and categories. Presence across online and offline channels expands the modes of acquiring

Consumers and increases the likelihood of receiving organic traffic. Retail stores provide added flexibility with respect to logistics while simultaneously increasing delivery options for consumers including hyperlocal delivery, store pick-up. Omnichannel approach aids BPC brands to cater to a much wider audience by catering to unique preferences across diverse consumer preferences.

➤ India Fashion Market

India is projected to become ₹8,702 billion fashion opportunity by 2025

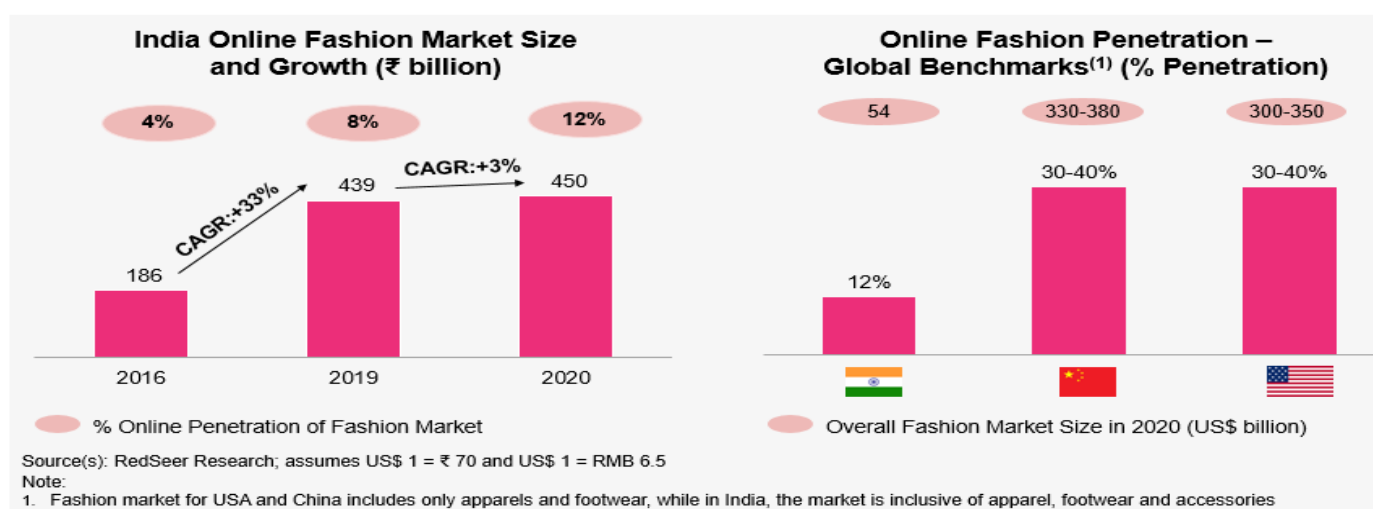
The size of Fashion Market in India was ₹4,186 billion in 2016, constituting more than 9% of the retail market. Apparel accounted for approximately 80% of this market and footwear and accessories combined covered the remaining 20%. The Fashion Market grew at a 12% CAGR over the next three years to reach ₹5,838 billion in 2019. It declined by 35% in 2020 during the first COVID-19 wave, driven by the reduction in discretionary spending and disruption in supply chain due to the lockdown. The Fashion Market in India is projected to recover strongly and grow at 18% CAGR over the next five years to reach ₹8,702 billion by 2025. Apparel are projected to continue driving approximately 73% of the market in 2025.



The Fashion Market in India is currently dominated by the unorganized channel, majorly comprising of local apparel, footwear and accessories stores. Hence, the current market is underserved as most traditional retailers try to serve broad demographic and are slow in reacting to changing trends. The organized segment has grown at a much faster pace as its share jumped from 29% in 2016 to 37% in 2020.

➤ India Online Fashion Market

Online fashion sector in India has grown at promising 25% CAGR in the last four years, penetrating 12% of the India Fashion Market in 2020. Online fashion retail platforms are effectively resolving the challenges faced by both consumers and brands, with the help of superior application of technology, efficient supply chain and quality control, access to a wider selection of products/brands, original content and advice from the best experts, door-step deliveries and return pickups, transparent return policy and wider geographic reach.



The online fashion retail sector size was ₹450 billion in 2020 (based on checkout GMV), growing at 25% CAGR over the past 4 years. This led to online penetration growing 3x in 4 years to 12% in 2020, with relatively higher penetration in the footwear and accessories categories compared to apparel. The rapid growth was led by the growing online shopper base in Tier 2+ cities, digital maturity of Generation Z and Millennial consumers who're the most active fashion buyers and are willing to trade up for personalized experience, impact of social media influencers to enable effective product discovery, strong emergence of digital-first brands, adoption of e-commerce by premium and designer brands, increased assortment available across sub-categories and convenience of online shopping along with hassle-free returns.

Key Risk:

- The continuing impact of the COVID-19 pandemic on the business and operations is uncertain and it may be significant and continue to have an adverse effect on company's business, operations and the future financial performance.
- If company are unable to manage their growth or execute their strategies effectively, their business plan and expansion may not be successful, and their business and prospects may be adversely affected.
- There are pending litigations against the company, Subsidiaries, and certain of their Directors. Any adverse decision in such proceedings may render them or them liable to liabilities and penalties and may adversely affect their business, results of operations, cash flows and reputation.
- If the company or their brand relationships and sellers fail to identify and effectively respond to changing consumer preferences and spending patterns or changing beauty and fashion trends in a timely manner, the demand for products could decrease, causing their revenue and results of operations to decline.
- The company technology infrastructure and the technology infrastructure of their third-party providers are susceptible to security breaches and cyber-attacks. This could potentially result in damage to their operations, employees, consumers, third-party providers, their reputation and adversely affect their financial condition, cash flows and results of operations.
- If the company fails to acquire new consumers or fails to do so in a cost-effective manner, they may not be able to increase revenue or maintain profitability.
- The company business depends on the growth of the online commerce industry in India and their ability to effectively respond to changing user behaviour on digital platforms.
- The company business depends upon the user behaviour and continued acceptance of digital platforms.
- Changing regulations in India could lead to new compliance requirements that are uncertain.
- Any harm to brand or reputation may adversely affect their business, financial condition, cash flows and results of operations.
- The company has certain contingent liabilities, which, if they materialize, may adversely affect their results of operations, financial condition and cash flows.
- The company has derived a significant portion of their GMV from their top three categories, and their business may be adversely affected if products in these categories do not perform as well as expected.
- The sale of their owned brand products subjects them to unique risks and heightens certain other risks.
- The company operate in a highly competitive industry and failure to compete effectively could have a negative impact on the success of their business and/or impact their margins
- The company's online marketing listings or reviews may constitute internet advertisement, which subjects them to laws, rules and regulations applicable to advertising.
- Failure to deal effectively with fraudulent activities on their mobile applications or websites would increase their fraud losses and harm their business and could severely diminish seller and consumer confidence in and use of their services.
- The company rely on third-party couriers to provide reliable, timely and satisfactory delivery of orders for consumers.
- The Company are subject to payment-related risks, including risks associated with cash on delivery and payment processing risks.

Valuation:

Nykaa is the largest Specialty Beauty and Personal Care platform in India in terms of value of products sold in FY21. The mobile phone space in India has been significantly disrupted by smartphones in the last 5-6 years, driven by availability of low-cost alternatives from local as well as global brands. By 2025, India is expected to have 750-850 million smartphone users implying a smartphone penetration of 52-59%. Consumer spending on essential health and wellness products is on the rise. BPC products and appliances for at-home grooming are also seeing a higher demand.

The company at the upper band of the IPO is offered at 21.6x price to sales for FY21. The valuation of the IPO is rich, demanding a market cap of Rs. 532,040 million. There are no listed companies in India that engage in a business similar to that of the Company. Accordingly, the company has a unique business proposition amongst its customer base and also has an aspirational brand image which augurs well for the company in the long term.

Moreover, the rise of digital-only brands and the direct-to-customer online channel has introduced innovative and effective ways for brands to sell. Local emerging brands have also witnessed increased popularity and following in recent times. Considering the future prospect for the company and it being placed at a sweet spot as the first mover advantage we assign **"Subscribe-Long Term"** Rating to this IPO.

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