

Fsn E-commerce Ventures (Nykaa)

Profitability disappoints; thesis remains on track

Nykaa's Q1 top line grew 23.8% YoY to INR14.22bn (HSIE: INR14.38bn). BPC growth continues to moderate (19.5% YoY in Q1; vs 42% CAGR over FY19-23). BPC AUTC (20% YoY in Q1 vs 30% CAGR clocked over FY19-23) continues to moderate. The reliance of growth on existing customers continues to rise. The struggle for the fashion foray continues (AUTC growth lags order growth in BPC as well as fashion). GM contracted 89bps YoY to 43.5% (HSIE: 44.0%) due to an increase in the mix of eB2B business. PBT margin remained flat YoY (0.7%; HSIE: 1.8%). Our thesis remains on track in Q1 as (1) BPC AUTC continues to moderate and (2) ad income as a percentage of revenue dropped 270bps+ YoY. We've cut our FY25/26 EBITDA estimates by 4-7% and maintained our REDUCE rating with a TP of INR130/sh (implying 72x Sep-25 EV/EBITDA).

- Q1FY24 highlights:** Revenue grew 23.8% to INR14.22bn (vs HSIE: INR14.38bn). BPC AUTC/orders grew 20/17.3% YoY respectively in Q1 (to 10.3/9.5mn respectively). BPC/fashion NSV grew 22.8/14% YoY (in-line) in Q1. Ad income as a percentage of revenue is estimated to have dropped 270bps+ YoY (in line with our thesis). SSSG for BPC physical store stood at 6% for Q1. GM contracted 89bps YoY in Q1 to 43.5% (HSIE: 44.0%) due to an increase in the mix of eB2B (Superstore). EBITDAM expanded 116bps to 5.2% (INR 735mn), majorly led by (1) improvement in fulfilment expense (reduced air shipment ratio and freight cost/order) and (2) efficiency in marketing expense (as growth is driven by existing customers), partially offset by higher S&D expense due to expansion of eB2B business and offline distribution of owned brands. PBT/APAT increased 16.5/8.3% YoY to INR97/54mn (HSIE: INR 266/189mn).
- Outlook:** Ex-ad income, the lack of non-linear monetisation levers forces keep our valuation compass somewhere between a linear business and a pure platform. We've cut our FY25/26 EBITDA estimates by 4-7% and maintained REDUCE with a TP of INR130/sh (implying 72x Sep-25 EV/EBITDA).

Quarterly financial summary

(Rs mn)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	14,218	11,484	23.8	13,017	9.2	37,739	51,438	63,467	82,904	1,04,519
EBITDA	735	461	59.5	707	3.9	1,633	2,560	3,652	5,785	8,252
APAT	54	50	8.3	23	138.5	413	248	636	1,873	3,524
EPS (Rs)	0.0	0.0	8.0	0.0	138.5	0.9	0.1	0.2	0.7	1.2
P/E (x)						167.5	1,687.0	658.3	223.6	118.8
EV/EBITDA (x)						254.5	162.3	113.8	71.8	50.4
Core RoCE(%)						4.4	2.6	4.9	8.5	11.6

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	63,467	65,765	(3.5)	82,904	85,280	(2.8)	1,04,519	1,08,688	(3.8)
Gross Profit	27,481	28,893	(4.9)	35,629	37,349	(4.6)	44,518	47,358	(6.0)
Gross Profit Margin (%)	43.3	43.9	(63 bps)	43.0	43.8	(82 bps)	42.6	43.6	(98 bps)
EBITDA	3,652	3,887	(6.1)	5,785	6,006	(3.7)	8,252	8,865	(6.9)
EBITDA margin (%)	5.8	5.9	(16 bps)	7.0	7.0	(6 bps)	7.9	8.2	(26 bps)

Source: Company, HSIE Research

REDUCE

CMP(as on 11 Aug 2023)	INR 146
Target Price	INR 130
NIFTY	19,428

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 135	INR 130
	FY25E	FY26E
EBITDA%	(3.7)	(6.9)

KEY STOCK DATA

Bloomberg code	NYKAA IN
No. of Shares (mn)	2,853
MCap (INR bn) / (\$ mn)	417/5,101
6m avg traded value (INR mn)	1,393
52 Week high / low	INR 239/114

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	16.7	(5.5)	(38.1)
Relative (%)	11.2	(13.1)	(48.2)

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	52.28	52.28
FIs & Local MFs	5.14	8.50
FPIs	12.26	10.04
Public & Others	30.32	29.18
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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