

Fsn E-commerce Ventures

Ask from growth remains high; maintain SELL

Nykaa's decisive shift toward customer acquisition, especially in BPC, in FY26 is certainly encouraging and the momentum will likely continue in Q3 (courtesy the Pink Friday sale). However, we suspect that in the medium term, the ask from BPC growth remains high. In H1FY26 (HSIE estimates), if one strips out own brands' sales and eB2B, core BPC is estimated to have grown at sub-20%. One may argue why strip out own brand sales? The reasons are two-fold: (1) Only one private label (Dot & Key; FY26 run-rate: INR15bn) is estimated to account for a third of private labels' GMV. How much can one brand scale? The odds are there might be a natural cap here; (2) Reliance on other channel sales is on the rise for its own brands (BPC), which is not exactly a confidence booster for own platform health. Note: While own brands (BPC) grew ~72% YoY in H1FY26; own channel sales grew 51%. On margins, while there is slight improvement (40bps) in H1FY26, it is likely a function of (1) higher own brands salience and (2) improving eB2B margins (~450bps+ in H1FY26). We suspect core BPC platform margins do not offer leverage benefits, given the imperative to invest more in rapid fulfillment options. Fashion remains a WIP. We maintain our FY27/28 EBITDA estimates and our SELL rating with a TP of INR200/sh (implying 57x FY28 pre-IND AS EV/EBITDA).

- Healthy own brand (BPC) sales backstopping BPC moderation, in our view:** In H1FY26 (HSIE estimates), if one strips out own brand sales and eB2B, core BPC is estimated to have grown at sub-20%. One may argue why strip out own brand sales? The reasons are two-fold: (1) Only one private label (Dot & Key; FY26 run-rate: INR15bn) is estimated to account for a third of private labels' GMV. How much can one brand scale? Odds are there might be a natural cap here; (2) Reliance on other channel sales is on the rise for its own brands (BPC) - not exactly a confidence booster for own platform health. Note: While own brands grew ~72% YoY in H1FY26; own channel sales grew 51%. We suspect that core BPC margins do not offer operating levers either as (1) ad income (as % of NSV) naturally drops with increase in own brand salience and (2) rise in investments in rapid fulfillment options.
- Treading the growth-unit economics equation in Fashion is not a cinch:** In H1FY26, Nykaa fashion has done a commendable job of balancing growth (+18%) and cutting back its burn (EBITDAM improved from -9.1% to -4.7%). However, most of these gains have come from cutting back on (1) marketing spends and (2) employee/other expenses (below CM-level expenses). Interestingly, the stickier fulfilment costs continue to rise (as % of NSV and per order). Given that there is only so much one can do below the CM level, we suspect the path to sustainable profits is not yet clear (achieving breakeven plausible though).
- Valuation and outlook:** Nykaa remains an efficient online business, especially for BPC. Fashion remains a WIP. Valuations at 74x EV/EBITDA remain heady. We maintain our FY27/28 EBITDA estimates and our SELL rating with a DCF-based TP of INR200/sh (implying 57x FY28 pre-IND AS EV/EBITDA).

SELL

CMP (as on 30 Dec 2025)	INR 263
Target Price	INR 200
NIFTY	25,939

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 200	INR 200
EBITDA%	FY27E	FY28E
	-	-

KEY STOCK DATA

Bloomberg code	NYKAA IN
No. of Shares (mn)	2,863
MCap (INR bn) / (\$ mn)	754/8,402
6m avg traded value (INR mn)	1,805
52 Week high / low	INR 273/155

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.4	26.5	62.7
Relative (%)	7.9	25.2	54.5

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	52.14	52.12
FIs & Local MFs	23.65	24.98
FPIs	11.64	12.54
Public & Others	12.57	10.36
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Financial Summary

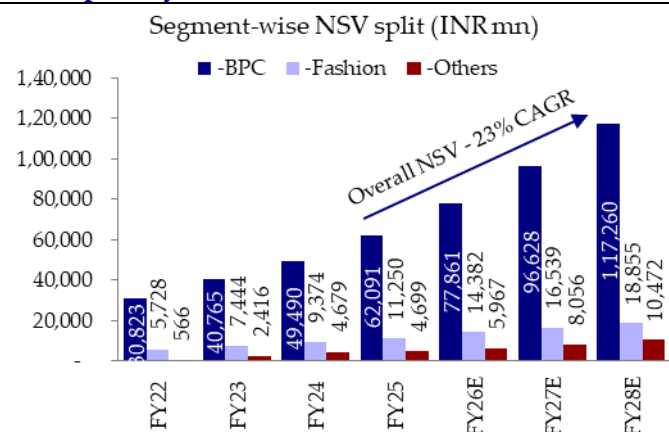
(INR mn)	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	23,460	18,747	25.1	21,549	8.9	51,438	63,856	79,498	99,398	1,22,994	1,48,849
EBITDA	1,590	1,037	53.3	1,407	13.0	2,560	3,462	4,739	7,292	10,665	14,274
Pre-IND-AS EBITDA						1,179	1,658	2,517	4,514	7,227	10,128
APAT	330	130	154.3	245	34.8	210	397	721	2,384	4,185	6,406
EPS (Rs)	0.1	0.0	154.0	0.1	34.7	0.1	0.1	0.3	0.8	1.5	2.2
P/E (x)						3,523.9	1,860.6	1,027.4	310.6	176.9	115.6
EV/EBITDA (x)						628.9	448.6	297.2	165.4	103.0	73.0
Core RoCE(%)						1.9	2.4	4.0	10.3	16.3	21.0

Estimate changes

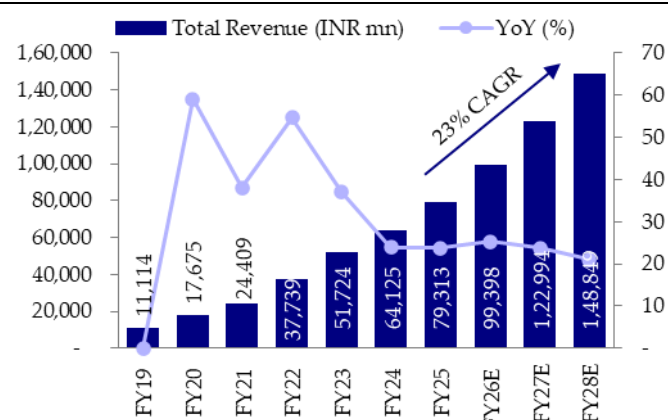
(INR mn)	FY26E			FY27E			FY28E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	99,398	99,398	-	1,22,994	1,22,994	-	1,48,849	1,48,849	-
Gross Profit	44,060	44,060	-	54,231	54,231	-	65,264	65,264	-
Gross Profit Margin (%)	44.3	44.3	-	44.1	44.1	-	43.8	43.8	-
Reported EBITDA	7,292	7,292	-	10,665	10,665	-	14,274	14,274	-
Reported EBITDA margin (%)	7.3	7.3	-	8.7	8.7	-	9.6	9.6	-
Pre-IND AS EBITDA*	4,514	4,514	-	7,227	7,227	-	10,128	10,128	-
EBITDA margin (%)*	4.5	4.5	-	5.9	5.9	-	6.8	6.8	-

Focus Charts

We expect Nykaa to clock 23% NSV & Revenue CAGR over FY25-28E

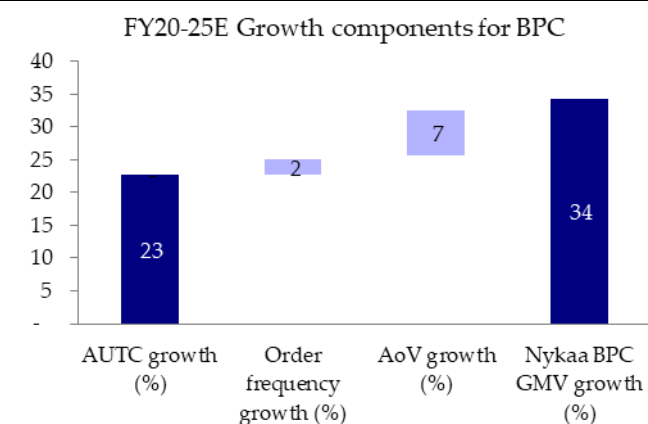


Source: Company, HSIE Research

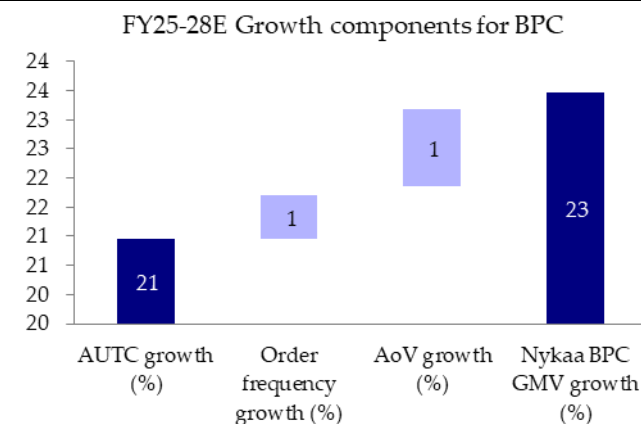


Source: Company, HSIE Research

We expect AUTC growth to be the primary driver of GMV expansion in BPC, as the scope to lift order frequency and AOV appears limited

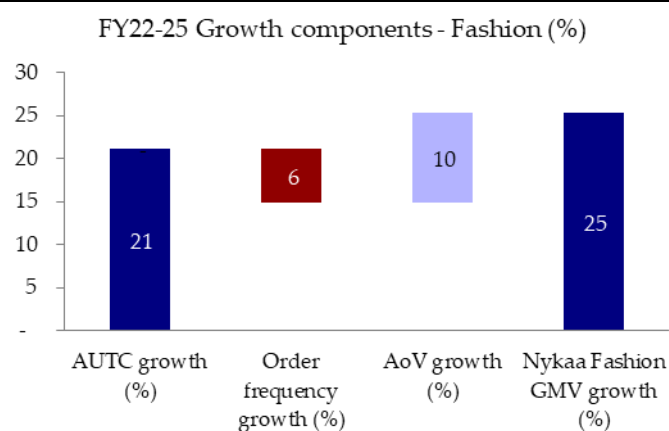


Source: Company, HSIE Research

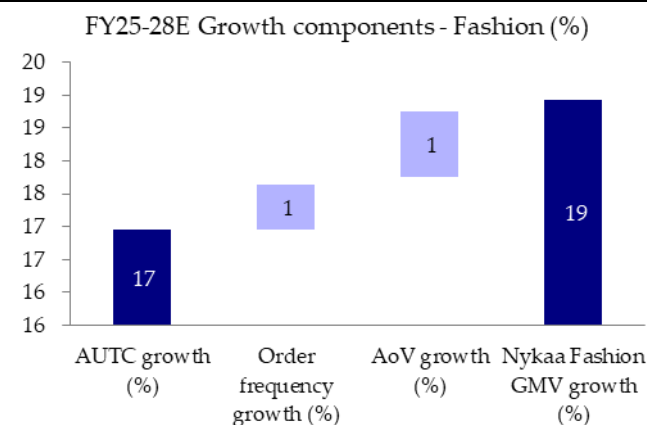


Source: Company, HSIE Research

In fashion too, AUTC growth is likely to do most of the heavy lifting, as other levers appear fully optimized

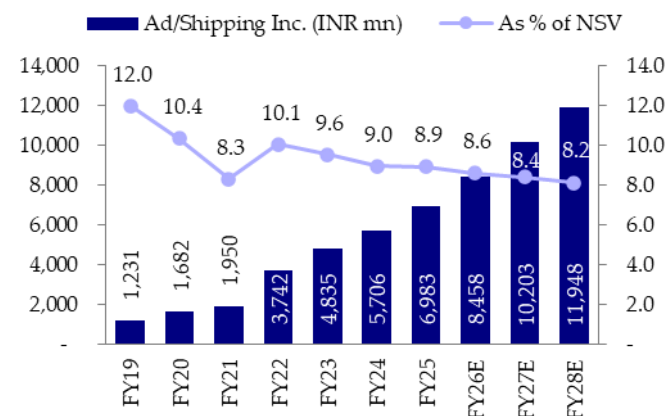


Source: Company, HSIE Research



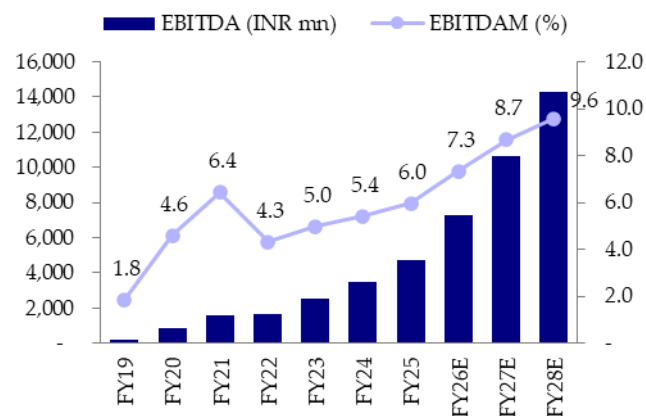
Source: Company, HSIE Research

As salience of own brands increases, we suspect ad income as a % of NSV will moderate...



Source: Company, HSIE Research

... however, improving product margins and ebbing fashion losses could aid overall EBITDAM



Source: Company, HSIE Research

In H1FY26 (HSIE estimates), if one strips out own brands' sales and eB2B, core BPC is estimated to have grown at sub-20%

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
House of Nykaa (GMV)						
Beauty and Personal Care (BPC)	3410	3,600	4,686	5,260	5,780	6,270
Fashion	900	1,090	1,200	1,120	970	950
Total	4,310	4,690	5,886	6,380	6,750	7,220
eB2B	2,050	2,280	2,597	2,483	2,880	2,850
BPC (ex- House of Nykaa & eB2B)	19,969	21,953	26,616	22,837	23,420	26,390
House of Nykaa as % of GMV						
Beauty and Personal Care (BPC)	13.4	12.9	13.8	17.2	18.0	17.7
Fashion	11.6	12.6	10.6	10.8	10.1	8.1
Total	13.0	12.8	13.0	15.6	16.1	15.2

Source: Company, HSIE Research

Capital allocation over FY17-25

Particular (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Total
Sources of Funds										
Cash from Operations (excl. WC change)	(1)	(94)	287	890	1,903	1,831	2,839	3,828	5,053	16,535
Less : Rent Adjustment	-	-	211	471	429	652	1,169	1,479	1,797	6,209
: Int on Lease Liability Adjustment										-
Other Income	-	-	1	1	36	166	181	218	96	698
Sub Total (A)	(1)	(94)	76	419	1,510	1,345	1,851	2,567	3,352	11,024
Net Proceeds from Issue of Capital	112	-	1,340	1,037	1,029	8,729	288	279	312	13,126
Borrowings	250	777	1,426	419	(800)	1,456	1,263	2,200	2,768	9,758
Total (B)	361	682	2,841	1,876	1,739	11,529	3,403	5,046	6,431	33,909
Application of Funds										
Working Capital	243	445	1,284	829	405	5,371	4,241	3,825	387	17,029
Net Capex	115	144	1,618	(888)	421	940	2,082	1,107	1,272	6,811
Investments -										
- in subsidiary	-	-	0	-	16	508	702	-	290	1,517
- others	-	-	2	739	897	4,746	(3,999)	(788)	588	2,184
Other Investing Cash flows	(4)	(0)	-	-	-	-	-	-	-	(5)
Interest	0	83	197	298	177	262	334	558	724	2,633
Net Change in cash	7	10	(260)	898	(176)	(297)	42	344	492	1,059
Total (C)	361	682	2,841	1,876	1,739	11,529	3,403	5,046	3,752	31,230
As a % of Source of Funds (A)										
WC + Capex	(26,517)	(626)	3,825	(14)	55	469	342	192	49	216
Obligatory payments (Interest)	(0)	(88)	260	71	12	20	18	22	22	24
Total	(26,517)	(715)	4,085	57	66	489	360	214	71	240

Source: Company, HSIE Research

Snapshot: Key Performance Indicators

	FY19	FY20	FY21	FY22	FY23	FY24	FY24 Reclassified	FY25	H1FY26
Number of visits (mn)									
Beauty and Personal care (mn)	378	575	659	841	937	1,109	1,170	1,482	861
Fashion	0	38	172	441	504	571	572	617	356
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	30.2	35.7	41.6
Fashion	0.0	1.7	5.8	15.0	17.0	17.4	17.6	19.1	23.5
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	12.4	15.8	17.5
Fashion	-	0.1	0.6	1.8	2.5	3.0	3.0	3.2	3.7
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	43.7	54.5	30.2
Fashion	0.4	1.1	2.4	5.2	6.0	6.9	7.0	7.6	4.4
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	1,985	2,021	2,238
Fashion	655	1,604	2,739	3,420	3,973	4,741	4,361	4,609	4,873
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	90,550	1,17,750	67,590
Fashion	282	1,868	6,530	17,516	25,696	32,699	33,850	38,040	21,440
Others			389	1,727	5,245	8,353	70	250	230
Total GMV	16,501	26,849	40,461	69,332	97,432	1,24,461	1,24,470	1,56,040	89,260
Net Revenue (INR mn)									
Beauty and Personal Care	11,110	17,309	22,836	33,997	44,820	53,855	58,100	72,510	41,070
Fashion	4	366	1,438	3,254	4,347	5,302	5,680	6,750	3,720
Others			135	488	2,271	4,699	80	240	220

Income statement:

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	17,675	24,409	37,739	51,438	63,856	79,498	99,398	1,22,994	1,48,849
Growth (%)	59.0	38.1	54.6	36.3	24.1	24.5	25.0	23.7	21.0
Material Expenses	10,142	14,926	21,300	28,657	36,464	44,727	55,338	68,763	83,585
A&P Expense	2,022	1,695	4,781	6,946	8,913	12,112	14,949	17,798	21,033
Fulfilment expenses	1,730	2,177	3,956	4,548	4,903	6,003	9,302	11,491	13,837
Employee Expense	1,956	2,330	3,259	4,917	5,649	6,661	7,666	8,743	9,852
Rent Expenses	66	83	106	213	325	426	542	683	842
Other Expenses	949	1,632	2,704	3,597	4,142	4,832	4,308	4,851	5,426
EBITDA	811	1,567	1,633	2,560	3,462	4,739	7,292	10,665	14,274
EBITDA Growth (%)	295.2	93.3	4.2	56.8	35.2	36.9	53.9	46.2	33.8
EBITDA Margin (%)	4.6	6.4	4.3	5.0	5.4	6.0	7.3	8.7	9.6
Pre IND-AS EBITDA	273	1,054	874	1,179	1,658	2,517	4,514	7,227	10,128
Pre IND-AS EBITDA Growth (%)	(1,011.6)	285.6	(17.1)	34.9	40.6	51.8	79.3	60.1	40.1
Pre Ind-AS EBITDA Margin (%)	1.5	4.3	2.3	2.3	2.6	3.2	4.5	5.9	6.8
Depreciation	595	716	964	1,733	2,242	2,664	3,213	3,954	4,626
EBIT	215	851	668	828	1,219	2,075	4,079	6,711	9,648
EBIT - Pre IND-AS	61	747	483	517	706	1,369	3,220	5,808	8,633
Other Income (Including EO Items)	103	118	270	302	299	273	325	305	542
Interest	443	307	465	746	828	1,073	1,217	1,423	1,630
Interest - Pre IND-AS	303	177	263	397	515	741	807	904	994
PBT	(124)	661	473	384	690	1,274	3,186	5,593	8,560
Total Tax	39	45	60	136	253	538	802	1,408	2,155
PAT before share of associate earnings	(163)	616	413	248	437	737	2,384	4,185	6,406
Share of associate earnings	-	-	-	(39)	(40)	(16)	-	-	-
RPAT	(163)	616	413	210	397	721	2,384	4,185	6,406
Exceptional Gain/(loss)	-	-	-	-	-	-	-	-	-
Adjusted PAT	(163)	616	413	210	397	721	2,384	4,185	6,406
APAT Growth (%)	(33.4)	(477.3)	(33.0)	(49.2)	89.6	81.3	230.8	75.5	53.1
Adjusted EPS (Rs)	(0.3)	1.3	0.9	0.1	0.1	0.3	0.8	1.5	2.2
EPS Growth (%)	(33.4)	(477.3)	(33.0)	(91.6)	89.4	81.1	230.8	75.5	53.1

Balance sheet

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS									
Share Capital - Equity	146	151	474	2,852	2,856	2,859	2,859	2,859	2,859
Reserves	3,076	4,749	12,925	10,928	9,766	10,154	13,964	20,070	28,876
Total Shareholders' Funds	3,221	4,899	13,399	13,780	12,622	13,013	16,823	22,929	31,735
Minority Interest	7	8	56	141	188	414	414	414	414
Long Term Debt	2	17	9	4	-	1,102	1,102	1,102	1,102
Short Term Debt	2,673	1,858	3,321	4,600	6,804	8,512	7,512	6,512	5,512
Total Debt	2,675	1,875	3,330	4,604	6,804	9,614	8,614	7,614	6,614
Lease Liabilities	1,450	1,452	2,596	3,381	2,891	3,592	4,610	5,774	6,937
Net Deferred Taxes	3	247	22	-	-	-	-	-	-
Other Non-current Liabilities & Provns	471	850	2,889	1,373	712	1,359	1,359	1,359	1,359
TOTAL SOURCES OF FUNDS	7,827	9,332	22,292	23,280	23,217	27,991	31,820	38,089	47,059
APPLICATION OF FUNDS									
Net Block	841	921	2,032	3,547	3,699	4,410	4,442	4,438	4,403
CWIP	8	20	98	20	61	32	32	32	32
Other Non-current Assets	2,097	2,274	4,342	6,061	6,481	7,594	8,529	9,597	10,666
Total Non-current Assets	2,946	3,215	6,471	9,628	10,241	12,036	13,003	14,067	15,100
Inventories	4,453	4,981	8,756	10,051	11,920	14,175	17,424	21,566	25,896
Debtors	984	766	945	1,635	2,416	2,466	3,002	3,714	4,495
Other Current Assets	1,067	1,568	7,617	6,316	6,687	8,945	10,613	13,142	15,904
Cash & Equivalents	1,794	2,490	2,670	1,869	2,742	2,173	2,572	3,737	7,409
Total Current Assets	8,299	9,805	19,989	19,872	23,765	27,759	33,611	42,159	53,704
Creditors	3,133	3,162	3,621	2,654	3,867	6,348	7,897	9,604	11,419
Other Current Liabilities & Provns	285	526	548	3,566	6,922	5,456	6,896	8,533	10,327
Total Current Liabilities	3,418	3,688	4,168	6,220	10,789	11,804	14,794	18,137	21,746
Net Current Assets	4,881	6,117	15,821	13,652	12,976	15,955	18,817	24,022	31,958
TOTAL APPLICATION OF FUNDS	7,827	9,332	22,292	23,280	23,217	27,991	31,820	38,089	47,059

Cash flow statement

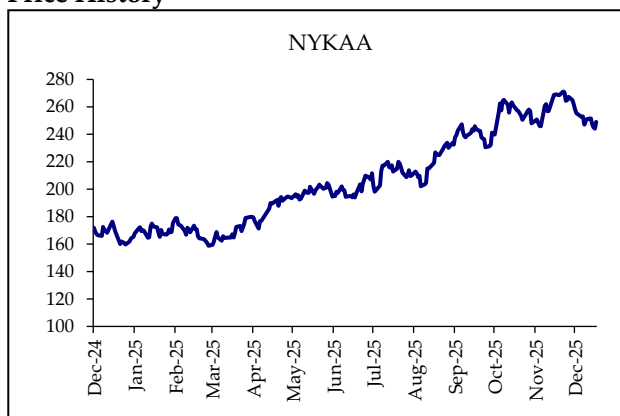
Year ending March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	(124)	753	473	384	690	1,275	3,186	5,593	8,560
Non-operating & EO Items	(24)	172	58	(24)	67	41	(325)	(305)	(542)
Interest Expenses	443	307	465	746	828	1,073	1,217	1,423	1,630
Depreciation	595	671	835	1,733	2,242	2,664	3,213	3,954	4,626
Working Capital Change	(786)	(273)	(4,649)	(3,290)	(2,513)	211	(2,463)	(4,040)	(4,264)
Tax Paid	(43)	(132)	(722)	(951)	(1,312)	(597)	(802)	(1,408)	(2,155)
OPERATING CASH FLOW (a)	62	1,498	(3,540)	(1,402)	3	4,666	4,027	5,217	7,855
Capex	888	(437)	(1,448)	(2,784)	(1,107)	(1,562)	(1,325)	(1,414)	(1,460)
Free Cash Flow (FCF)	949	1,062	(4,988)	(4,186)	(1,105)	3,104	2,702	3,803	6,395
Investments	(739)	(897)	(4,746)	3,999	788	(588)	-	-	-
Non-operating Income	1	36	166	181	218	96	325	305	542
INVESTING CASH FLOW (b)	149	(1,297)	(6,028)	1,396	(101)	(2,054)	(1,001)	(1,109)	(918)
Debt Issuance/(Repaid)	1,153	46	1,195	929	1,643	2,044	(2,217)	(2,423)	(2,630)
FCFE	2,103	1,107	(3,793)	(3,257)	538	5,148	484	1,379	3,765
Share Capital Issuance	5	6	8,727	288	279	312	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	(2,679)	-	-	-
FINANCING CASH FLOW (c)	1,159	52	9,922	1,217	1,922	(324)	(2,217)	(2,423)	(2,630)
NET CASH FLOW (a+b+c)	1,369	253	355	1,211	1,823	2,288	809	1,684	4,307
EO Items, Others	-	-	-	-	-	-	-	-	-
Closing Cash & Equivalents	1,756	2,477	2,670	1,487	2,399	2,172	2,570	3,735	7,407

Key Ratios

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY (%)									
GPM	42.6	38.9	43.6	44.3	42.9	43.7	44.3	44.1	43.8
EBITDA Margin	4.6	6.4	4.3	5.0	5.4	6.0	7.3	8.7	9.6
EBIT Margin	1.2	3.5	1.8	1.6	1.9	2.6	4.1	5.5	6.5
APAT Margin	(0.9)	2.5	1.1	0.4	0.6	0.9	2.4	3.4	4.3
RoE	(5.9)	15.2	4.5	1.5	3.0	5.6	16.0	21.1	23.4
RoIC (or Core RoCE)	5.5	12.3	4.4	2.6	3.7	5.2	11.1	15.8	19.5
RoCE	6.2	10.5	5.2	3.0	4.0	5.2	11.0	15.0	17.9
RoE*	(5.9)	15.0	4.5	1.5	2.9	5.5	15.6	20.6	23.0
RoIC (or Core RoCE)*	2.2	13.8	3.9	1.9	2.4	4.0	10.3	16.4	21.1
RoCE*	4.4	10.9	4.8	2.4	3.5	5.2	11.6	16.4	19.7
EFFICIENCY									
Tax Rate (%)	(31.5)	6.8	12.7	35.4	36.7	42.2	25.2	25.2	25.2
Total Asset Turnover (x)	2.9	3.6	1.9	2.4	3.1	3.1	3.4	3.6	3.8
Fixed Asset Turnover (x)	18.6	22.0	19.6	14.8	15.1	15.5	15.4	15.6	15.9
Inventory (days)	92.0	74.5	84.7	71.3	68.1	65.1	64.0	64.0	63.5
Debtors (days)	20.3	11.5	9.1	11.6	13.8	11.3	11.0	11.0	11.0
Other Current Assets (days)	22.0	23.4	73.7	44.8	38.2	41.1	39.0	39.0	39.0
Payables (days)	64.7	47.3	35.0	18.8	22.1	29.1	29.0	28.5	28.0
Other Current Liab & Provsns (days)	5.9	7.9	5.3	25.3	39.6	25.0	25.3	25.3	25.3
Cash Conversion Cycle (days)	63.7	54.2	127.2	83.6	58.5	63.3	59.7	60.2	60.2
Net D/E (x)	0.3	(0.1)	0.0	0.2	0.3	0.6	0.4	0.2	(0.0)
Interest Coverage (x)	0.5	2.8	1.4	1.1	1.5	1.9	3.4	4.7	5.9
PER SHARE DATA (Rs)									
EPS	(0.3)	1.3	0.9	0.1	0.1	0.3	0.8	1.5	2.2
CEPS	1.0	2.9	2.9	0.7	0.9	1.2	2.0	2.8	3.9
Dividend	-	-	-	-	-	-	-	-	-
Book Value	7.1	10.6	28.4	4.8	4.4	4.6	5.9	8.0	11.1
VALUATION									
P/E (x)	(752)	199	298	3,552	1,875	1,035	313	178	117
P/BV (x)	37	25	9	54	59	57	44	33	24
EV/EBITDA (x)	2,590.7	687.2	844.5	633.8	452.2	299.5	166.7	103.8	73.6
EV/Revenues (x)	40.1	29.7	19.6	14.5	11.7	9.5	7.6	6.1	5.0
OCF/EV (%)	0.0	0.2	(0.5)	(0.2)	0.0	0.6	0.5	0.7	1.1
FCF/EV (%)	0.1	0.1	(0.7)	(0.6)	(0.1)	0.4	0.4	0.5	0.9
FCFE/Mkt Cap (%)	0.3	0.2	(0.5)	(0.4)	0.1	0.7	0.1	0.2	0.5
Dividend Yield (%)	-	-	-	-	-	-	-	-	-

Source: Company, HSIE Research

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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