

# IPO Note: FSN Ecommerce Ventures Ltd.

Industry: E-Commerce

Reco: Subscribe

Date: October 27, 2021

Issue Snapshot		Issue Break up		
Company Name	FSN Ecommerce Ventures Ltd.	QIB ex Anchor	30%	14,196,798
Issue Opens	October 28, 2021 to November 01, 2021	Anchor Investor	45%	21,295,197
Price Band	Rs. 1085 to Rs. 1125	HNI	15%	7,098,399
Bid Lot	12 Equity Shares and in multiples thereof.	RII	10%	4,732,266
The Offer	Public issue of 47,572,660 Equity shares of Face value Re. 1 each, (Comprising of fresh issue of 5,600,000 Equity Shares* (Rs. 630 cr.) and Offer for Sale of 41,972,660 Equity Shares (Rs. 4721.92 cr.*) by Selling Shareholder).	<b>Total Public</b>	<b>100%</b>	<b>47,322,660</b>
		Employee Reservation		250,000
Issue Size	Rs. 5184.03 – 5351.92 Crore	<b>Total</b>		<b>47,572,660</b>
IPO Process	100% Book Building	Equity Share Pre Issue (Nos. Cr.)		46.7
Face Value	Re. 1.00	Fresh Share (Nos. Cr.)		0.6
Exchanges	NSE & BSE	OFS Share (Nos. Cr.)		4.2
BRLM	Kotak Mahindra Capital Co Ltd, Morgan Stanley India Co Pvt Ltd, ICICI Securities Ltd, Bofa Securities India Ltd, JM Financial Ltd and Citigroup Global Markets India Pvt Ltd	Equity Share Post Issue (Nos. Cr.)		47.3
		Market Cap (Rs. Cr.)		53,204.0
Registrar	Link Intime India Private Limited	Equity Dilution		1.2%
		Stake Sale by OFS		8.9%

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder.

### Fresh Issue

- Investment in certain of the Subsidiaries, namely, FSN Brands and / or Nykaa Fashion for funding the set-up of new retail stores (Rs. 42 cr.);
- Capital expenditure to be incurred by the Company and investment in certain of the Subsidiaries, namely, Nykaa E-Retail, Nykaa Fashion and FSN Brands for funding the set-up of new warehouses (Rs. 42 cr.);
- Repayment or prepayment, in full or in part, of certain borrowings availed by the Company and one of the Subsidiaries, namely, Nykaa E-Retail (Rs. 156 cr.);
- Expenditure to acquire and retain customers by enhancing the visibility and awareness of the brands (Rs. 234 cr.); and
- General corporate purposes.

## Company Highlights

- FSN E-Commerce Ventures Ltd. (Nykaa) is a digitally native consumer technology platform, delivering a content-led, and lifestyle retail experience to consumers. Since incorporation in 2012, the company has invested both capital and creative energy towards designing a differentiated journey of brand discovery for the consumers. Nykaa have a diverse portfolio of beauty, personal care and fashion products, including their owned brand products manufactured by them. As a result, Nykaa has 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 the 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 FY21 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. Nykaa 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 the content and curation optimally for the convenience of consumers and to cater to the different consumer that exist in business verticals:
  - ❖ Nykaa: Beauty and personal care
  - ❖ Nykaa Fashion: Apparel and accessories

- In addition to leveraging the strengths in comprehensive merchandising, brand relationships and delivery experience, Nykaa 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 FY21, total GMV was Rs. 40,459.8 million, which grew 50.7% YoY. For Q1FY22, Nykaa total GMV was Rs. 14,696.1 million, which grew 238.8% YoY.
- As of August 31, 2021, the company 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.

## View

- Nykaa is the largest Specialty Beauty and Personal Care Platform in India in terms of value of products sold in the FY21 and 5MFY22, and one of the fastest growing fashion platforms in India based on growth in GMV last 3 years. Company generated Rs. 4045.98 crore and Rs. 1469.61 crore in GMV on its platform in FY21 and 5MFY22, respectively.
- Nykaa has a portfolio of 15 owned brands. The owned brand portfolio is executed by identifying gaps in the market, both across requirements of divers econsumers and multiple price points, and building brands to suit these needs, with a focus on high quality products.
- 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. Further, a significant number of leading luxury and prestige fashion brands. Nykaa has tailored specific capabilities across marketing, technology, supply chain, fulfillment, and consumer service to create a differentiated ecosystem for such brands and their consumers.
- Nykaa has built the 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 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.
- 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.
- Nykaa has a large market opportunity aggregating Rs. 10.6 trillion in the fast-growing beauty, personal care and fashion industry by 2025 in India. The Indian beauty and personal care market is estimated to grow to Rs. 2.0 trillion by 2025 from Rs. 1.1 trillion in 2020. The Indian fashion market is estimated to grow to Rs. 8.7 trillion by 2025 from Rs. 3.8 trillion in 2020. The growth is projected to be primarily driven by the market shift towards the organized sector, high growth of e-commerce due to in-creased internet penetration, growing wallet share for beauty, personal care and fashion products and increased spending leading to subsequent premiumization across categories. Further, compared to other mature e-commerce categories, beauty and personal care and fashion have lower online penetration.
- Nykaa is well placed to benefit from growing industry trends given its resilient, capital-efficient business with a combination of strong growth and profitability. Its financial performance has been strong with a revenue CAGR of 48.2% over FY19-21. The operating margins have also seen a marked improvement from 1.85% in FY19 to 6.61% in FY21. Company's capital turnover ratio has improved from 3.1 times in FY19 to 4.2 times in FY21. Company have focused on capital efficiency and unit economics, while simultaneously building for scale and growth.
- Going forward, Nykaa intends to continuously acquire new customers and increase its customer loyalty. It also plans to expand into lifestyle adjacencies and launch new channels. It also aims to explore expansion selectively and prudently into international markets. Given the positive industry prospects and Nykaa's strong foothold, we have a positive view on the company from the long term perspective. Hence, it is recommended to "SUBSCRIBE" the issue.

## Key Operating and Financial Metrics

Particulars	FY19		FY20		FY21		5MFY22	
	Beauty and Personal Care	Fashion	Beauty and Personal Care	Fashion	Beauty and Personal Care	Fashion	Beauty and Personal Care	Fashion
No. of Visits (No. in Cr)	37.8	0.0	57.5	3.8	65.9	17.2	37.0	17.7
Monthly Average Unique Visitors (No. in Cr)	0.9	0.0	1.2	0.2	1.4	0.6	2.0	1.5
Annual Unique Transacting Consume(No.in Cr)	0.4	0.0	0.5	0.0	0.6	0.1	0.7	0.1
Orders (No. in Cr)	1.1	0.0	1.7	0.1	1.7	0.2	1.0	0.2
Average Order Value (AOV) (Rs. in Cr)	1,433.0	655.0	1,448.0	1,604.0	1,963.0	2,739.0	1,886.0	3,197.0
Gross Merchandise Value (GMV) (Rs. in Cr)	1,621.9	28.2	2,498.1	186.8	3,380.4	665.6	1,931.6	689.7
Total (Rs. in Cr)	1,650.1		2,684.9		4,046.0		2,621.4	
GMV Growth (%)	-		62.7%		50.7%		-	

## Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	Q1FY21	Q1FY22
Share Capital	14.2	14.6	15.1	14.7	15.5
Net Worth	231.0	322.9	490.8	354.4	699.8
Long Term Borrowings	0.1	0.2	1.7	1.9	1.7
Other Long Term Liabilities	78.8	135.5	114.7	102.9	123.8
Short-term borrowings	225.5	267.4	185.8	196.0	266.5
Other Current Liabilities	240.2	398.5	509.0	352.1	539.7
Fixed Assets	139.9	229.1	233.5	215.5	258.6
Non Current Assets	201.0	79.9	105.5	103.5	124.4
Current Assets	564.0	815.5	963.0	688.2	1248.5
Total Assets	775.7	1124.5	1302.0	1007.2	1631.5
Revenue from Operations	1111.4	1767.5	2440.9	288.6	817.0
Revenue Growth (%)		59.0	38.1		183.0
EBITDA	20.5	81.1	161.4	(45.3)	26.9
EBITDA Margin (%)	1.8	4.6	6.6	(15.7)	3.3
Net Profit	(24.5)	(16.3)	61.9	(54.5)	3.5
Net Profit Margin (%)	(2.2)	(0.9)	2.5	(18.9)	0.4
Earnings Per Share (Rs.)	(0.6)	(0.4)	1.3	(1.2)	0.1
Return on Networth (%)	(10.6)	(5.2)	12.6		
Net Asset Value per Share (Rs.)	5.4	7.1	10.6	7.7	14.9

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	Q1FY21	Q1FY22
Cash flow from Operations Activities	(99.7)	6.2	149.8	4.3	(114.0)
Cash flow from Investing Activities	(162.0)	14.9	(129.7)	(0.0)	46.1
Cash flow from Financing Activities	235.7	68.7	(37.7)	4.1	266.0
Net increase/(decrease) in cash and cash equivalents	(26.0)	89.8	(17.6)	8.4	198.1
Cash and cash equivalents at the beginning of the year	37.4	11.4	101.2	101.2	83.6
Cash and cash equivalents at the end of the year	11.4	101.2	83.6	109.8	281.8

Source: RHP

## Comparison with listed industry peers

There are no listed companies in India whose business portfolio is comparable with that of the company business and comparable to the scale of operations.

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