



“FSN E-Commerce Ventures Limited 10th Annual
General Meeting”

August 10, 2022



**MANAGEMENT: MS. FALGUNI NAYAR – CHAIRPERSON, MANAGING
DIRECTOR & CHIEF EXECUTIVE OFFICER, FSN E-
COMMERCE VENTURES LIMITED
MR. ARVIND AGARWAL - CFO, FSN E-COMMERCE
VENTURES LIMITED
MR. RAJENDRA PUNDE - COMPANY SECRETARY, FSN
E-COMMERCE VENTURES LIMITED**



Moderator: Dear members, good evening and a warm welcome to the 10th Annual General Meeting of FSN E-Commerce Ventures Limited. It is an utmost pleasure to have all of you in this meeting, which is the first Annual General Meeting held after the listing of the equity shares of the company. Please note that this AGM is being conducted through video conference in accordance with the provisions of the Companies Act, 2013, various circulars issued by the Ministry of Corporate Affairs and Securities and Board of India. The company has taken efforts to enable its shareholders to participate through video conference and vote at the AGM in a seamless manner. If during the AGM, any shareholder faces any technical issues, you may contact the helpline number mentioned in the notice of the AGM. Speaker shareholders will be on mute mode until the time question and answer session starts.

Before we start the main proceedings of the meeting, I would like to introduce to you the directors of the company. Let me start with requesting Ms. Falguni Nayar.

Falguni Nayar: Thank you everyone. Good evening members. I am Falguni Nayar - Chairperson, Managing Director and Chief Executive Officer of your company. I am also the Chair of the Fundraise and Investment Committee. I am attending this meeting from Mumbai and thank you.

Moderator: Thank you. Mr. Anchit Nayar.

Anchit Nayar: Thank you. Good evening members. I am Anchit Nayar - Executive Director of your company. I am a member of the Audit Committee, the Stakeholder Relationship Committee and the Fundraise and Investment Committee. I am attending this meeting from Mumbai. Thank you very much.

Moderator: Thank you. Ms. Adwaita Nayar.

Adwaita Nayar: Thank you and good evening members. I am Adwaita Nayar - Executive Director of your company. I am a member of the Stakeholders Relationship Committee, the Corporate Social Responsibility and Environmental, Social and Governance Committee. I am attending this meeting from Mumbai. Thank you.

Moderator: Thank you. Mr. Sanjay Nayar.

Sanjay Nayar: Thank you. Good evening members. I am Sanjay Nayar - Non-Executive Director of your company. I also chair the Risk Management Committee and I am a member of the Corporate Social Responsibility Committee as well as the ESG, Environmental, Social and Governance Committee and the Fundraise Investment Committee which I am member of. I am attending this meeting from Mumbai. Thank you.

Moderator: Thank you. Mr. Milan Khakhar.

Milan Khakhar: Thank you. Good evening members. I am Milan Khakhar - Non-Executive Director of your company. I am a member of the Audit Committee, Nomination and Remuneration Committee

and Fundraise and Investment Committee. I am attending this meeting from Mumbai. Thank you

Moderator: Thank you. Ms. Anita Ramachandran.

Anita Ramachandran: Thank you. Good evening members. I am Anita Ramachandran, an Independent Director of your company. I am the Chair of the Nomination and Remuneration Committee and of the Corporate Social Responsibility and ESG Committee. I am attending this meeting from Mumbai. Thank you.

Moderator: Thank you. Ms. Alpana Parida.

Alpana Parida: Good evening everyone. This is Alpana Parida. I am on the Audit Committee. I am also on the Nomination and Remuneration Committee and I am the Chair of the Stakeholders Relationship Committee. I am attending this meeting from Vadodara.

Moderator: Thank you. Mr. Pradeep Parameswaran.

Pradeep Parameswaran: Thank you. Good evening members. I am Pradeep Parameswaran, Independent Director of your company. I am a member of the Risk Management Committee and I am attending this meeting from Gurgaon. Thank you.

Moderator: Thank you. Mr. Seshashayee Sridhara.
Mr. Sridhara, may we request you to please unmute yourself and speak.

Seshashayee Sridhara: Yeah, Good afternoon members. I am an Independent Board Director of your company. I am also member of the Audit Committee and I am attending this meeting from Prague. Thank you.

Rajendra Punde: May I request Mr. Milind Sarwate, just a moment Moderator, I would request Mr. Milind Sarwate - Chairperson of the Audit Committee to kindly introduce himself. Thank you.

Milind Sarwate: Thank you Rajendra. Good evening members. I am Milind Sarwate, an Independent Director of the company. I also chair the Audit Committee and I am member of the Fundraise and Investment Committee. I am attending this meeting from Mumbai. Thank you.

Moderator: Thank you all. In addition, we also have Mr. Arvind Agarwal - Chief Financial Officer; Mr. Rajendra Punde - Company Secretary and other Senior Executives of the company joining from their respective locations. Further, we also have Mr. Vineet Kedia, Partner S. R. Batliboi & Associates LLP, Statutory Auditors; Mr. Anish Shah, Partner, V. C. Shah & Company, Chartered Accounts and Mr. Viswanath N. S., Partner S. N. Ananthasubramanian & Company, Secretarial Auditors. I now request Mr. Rajendra Punde - Company Secretary to provide general instructions to the members regarding participation in this meeting.

Rajendra Punde: Thank you moderator. Good evening everyone. It gives me immense pleasure to welcome all of you to the 10th Annual General Meeting of FSN E-Commerce Ventures Limited. I request you

to take note of the general instructions regarding participation at this meeting. The company has tied up with National Securities Depositories Limited to provide the facility for voting through remote e-voting, e-voting during the AGM and participation in the AGM through video conference. Live streaming of this meeting is being webcast on NSDL's website. The Registers and records as required by law are available electronically for inspection by the members. As the AGM is being held through video conference, the facility for appointment of proxies by the members is not applicable. Participation of members through video conference is being reckoned for the purpose of quorum as per section 103 of the Companies Act, 2013 and circulars issued by the Ministry of Corporate Affairs. The quorum being present, this meeting is now called to order. Thank you and I would now request Ms. Falguni Nayar, our Chairperson of the company to kindly address the shareholders.

Falguni Nayar: Good evening ladies and gentlemen. It gives me immense pleasure

Moderator: Sorry to interrupt, Ms. Falguni Nayar, we are unable to hear you Ma'am.

Falguni Nayar: Good evening ladies and gentlemen. It gives me immense pleasure to be welcoming you all to Nykaa's 10th AGM and first ever Annual General Meeting post listing. On behalf of the Board of Directors, I thank you for taking time out and to join us. As we look back over the last decade, it is heartening to see the role Nykaa has played in the Indian digital economy and the consumer technology growth story. An idea that began a little over 10 years ago as a beauty e-commerce website has grown to become digitally led lifestyle destination, operating in various parts of the ecosystem. Our business now spans across multiple websites and apps across beauty and fashion, offline stores through length and breadth of the country and our own consumer brands and we are also building out a distribution business.

Despite the challenging operating environment, financial year 22 witnessed a year of strong performance through a consolidated GMV growth of over 71% reaching Rs. 6,933 crores. Gross profit reached Rs. 1,644 crores, up 73% year-on-year with a margin improvement of 480 basis points and EBITDA stood at Rs. 163 crores up 4%. Our business also became increasingly diversified with Beauty and Personal Care constituting 72% of the GMV, Fashion added almost 25% of our GMV and 2.6% of our GMV came from new and growing ventures. We also witnessed our highest ever customer acquisition with over 4.4 million new customers acquiring the Beauty business as well as 1.6 million customers that were acquiring the Fashion business. With focus on long-term growth and profitability objectives, we made a significant investment through the year towards technology, operational readiness and future growth drivers including customer acquisition, new geographies and businesses. We combined our expertise in the digital ecosystem and the Beauty and Personal Care market to launch the SuperStore by Nykaa, an eB2B platform bringing access to underserved channels and markets using technology. By catering to retailers such as beauty stores, pharmacies, salons and kirana stores, we aim to solve the current challenges in the unorganized beauty ecosystem for all our stakeholders be it brands, retailers as well as end consumers.

During the year, we also acquired 51% stake in Dot & Key, further adding to our skincare offering. Dot & Key is a new-age brand that caters to the premium skincare market with products such as serums, face masks, toners, and cleansers. In April 2022, we further expanded our consumer brands portfolio through investment towards Earth Rhythm, Kica and Nudge Wellness. Financial year 22 also marked a major shift for us as we became a public company. The IPO, a milestone in our journey has shown the trust and confidence our shareholders have in the business we are building. India over the last few years have seen rapid shift in multiple factors critical to our success, mobile and internet access and penetration, per capita income growth, demographic shifts and the overall aspirational sentiment across consumer segments, particularly in younger population. Although in the short term the current inflationary pressures will affect discretionary spending, India is poised to mid to long term growth and very rapid positive shifts in lifestyle categories that we operated. Long-term drivers of retail consumption in India present an immense opportunity for us. The internet economy in India has come into its own in a way no one expected into. Indian built technology led platform as well as government's focus on digitization are now driving world class innovation across industries and are setting an example for the rest of the world to follow.

Ease of operation and increased digitization across industries are having a positive impact on all levers that support our operations be it analytics, digital marketing, payments, logistics, supply chain and more. We are currently at an inflection point and the next 5 years will see the ecosystem evolve further. As a company, we are constantly gearing up for opportunity we are presented with and are focused on upcoming democratization of consumption across the country and how consumers interact with commerce and also with each other, all this is changing. Within this ecosystem, the e-commerce industry is leading the advent of new retail in India, online and offline and I feel proud and blessed to see Nykaa to be a part of this incredible coming of age story.

Consumer dynamics and individual preferences and habits have witnessed increased complexity and maturity over the last few years. We have constantly evolved to meet the dynamic expectations of our consumers. The pandemic has further propelled consumer preferences both in terms of product choices as well as preferred ways of shopping and our multiyear effort towards building assortment, seamless omnichannel experience and new ways of selling and creating customer delight have led us to benefit from this evolving shift across different customer segments. Younger populations will continue to demand and expect increasingly differentiated consumption journeys, online and offline and our competitive advantage of agility, ability to innovate and personalize and our passion for lifestyle segments will continue to hold us in good stead. Ambition to become the platform of choice for all consumers requires increased complexity at scale to meet the demands of heterogeneous population. Our technology and data led approach allows us to achieve this, while driving efficiencies across the supply chain. We are making significant investments for future readiness, be it through our people, processes, technology or new ventures. We have made concerted efforts through the year to drive a culture of entrepreneurship within our organization. Many in-house entrepreneurs today drive their own

businesses and consumer brands in an independent fashion while operating within the overall Nykaa ethos.

Our holistic practices towards developing and growing are expanded in-house talent witnessed for the focus with constant upskilling and reskilling, driving a culture of continuous learning and driving our ambition to be the employer of choice for all. I am proud to say that we have consistently stood unique in the digital ecosystem and this can be attributed to the desire to build a brand that is loved and has a life of its own and building a business of substance, i.e., building true value for customers and all stakeholders, all with a focus on the long term. We had early on set the values we believe in as company which include inclusivity, sustainability, and simply authenticity were table stakes. These values have shaped much of our business in big and small everyday ways of working. These pillars and values early on became the foundation of our long-term objective, our business as well as our brands. Our passion towards sustainable practices continue to remain top priority and are deeply integrated with our overarching strategy. The strength by ethical corporate governance practices reflects through the confidence of our shareholders and stakeholders we operate with.

Our marketing strategies deeply integrated with striving to bring positive **societal change** and this year our campaigns have touch across ideas of women empowerment, sexual and gender identity, body positivity and inclusivity to name a few. We continue to make strikes towards product sustainability in our own consumer product portfolio. At the same time, we have empowered our customers to make informed choices while at the same time bringing sustainable brands to the forefront through increased visibility and special curation on both our beauty and fashion platforms, for example, we have “Conscious At Nykaa” as well as the “Responsible Collection” in the fashion business. Today, the company is constituted of close to 3000 employees. While the business has been shaped and reshaped multiple times over the course of the decade, what has remained constant has been critical to our success is the Nykaa spirit, the collective culture which drives us all to create value for customers and shareholders alike and the larger community.

Our people strategy find strength from diversity, our gender, age, life experiences, education and much more as well as continuously and purposefully building an inclusive working organization. The second wave of COVID pandemic disrupted lives in innumerable ways with significant human and economic cost. We put our people's health and safety as top priority during the period and are proud of the commitment we showed towards each other. Our employees also came together and collectively contributed one day salary towards COVID relief during the second wave of pandemic. Looking ahead, it is safe to say we are all very early in our journey and we have a long way to go to build the kind of experiences we want to deliver to our customers. Customers are at the heart of all that we do and we will strive to evolve to meet the expectation. Building for digitally native consumer is an exciting and mammoth task for Nykaa as well as for the entire industry and we are excited for what's in store for us. The stable positive movements on growth as well as profitability over the last few years in our core beauty and fashion business as well as our ability to effectively diversify and extend to new categories and platforms gives

us confidence in our future momentum and the long-term sustainability of our performance. Our success so far comes from our philosophy of putting the customer first and delivering the right experiences in terms of commerce as well as delight. This focus on customer-centricity is balanced with a view on improving the health of our entire lifestyle ecosystem and every stakeholder in it.

With this, I would like to thank all our shareholders without whom none of this would have been possible. Our customers, our brand partners, our employees, our shareholders, and our larger community, we thank all of you for the continued and generous support you bestow upon us. With that, thank you for this patient hearing.

Moderator: Thank you. I would now like to call upon Mr. Rajendra Punde - Company Secretary to give instruction about the e-voting process.

Rajendra Punde: Thank you. Dear members, I request you to take note of the general instructions regarding e-voting. In accordance with the provisions of the Companies Act 2013 and the rules issued thereunder and the SEBI listing regulations, the shareholders were provided with an opportunity to cast their vote through remote e-voting facility on the resolutions set out in the notice convening this Annual General Meeting. The remote e-voting period commenced at 09 a.m. on Friday, 05th August, 2022 and the facility was available to the shareholder till 05 p.m. on Tuesday, 09th August, 2022. The shareholders who have not cast their vote yet through remote e-voting and who are participating in this meeting will have an opportunity to vote during the meeting through e-voting system provided by NSDL. The facility for e-voting shall also be made available for 15 minutes after the conclusion of this meeting. Since the AGM is being held through video conferencing or other audio-visual means and the resolutions mentioned in the notice have already been put to vote through remote e-voting, there will not be any proposing or secondary of the resolutions.

Mr. Sachin Sharma failing him Mr. Dinesh Trivedi, partners at Sharma & Trivedi LLP, practicing company secretaries have been appointed as the scrutinizer for scrutiny of the votes cast through remote e-voting platform and e-voting during the AGM in a fair and transparent manner. The voting results will be declared within the time stipulated under applicable laws along with the scrutinizers report and will be available on the company's website and on the website of NSDL and the stock exchanges where the company's shares are listed. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. Dear shareholders, the speaker shareholder may now ask questions pertaining to any item as set forth in the notice and offer their valuable comments. During the question-and-answer session, the names of the speaker shareholder will be subsequently announced and the maximum time allowed to each speaker would be 3 minutes. When your name is announced, kindly unmute your microphone, switch your camera on and speak. For better experience, we would request the speaker shareholders to use earphones, so that they are clearly audible, verify the network connectivity, ensure wifi is not connected to any other devices, no other applications are running in the background and

there is proper lighting for good video experience. Members are requested to confine their comments to the business items set out in the notice and not to repeat the point raised by other members. If any shareholder is unable to speak due to the connectivity issues, the next speaker shareholder will be asked to address the meeting. Once the connectivity improves and if the time permits, the speaker shareholder may be called again to join only after the other speaker shareholders have completed their turn. To avoid repetition, the answers to all the questions will be provided towards the end. Let us start with the first speaker shareholder, Mr. Michael Carlos. Please go ahead with your question and please unmute your audio and video.

Michael Carlos: Okay, Thankyou and I hope can you hear me clearly or not.

Moderator: We can hear you, Sir. Please go ahead with your question.

Michael Carlos: Thankyou very much. So first of all congratulations to you all on incredibly good results. It's amazing what you have achieved over and your persistence, your vision and clarity of thought right through this process, I think has been instrumental to growing this company to where it is today. Just one comment to make, you talked about you know about being a digitally led lifestyle destination and really becoming the platform of choice, so I think these two important phrases which really show the breadth of what your business can go to over a period of time and you started in the Beauty business and grow this Beauty business to be well known all over the world by all your beauty partners, big and small. It's amazing the way you have expanded it into the fashion business and the fashion business is seeing a phenomenal growth and show over a period of time greater profitability. It is a much bigger segment in terms of size and may be gives you longer opportunities over the longer term, so just wanted to know in your team's thought process, how do you use this digital lifestyle destination platform of choice to the maximum extent to be able to expand into whole lot of categories which other people may find it very difficult to do. Thank you and congratulations once again.

Moderator: Thank you. I would now request Mr. Karan Danthi, our next speaker shareholder please to unmute their video and audio and proceed with the question.

Karan Danthi: Hi, ,can you hear me Falguni? You can't hear me, Ok, may be you should skip to the next speaker then until we sort this out.

Moderator: Mr. Karan, we can hear you. Please go ahead with your question.

Karan Danthi: Okay, Okay, so I just had a question, on I think the experience that we are seeing in China which is live streaming and in the form of Douyin or Tiktok as its call in Western world has effectively re-innovated you know the format of beauty cox and they are now about 80% the size of Tmall, which is Alibaba's flagship you know it's a beauty store, so it appears that Gen-Z and other generation that come after Gen-Z they like live streaming as the format. Now I understand in India we're few years behind the curve from a number of perspectives, even our data networks we could be able to handle that sort of load and also on cost standpoint the cost of bandwidth needs to make sense, but it feels like there is a clear to note that in terms of how we could

possibly accelerate our business, especially in a country like India where who think that lot of women don't know how to put on makeup so there is education element through the live streaming of the e-commerce stack, so I am just curious to get your view of sort of how many years do you think it will take before we sort of reach those sorts of levels as we see in China and then how do we plan to execute against that?

Moderator: Thank you. I would now request our next speaker shareholder, Mr. Rajamohan Vaikuntaraman to please unmute your audio and video and proceed with your question.

Rajamohan Vaikuntaraman: Hi, am I audible?

Moderator: Yes sir, you are. Please go ahead with your question.

Rajamohan Vaikuntaraman: Yeah, thank you for the opportunity. Congratulations on the listing and the consistent sort of successful endeavor in increasing target market opportunities. My questions are, I have a few questions, operational and financial questions. The first one is, during the industry leading position in online, BPC allow Nykaa to capture at least its current share which is around 28%-30% of the online market, in the incremental business over the next 5-10 years, I suppose according to industrial reports, about 1 lakh odd crores of additional business opportunity will crop up till 2025 from currently around 1 lakh crores. The BPC industry is expected to grow by another 1 lakh crores according to your own documents in the prospectus, so will Nykaa's larger share and the resulting networking effect be able to outweigh competition or would incremental share come down from such high 28-30% levels that it is currently operating at? My second question was, you had indicated to leverage being available on the gross margin side of BPC even in your recent interaction with the media, basically you have newer revenue streams coming in with future ad opportunities in your platform, so to understand from the current around 40% odd gross margins and relatively comparing it with established global peers, want to understand whether we could expand it significantly, though it may probably not be exactly appropriate comparing with companies like Louis Vuitton and L'Oreal, we generate 60-70% plus gross profit margins, I was just wondering where are we heading from this 40% levels over the long term, not the short to medium term, is it possible to reach 55-60% kind of levels? Then coming to the third question, coming to Fashion, based on your explanation of curating better offerings through superior differentiation resulting in better share of new season sales etc., do you think in the 3-5 year timeframe, say by 2025, we are seeing enough evidence that the Nykaa brand recall in fashion would match BPC in the next 3 years to 5 years, fashion being obviously 5 times bigger, would even a few capture one fifth of the incremental market would be able to reach the scale that you probably are satisfied, so whether the brand recall of Nykaa Fashion would match up to the BPC brand recall in the next 3 years? Then the next question is, though you may not be in a position to give timelines, could one say the medium to long term despite competition in fashion due to the size of fashion, Nykaa could easily be generating more revenues from fashion than BPC? Next one was, expected trends on repeat customers in fashion, would they assume the scale of BPC because that is what is giving you a significant operating margins in BPC or any business for that matter would generate high

margins with repeat customers, so would they assume the scale of BPC same to 3 years because currently BPC is about 70% plus of repeat customers, so would Fashion reflect that kind of a possibility? Then, the next one is NSV to GMV, they have decently started giving your NSV, so NSV to GMV of fashion, do you see it structurally going up from the current amount of 59% level on a steady basis? Then the next question is leverage on the operating front, it has been seen on the employee cost where as a percentage of sales you have been able to bring it down on a steady basis, both in beauty and fashion, will this steady trend in employee operating cost leverage continue? That was one, second is with your increased initiatives in optimizing split shipment and regional warehousing and all, would operating leverage seriously taken from this very fiscal that is FY23, same applicable to advertising cost do you see timelines of say 1-2 years by when fashion assumes meaningful scale to offer leverage on the advertising cost front also? So, net by when would we see serious operating leverage playing out on fulfillment, advertising and the other expenses. So, the next one is

Moderator: Sorry to interrupt Mr. Vaikuntaraman, may I request you sir to please limit your questions to 3 minutes we have other speakers also in the queue.

Rajamohan Vaikuntaraman: I'm just left with 1 question, that's it. Final question if I can.

Moderator: Please go ahead sir.

Rajamohan Vaikuntaraman: Yeah, would operating leverage from employee fulfillment, advertising play out in a gradual consistent step-up fashion or would there be a **J curve** dynamic based on the explosive scale dynamics from fashion over the next 3 years? Sorry if I've loaded up but then unfortunately I wasn't able to participate in several of the Investor interactions so probably I used the opportunity to load all my questions. Apologies and Thank you.

Moderator: Thank you Mr. Vaikuntaraman. I would now request our next speaker shareholder, Mr. Shailesh Mahadevia to please go ahead with your question and unmute your audio and video.

Shailesh Mahadevia: Hello.

Moderator: Yes sir, we can hear you. Please go ahead with your questions

Shailesh Mahadevia: Yeah, but I want to put everything on. Can you see me now also?

Moderator: Yes sir, we can see you.

Shailesh Mahadevia: Respected Chairperson, Falguni Nayar, other Directors and member of the company, so firstly, let me congratulate our Chairperson who was usually the listener in other AGMs particularly companies like Tata Motors, today we got the opportunity of listening to you as a Chairperson and the leader of this company and we enjoyed your presentation. I would further like to observe that you created history on November 30th when the Bombay Stock Exchange and the capital world recognized the value of your company by market capitalization of more than 1 lakh crore.

Well, there are many other positives of the company which are for us to appreciate, but in view of the time, I would just confine to the cooperation from the secretarial department who just made this participation possible for me. Now, I wish to put some questions, with a view to increase my understanding and appreciation. My first question is, that in BRR report, you have given the data of employees as 1992, out of which women employees are 889 and as far as the contractual employees are concerned, they are 3986 and from that how many members are women members, that figure is missing? I can understand that you may not have an access to contractual labors to get this data, but this information will be of great help to us. Madam, I have two suggestions as far as our report is concerned that our figures should be in crores and not millions and number two, there is too much of red color in the entire report and if you can adjust that color scheme, it will be much easy to read the report. Then, my next question is on page 172, we have been given the data of remuneration of Arvind Agarwal, the data gives remuneration plus reimbursement, so we are at a loss how much is his remuneration and how much is the reimbursement, can you throw some light on that and the same thing is too about other members? Then I would like to know that we are brand having imported 22 brands, we are importers, distributors and retailers of 22 brands, I would like to know whether there is any specific application in the field of beauty or fashion in which we are relying on this 22 imported brands and whether this will continue for a long period to come? I further would like to appreciate that we have reached 98% of pin code potential clients and that will help us in a considerable way. Then, I have although understood, but not in real depth, the words used like nutritional cosmetics and edible beauty, will you please elaborate on this particular aspect? Then I did not find in the corporate governance report, the shareholding pattern, I also did not find the movement of price of our shares throughout the year or from whatever day is our listing, I believe the corporate governance report itself is missing in the report, please correct me if I am wrong, but I would like to know the shareholding pattern in particular and also the holding of FIIs because their shareholding, we just dependent on various sectors and if their investment is not large enough, we should have a road show and invite FIIs to invest in our company which is with excellent potential and with excellent achievements. I would further like to know what is our market share overall in the general field of application, it may be difficult to give for beauty products, fashion, etc., because we are operating in many fields, however, in whichever field you are in a position to share that particular information will be of great help and lastly, 5G spectrum is already auctioned and it is likely to be introduced shortly by telecom people and we address that the data processing will be as fast as 10 times once 5G is introduced and that has great relevance with our business and further they will have an access to each and every home which at present with 4G system and with broadband which they have does not exist, so may I know what potential we can expect from these particular technological change which is likely to come shortly? With this I wish our organization every success and I am sure our progress will be at an accelerated space in the times to come. Thank you very much. Namasthe to all.

Moderator: Thank you Mr. Mahadevia. I would now invite the next speaker shareholder Mr. Rajendra Prasad Joshi to please unmute your audio and video and proceed ahead with your questions.

Rajendraprasad Joshi: Hello..Hello..Hello

- Moderator:** Yes Mr. Joshi, we can hear you
- Rajendraprasad Joshi:** Ok, Can you see also me?
- Moderator:** We are unable to see you sir.
- Rajendraprasad Joshi:** Ok I will do, I will just speak only. Our respected Executive Chairperson, Falguni Nayarji, other Directors, Board Members present in the meeting and Company Secretary Rajendra Punde, sir, good evening to all of you, myself Rajendraprasad Joshi, speaking from my residence at Mumbai. Madam, at the outset, I appreciate the services rendered by Company Secretary, Rajendra Punde and his team. I received the soft copy of the annual report well on time. Annual report is colorful, informative, and transparent. It is very good. It is a very good presentation also. Madam, my heartfelt compliments to Nykaa management team for their prime success in IPO and high market capitalization. Madam, I was one of the lucky persons to get allotment in two of my family folios and I also got the reward of my investment. Madam, company had rewarded the investors with the robust return and I hope it will continue to be so in future also. Madam, I wish all the best for the growth of our company. Here, I would like to get some information from you, firstly, sir, what is the growth story of the company ahead? Second, which are the new geographies you are looking for the business expansion? And thirdly, what is the impact of inflation on the business of our company? Fourth is, madam, what opportunity you see ahead in the present market scenario and what is the adverse impact of the international crisis on the business of our company? So, with this, I wish all the best for our company's success and also I support all the resolutions. I thank our Company Secretary, Chairman, Company Secretary for giving me this opportunity to speak from this platform. Thank you very much, madam. Thank you.
- Moderator:** Thank you, Mr. Joshi. I would now request our next speaker shareholder, Ms. Sushma Chanda to please unmute yourself and proceed with your questions.
- Ankur Chanda:** Hello, am I audible?
- Moderator:** Yes, you are.
- Ankur Chanda:** Ma'am, I am Ankur Chanda joint holder with Sushma Chanda. Sir I wanted to know that which decision of the management went wrong because of which our stock prices have come in 50% discount. Second, what is the source of communicating with the company secretary or the management of the company because there is no reply of mail and no revert back on phone. There is no way to communicate. Yes, Chorus people are really trying their best so that we can connect with you. Otherwise, I have not got any indication from the company where I feel that yes, company is doing something for us. Please give some contact number or email id so that we can get in touch with the company secretary and the management. Thank you.
- Moderator:** Thank you. I would now invite our next speaker shareholder, Ms. Lekha Satish Shah, I would request you to please unmute your audio and video and proceed ahead with your question.

Lekha Satish Shah: Hello, can you hear me ma'am?

Moderator: Yes Ma'am, we can hear you. Please go ahead.

Lekha Satish Shah: Thank you ma'am. Respected Chairperson ma'am, Board of Directors, and my fellow members, good evening to all of you, myself Lekha Shah from Mumbai. First of all, I am very much thankful to our Company Secretary, Rajendra sir for sending me the AGM notice well in time which is full of knowledge, fact and figures in place. Thank you, ma'am for explaining us well about the company. Congratulation for excellent work, ma'am. Ma'am, I pray to God that he always shower his blessings upon you. On this landmark day, I would like to welcome all directors and employees on behalf of all shareholders. We are meeting first time since our successful IPO with the shareholders. Madam, I am confident that with your vision and determination, you will lead our company to greater height and also I pray to God our company should progress more and more under you and your team. Falguni ma'am, as a speaker shareholder, I have seen you in couple of companies. When I see you as a chairperson I feel so happy don't ask me. Madam just smile I am telling so much about you. Thank you so much. As a Malayali, I am proud to be shareholder for this company. Ma'am, I would like to ask few questions, my first question is, how much of IPO proceeds of which is unutilized for customers acquisition and expansion? My second question is, what was the impact of global beauty market due to the pandemic and what is our market share? My third question is, how many physical fancy stores we have across our domestic market? My fifth question is there is an increase in total **(Inaudible) 49.30** by 50% for the year 2022, what is the reason, any new product launched for the coming festival season, please highlight, so I would like to say I strongly support all the resolutions for today's meeting and my best wishes, always our company and its prosperity. Namaskaram, madam.

Moderator: Thank you, Ms. Shah. I would now request our next speaker shareholder, Mr. Dnyaneshwar Bhagwat to please unmute yourself and proceed ahead with your questions.

Dnyaneshwar Bhagwat: Hello, can you hear me? Hello, can you hear me?

Moderator: Yes sir, We can hear you. Please go ahead with your question.

Dnyaneshwar Bhagwat: Thank you very much. My name is Dnyaneshwar K Bhagwat. I am calling from Mumbai. First of all, I would like to say thank you to our Company Secretary, Mr. Rajendra sir for sending me soft copy well in advance which is full of knowledge, easy to understand, so I thanks to him. Secondly, our AGM notice is drafted in such a beautiful way that also in cover page colorful photographs of all our Chairman, Board of Directors and photographs for all the products which our company is selling in the market, so I am glad that I am a part of the company, thirdly about the financial part, the company's Chairperson has given all the details, so I don't want to say much about that financial part, I have full faith on the board, so no more questions. Last, but not the least, I support all the resolutions whichever given in the agenda. Next week, we have Independence Day, 15th August, so I wish company good luck for Independence Day and better prospects from small shareholders to the company. Thank you very much, sir.

Moderator: Thank you Mr. Bhagwat. I would now invite our next speaker shareholder, Mr. Mehul Haria to please your audio and video and proceed ahead with the question.

Mehul Haria: Falguni Nayar ma'am, first of all big congratulations on this first year after IPO. I was just reading your tag line, 'Think Big, Start Small', it was the tag line. You completed from Sydenham College and I started small investment and I am thinking very big returns from your company. I am running on your principle itself. I started a small investment of say less than a crore, but I want to make it a 100 crores, so wish you all the best and I believe being a Gujarati family, you were from a Gujarati family and you have twins, I cannot remember the name, Adwait and Anchit, are they twins, ma'am, just wanted to know, personal things but are they twins.

Falguni Nayar: Yes, they are twins.

Mehul Haria: So, I wish all the best to both of them, both of young entrepreneurs and bringing good success to our company. Coming to the financials, I have few questions. On page 166, we have selling expense, that has increased multifold 38.82 million, it is shown in the million. Uncle just now told that henceforth, please put the figures in crores. That will be better for Indian readers to understand the numbers better and the red color, I am also of the same opinion that red color is like more of a dark and like, the theme has to be little lower tone has to be used. Selling expense was 38.82 crores, then we have physical shares of 1.21 crores. It is drawn on page number 71, 1.21 crores physical share. We shall get it dematerialized as soon as it is possible. Company Secretary will have to look into it. GBM, general body meeting date were generally September, we have advanced to August, so this is a good move, I will appreciate it that before, today is 10th of August, previous two years we used to do it in the month of September end, so 30th September and 29th September, so this is a good move. On page 63, I can see there are 2751 grievances from investors, can you throw some light whether we were related to IPO or post IPO or any other, if it is through IPO, majority of grievances are for IPO and I can understand there might be some like during the IPO process, there may be some differences or clarification that might have created grievances, so throw some light why so many grievances and on page 99, I can see that CSR activity is underutilized, we were supposed to use 1.37 Cr, but we could not use approximately 50 lakh Rupees. Ma'am, what I see this was a good time to spend, corona has made so many family's income level go down, so if you would have used this money, in fact we should have used even more than what we were required because I believe it pays well and we are a good family and family led business, so it creates a good impression in the minds of customers and society as a whole. That's all from my side. I many times tell my wife to just see your achievements and growth, my wife is also Chartered Accountant, so I always try to tell her, just look Falguni's growth and try to learn from her. Thank you ma'am.

Moderator: Thank you, Mr. Haria. Ladies and gentlemen, that was the last question for today. The Chairperson will now respond to the queries raised by the speaker shareholder including those received by emails prior to the meeting.

Falguni Nayar:

Thank you very much. I will now address the questions that we heard from many of the shareholders. I would try to answer many of the common questions together and through that process, maybe we would cover most of the questions that have come from on the shareholders and really thank you very much for taking interest in the business and also sharing your questions with us. So, we really appreciate the time that you give us.

I'll first talk about what are the other digitally led lifestyle platforms that Nykaa could work towards. I think basically Nykaa would like to go where the customers would want us to be, we would look at the strength of our customer base and see what are the other consumption that would be logical extension of our business. I think starting with beauty, choice of fashion came from fashion being an important aspect of consumption which in some ways different from beauty, but in many ways similar to beauty. We do believe that there are many other areas of lifestyle which already exists on our platform, examples being Wellness or Mom and Baby category or Home category within fashion and many of those would be expanded in terms of the depth and extension of platform, services that we offer to the customers on those subcategories that we already have on our platform. So, this would lead to multiyear journey with focus being on creating strong technology backbone, so that customer can be serviced for those subcategories in a more holistic and comprehensive manner that leads to customer delight.

On the next question about live commerce and how the size of live commerce is very large in China, I think this is something we have been noticing over many years and today both in Beauty and Fashion, Nykaa has a fair amount of emphasis on live commerce as well as video commerce and it is very very well integrated into our platform and I think we have a strong platform to offer that. We do see these live commerce as well as other video commerce events as the big focus in terms of conversion. We do believe that the conversion of those live commerce events is much better and that means that it is a positive activity for the future, however, adoption of live commerce as well as content to commerce is limited in India at the moment. It is not at the same level as China and we expect that in the next 3-4 years, it can continue to grow.

Talking about the question on the BPC and how gross margins of BPC can continue to expand further going forward, I think in terms of Beauty and Personal Care, our margins currently comprised of combination of product as well as advertising margins considering most of the e-commerce platforms are seen as the natural choice for advertisers now to be doing some amount of advertisement and promotion on the commerce platform because linkage between influence and conversion and purchase is far more efficient and that makes it a choice for many advertisers and we believe that this trend is likely to continue into near future giving Nykaa a very positive chance to focus on this activity and continue to be an important player in that area. For that, we are working on technology enablement that would allow our brand partners to use our platform for advertisement in future.

On the Fashion side, I think the questions asked were about how do we look at that business and how is that business likely to behave in future, I think as far as Fashion is concerned, we said many times, it is much larger TAM, almost 5 times the TAM of the Beauty business and that

was the reason why we were very excited to be in that space because consumer characteristic of how they choose Beauty and Fashion are similar, I mean these are the categories where they are passionate about the choices they make and they want to rely on certain expertise which I think Nykaa felt that given our content to commerce strategy, we could offer that. I think as far as Fashion is concerned, like you rightly pointed out Mr. Rajmohan, I think even a smaller market share can lead to a very significant size of the business and that is exactly what Nykaa has been saying that in case of Fashion, we will have a very differentiated and unique offering focused on the customer and their experience on discovery and curation and I think that will give us a fair amount of different positioning in the market and allow us to garner a share that can be reasonably important, so that Fashion can be a reasonably important pillar of our growth in the future.

Talking further about whether the Fashion business would have similar scale and similar repeat customer behavior as beauty, we do believe that I think these are also a lot of organizational inputs go into arriving at a certain repeat customer behavior as well as in terms of certain growth momentum and from our side, we would definitely endeavor to have a similar journey for fashion as we have had for beauty and enjoyed it for beauty.

I think further talking about in terms of how large the Beauty and Personal Care business, can it continue to capture the similar share of business that it enjoys today as the overall beauty market grows. I think all of you aware about the size of the growth opportunity and can Nykaa maintain and build on its market share and I think from our side, the endeavor through are very comprehensive strategy of bringing what the best about the international world has to offer as well as a very customer centric focus personalization effort as well as trying to play an important role in customer's consumption of BPC products on an everyday basis. With a number of strategies that we have out there, we do hope that we are able to maintain our market share and continue to add value to our customers.

On the next question, I think we are talking about, on the operating front, how do we see cost leverages playing out. It is here that I would like to share the question with Arvind and if Arvind, our CFO can come in and provide the answer.

Arvind Agarwal:

Good evening, Members. The questions related to Gross margin and operating leverage, as mentioned by Mr. Vaikuntaraman that we enjoy almost 40% plus kind of gross margin, now there could be some pressure on gross margin because of inflationary pressure or categories like personal care taking up higher share in the growth, however, we would like to offset it by driving premiumization and like to maintain the gross margin at 40% plus kind of levels. In terms of the operating cost leverages, if I first talk about marketing cost, we ended the year with 12.7% marketing cost to revenue ratio and as you would have seen in our investor deck that it could go up or come down quarter-on-quarter depending on choice that we make on brand building, but as a long-term measure, it should show operating leverage because the share of repeat business will keep going up as we try to acquire high quality customers and we have actually seen that

leverage in BPC which is our core business where we have improved the marketing cost to revenue ratio by almost 400 basis points in 3 years.

Talking about fulfillment cost, we did invest into expanding our fulfillment reach closer to customer by driving a regional fulfillment strategy and while in first half of last year it did take up the cost base, but we started seeing benefits of it towards the second half of the year and although at a full year level, we ended the year at 10.5% cost to revenue ratio, but if you look at quarter 4, it came down to 9.7% and in our view despite inflationary pressure, we should be able to operate sub 10% in the next year which will then be a full year benefit of this cost coming down as a unit cost.

I think lastly on the employee cost operating leverage, employee cost did come down from 9.5% in FY21 to FY22 to 8.6%, so close to 90 basis points of operating leverage. So, in term of going forward, also we should see similar operating leverage, although we are increasing our manpower space to build our new growth verticals and also in technology function. So, in the midterm, it might not show operating leverage, but at this new vertical start showing the scale, we should certainly see the operating leverage as we have seen in BPC vertical. I think finally there was also a question on selling expense which has gone up to Rs. 38 crores from Rs. 6 crores last year. That is because our own brand, not only they sell on Nykaa platform, but they also sell on third party platform and physical channels like general trade and modern trade which was not fully operative in FY21. So, as our own brands are scaling up their share in third party platform and general trade and modern trade, this cost has gone in proportion to the revenue growth that we have seen for our own brands. So, those are the questions on the financials. I now request Mr. Rajendra Punde to take up the questions related to secretarial matters. Thank you.

Rajendra Punde:

Thank you, Arvind. So, the secretarial matters we had on the share price and the shareholding pattern, so request the shareholders to kindly refer page 69, 70 of the annual report which carries the share price; pages 71 and 72 carries the shareholding pattern. There was a question on the dematerialized number of share in the company, so pleased to inform the point well noted, we only have one folio holding one single share in physical, all the entire shareholding of the company otherwise is in a dematerialized form.

There was a question on what email ID or what should be the contact coordinates for writing to the Company Secretarial department, so kindly write to nykaacompanysecretary@nykaa.com and we will review your emails and reply appropriately. There was a question on the remuneration breakup requesting for the remuneration breakup of the Chief Financial Officer of the company, Mr. Arvind Agarwal regarding the data given. So, it is on page 292, the question referred to, the remuneration is an amount of Rs. 1.82 crores and carries a perquisite value of Rs. 5.71 crores towards ESOP based exercise of options. So, those are the responses that we have from the secretarial team with regard to the questions here. If any of the questions asked by the shareholders are unanswered, kindly write to nykaacompanysecretary@nykaa.com and we would as explained earlier, attempt to make a response to those questions appropriately. With that, I would hand it back over to our Chairperson, Ms. Falguni Nayar.

Falguni Nayar:

No, I think we have some more questions that we would like to answer here. So, just give us a few minutes. I think these are the questions from Mr. Shailesh Mahadevia and others, I think in terms of in the BRR report, you asked about the data of employees, so in terms of the diversity of manpower, yes, we have not been able to provide with the data on diversity of manpower through our contract labors, contractors and I think we will get back to you personally through our Company Secretary team on that information.

On your question about the imported brands, yes, correctly identified by you, we do anticipate that our import, trying to bring many imported brands into the countries and initiatives that we will continue to grow and I think that is clearly, it is of value to the company.

In terms of further questions from other shareholders, I think right now, in terms of inflation and what opportunity, is there an impact and is there an opportunity, could there be a moderate to short term impact and is there an ability to improve on that, so we do feel that yes, there is some amount of inflationary pressure that is leading to some amount of demand being subdued, but we also do believe that I think India is least impacted compared to the rest of the world and starting with this festive season, we remain optimistic about how the market would pan out in terms of the consumption.

I think in terms of couple of other questions, they were already answered by my colleagues, Mr. Punde as well as Arvind and that leaves us with pretty much and I think I do remember Mr. Haria says that the CSR money should have been fully spend and we do hear you, I think there was a certain commitment being explored which did not get executed on time, but we will very much complete that and there would be an effort to spend the CSR funds in a timely manner.

With that, I think we would have answered most of the questions of each of you. If anything is inadvertently left out, feel free to remind us and on a one on one basis, we will be happy to provide those responses. Thank you very much. With that, I would like to just conclude this meeting with saying, dear members, in case any of the queries raised by you during this meeting have remained unanswered you please may sent in a request by writing an email to the Company Secretary. The Company Secretary on receipt of any such request shall respond suitably. I would now like to authorize the Company Secretary to conduct the voting procedure and conclude the meeting.

The e-voting facility will remain open for the next 15 minutes to enable members to cast their vote. The resolutions as set forth in the notice shall deem to be passed today subject to the receipt of requisite number of votes. We are grateful to all our shareholders from all over the world who have joined the meeting through video conference and offer their most valuable suggestions to make the company better. I would also like to thank all our directors who continue to provide enormous guidance to the board and for attending this meeting. With your consent, I conclude today's proceedings. Thank you all for making it convenient to attend this meeting and we look forward to seeing you again next year. Be safe and be healthy and with that I bring the meeting to close. Thank you.