



“FSN E-Commerce Ventures Limited (Nykaa)

Q4 FY '25 Earnings Conference Call”

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Moderator: Hi. Good evening, everyone. This is Michelle from Chorus Call. Welcome to FSN E-Commerce Ventures Limited Q4 FY '25 Earnings Call.

From the management at Nykaa, we have Ms. Falguni Nayar, Executive Chairperson, MD and CEO; Mr. Anchit Nayar, Executive Director and CEO, Beauty; Ms. Adwaita Nayar, Executive Director and CEO, Nykaa Fashion; Mr. Vishal Gupta, CEO, Nykaa Distribution; Abhijeet Dabas, Executive Vice President, Nykaafashion.com; Mr. P. Ganesh, Chief Financial Officer.

Before we start, we would like to point out that some of the statements made in today's call may be forward-looking in nature, and the disclaimer to this effect has been included in the earnings presentation shared with you earlier, kindly note that this call is meant for investors and analysts only. By participating in this event, you consent to such recording, distribution and publication.

All participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation from management concludes. With that, over to you, Falguni, for opening remarks.

Falguni Nayar: Thank you. Good afternoon, everyone, in Europe where I am, but it's a pleasure to see all of you. Good evening to all of you and really happy to present the quarter and the full year results for March 31, 2025.

Starting with One Nykaa highlights, happy to say that the GMV for the fourth quarter continued to grow at a fast pace of 27% year-on-year growth and the GMV for the quarter was INR4,102 crores.

Net revenue similarly showed a 24% year-on-year growth coming out at INR2,062 crores. Gross margins were healthy at 44.1% for the One Nykaa. And this reflects an improvement of 151 basis points on a year-on-year basis. EBITDA has come out at INR133 crores for the quarter. That's a 6.5% EBITDA on a percentage to revenue basis, and that's about a 43% year-on-year growth, improving profit margins compared to the revenue growth.

And finally, on the PAT at INR19 crores PAT with 0.9% of net revenue and a year-on-year growth of 110%. Next, the results for the full year are similar with a 25% growth in GMV with the GMV of One Nykaa at INR15,604 crores.

Net revenue came out at INR7,950 crores, almost \$1 billion revenues, and that showed a 24% year-on-year growth on a full year basis. Gross margin came out at 43.7%, an 84 basis point improvement on an annual basis.

And EBITDA for the full year at INR474 crores, that's a 6 percentage of net revenue and 37% year-on-year growth. On the PAT, the PAT is at INR72 crores, again, 0.9% of net revenue and a 81% year-on-year growth on a full year basis.

Next, moving on, giving some color on Beauty and Fashion. Beauty has had a strong year, growing at 31% in the fourth quarter to result in a GMV of INR3,058 crores. And similarly, the full year growth has come out at 30%, and that's about INR11,775 crores GMV.

On a net revenue basis also, the Beauty business has grown at 25% on a year-on-year basis with a net revenue at INR1,895 crores for the quarter and INR7,251 crores for the full year, which is a similar 25% year-on-year growth. This reflects a strong performance across all of the beauty verticals, which includes e-commerce, physical retail, our house of brands as well as eB2B business, which provides for the distribution to retailers.

On the fashion front, the picture was slightly subdued with 18%; however, you can see a clear improvement for this quarter. The fourth quarter GMV improvement in fashion is 18% year-on-year growth, a revival from the previous quarter. And similarly, for the full year, the fashion growth has come out at 12% on a year-on-year basis -- on a GMV basis at INR3,804 crores of GMV, total GMV.

And if we were to look at it on a net revenue basis, again, the improvement was 11% for the quarter and almost 19% on a year-on-year basis with the full year fashion GMV at INR675 crores. The fashion growth revival is against a muted performance still in the industry; however, it is reflected through both growth in fashion.com vertical as well as the LBB, which is part of now the fashion vertical, and that momentum is likely to continue.

2025 was -- for Nykaa was truly a transformative year for success. We now have 42 million cumulative customer base, which is a 28% growth. So we have clearly accelerated customer acquisition in more recent quarters, and you can see the impact of that. Similarly, the store rollout, now we have 237 stores, largest beauty retail network in the country, and almost 50 stores were added in the financial year '25, which is again the highest ever number of store rollout in a year.

We now have 8,600 brands across beauty and fashion, the largest beauty assortment in India and highest ever brands launched in 2025. 2025 was a very successful year from brand launches where a lot of global brands now see India as an important market. And through the year, we saw launches of iconic brands like NARS, Kérastase, YSL and more recently, Chanel on Nykaa platform.

In fashion, the story is similar with many iconic brands like Victoria's Secret and others choosing to launch on Nykaa, including domestic D2C brands, which are also coming up in fashion, brands like Stitch, Hopscotch and many others, which are doing well, have also chosen to list on Nykaa.

Consumer immersion initiatives continued. Nykaa Land was the biggest beauty festival. You heard about it earlier. Nykaa Wali Shaadi also did really, really well. It was our effort to -- I think beauty consumption and weddings in India go well together. And this show allowed that to be told as a story. And this was among the top 10 OTT shows for several weeks on OTT platform. So that was a clear success from a positioning perspective.

From a makeover perspective, also, we've been accelerating the amount of makeovers we do in our store, where all across our physical store network, we are engaging customers more with makeovers that results in further education and growth of beauty consumption. With this, we



have almost \$1.8 billion of GMV across all our platforms from Nykaa Beauty to Nykaa Fashion to Nykaa Man and also the Superstore, which services the retailers.

Next. With that, I hand over to Anchit to talk about Beauty Multi Brand Retail.

Anchit Nayar:

Okay. Thank you very much. So I'll walk everyone through the results for the beauty vertical relatively quickly. I think as Falguni mentioned, it was a very strong year for the Beauty business, and the business delivered 30% -- roughly 30% growth in all 4 quarters, as you can see from the bar chart on this slide.

For Q4, the growth was at 31% year-over-year at INR3,058 crores of GMV. On an annual -- on a full year basis, it's INR11,775 crores at a 30% growth year-over-year. We believe this is significantly ahead of the rest of the industry, the rest of the India online BPC ecosystem, which we believe is growing roughly mid 23% to 25% CAGR over the past several years. In terms of the key growth drivers for this growth momentum, which we have seen this year and in the past several quarters, the first has been accelerated customer acquisition.

Nykaa has invested behind acquiring new customers into the beauty funnel and bringing more shoppers into online shopping for beauty products. Second, we continue to be the partner of choice for both global and domestic beauty brands, and we continue to strengthen this partnership, and that has resulted in several very exciting brand launches, which we will discuss with you in subsequent slides.

Third, our retail network continues to expand at a healthy clip. Almost 50 stores were added in this year alone, which is the largest number of store additions we've done in our history. And at the same time, we continue to deliver very healthy same-store sales growth which will be again expanded on in subsequent slides.

And lastly, but I think equally importantly, we have managed to deliver a very strong performance for our key brand partners that is ultimately resulting in this strong growth momentum that the Beauty business has seen, just double-clicking on the customer acquisition piece.

As you can see, in Q4 and at the exit of FY '25, we've ended with 15.8 million annual unique transacting customers. This is a 27% growth year-over-year. So I think significant growth in transacting customer base while managing to moderate and keep marketing expenses relatively in line.

You can see we've ended the year at 9.3% of NSV and 9% for Q4. So just expanding a bit more on the fact that Nykaa remains the #1 partner of choice for global beauty brands. You can see on this slide, some of the biggest and best-known global brands have chosen to partner with Nykaa for their India market launch. You can see brands such as NARS, Kérastase, which is a leading hair care -- a luxury hair care brand that is owned by the L'Oreal Group, did launch on Nykaa in this past year. YSL, again, owned by the L'Oreal Group, launched exclusively on Nykaa.

Eucerin is a derma skincare brand owned by the Beiersdorf Group. This was launched exclusively on Nykaa and is an incredibly strong brand in the skincare space. And you can see ghb, OBAGI, Dr. Jart, et cetera. So the list is long. I won't go through all of them.

But just to give you a sense that global brands are looking at India -- continue to look at India now more than ever as a priority market. And within India, they see Nykaa as the partner of choice given the kind of scale of distribution, the quality of customers as well as the bespoke marketing and brand equity building that we help our brands to do in the market.

Next slide, please -- next slide, please, yes. So this is now just quickly touching upon FY '26 because it's fresh off the press, and we thought we'll share it with you as well. FY '26 in Q1, we've continued with this strong performance of global iconic brands being launched on Nykaa.

Some of them are mentioned here such as Chanel, which is one of the most iconic luxury beauty brands in the world, Armani Beauty as well, Aestura, Supergoop, Nexus and Lovetec etc. Many of these brands have come again, as I mentioned earlier on the call, exclusively to Nykaa despite there being many retail options available in the country today.

Just spending a minute on the Chanel launch because I think it's important to mention. I would say this is a milestone for Nykaa in its journey as a beauty retail platform. It is a -- as I mentioned earlier, Chanel is one of the most iconic global luxury brands in the world. And they have chosen to partner with Nykaa to launch their beauty and fragrance portfolio in the market.

What we're showing you here is the kind of bespoke work which we did in partnership with Chanel to make sure that we were representing the brand in the way that they like to be represented globally and making that possible in India. These are just examples of how the brand is represented on our app, but you can also please go see our physical stores and see how the brand is being displayed in stores.

So this was something which we worked on with the Chanel Group for many years to get them comfort with India, get them comfort with Nykaa and ultimately launch in the market with us exclusively.

Next slide. Just giving another example of a brand. Supergoop is a brand which we are not only retailing exclusively in India, but it's also a brand which we are serving as the importer and distributor for. And this is through our Nykaa Global store business, which we've spoken about in the past. So this is a brand which we import and we manage end-to-end services for the brand in the country. It is a highly popular trending sun protection brand from the U.S.

And for us, sun care has been a big priority, especially in the summer months in India and how do we continue to encourage more Indians to adopt sun care as part of their everyday routine. And this brand goes a long way in continuing to help us to achieve that mission. And today, skin -- today for us, sun care is one of the -- is the third largest category within skincare on Nykaa. So it has grown in popularity immensely. And it's one of the top 3 search terms on Nykaa.

And this brand, which we are importing and retailing has quickly gone on to become the #1 premium sun care brand on the platform as well. Spending a minute on physical retail. As you can see, we are today at 237 stores across 79 cities. In FY '25, we added 50 new stores across 11 new cities, so really taking our retail penetration deeper into the country.

Today, we have 2.5 lakh square feet of retail space, and this is a 45% increase year-over-year. GMV growth, very healthy in physical retail as well at 31%. Same-store sales growth, I think this is the metric which we are very happy about, which is 15% same-store sales growth in what I think has been a volatile and slightly tepid market on the physical retail side for most of the country, but I think delivering very strong like-for-like growth shows that there is clear product market fit for Nykaa's retail network as well.

And as you know, our store network is profitable. And as we've mentioned in the past, our stores tend to break even usually within the first year or less than that even. And now you can see from the map on the left, we are very well distributed across the country. We continue to have the largest store count in the North, but very quickly, we are expanding in the South and in the East as well.

This is just some quick photos of how our stores are looking. They have -- clearly, we are upgrading both the design as well as the experiences in our store to reflect the new reality of the market, which is consumers want more engagement, more experiences and Nykaa wants to lead the way in really how we innovate in terms of beauty retailing in the country. This is images of our stores.

As you can see, there is a lot of experiential zones, a lot of areas for consumers to come and engage with products to -- as we say, come and play, come and play with makeup, come and play with skin care and to educate themselves because we believe that education is ultimately the best enabler for consumption.

In terms of the kind of brands, you can see the names mentioned on the slide. We are also in a big push to become the destination for experiences. We are pushing services a lot in our stores. So a big focus on gifting and experiences, a lot of work we're doing with beauty tech around skin consultations and AI and virtual tools.

But I think most importantly has been a strong emphasis on providing both free and paid makeovers as well as skin diagnostics in our stores to our consumers. And now we have done, I think this year itself, hundreds of thousands of makeovers have been given to our consumers.

Finally, we also had our Pink Love sale in this -- in Q4 of FY '25. And this sale, as you know, it's a flagship sale of ours. We do it once a quarter. The Pink Love sale was done in FY -- in Q4 and had a phenomenal result. You can see massive reach as well as massive unique visitor count.

So clearly, our sales are becoming flagship occasions for the Indian shopper to come and to really experience and to engage with the category. Lastly, I'll just spend a minute to talk about our content to commerce flywheel. It's something which we've mentioned in the past, but I did



want to spend a minute today walking through all of the levers which we have. And I think Nykaa is quite unique in having built a very strong content to commerce flywheel.

And as you can see from this slide, we have multiple platforms through which we are able to create this content. The first is, of course, the Nykaa affiliate program. This is our influencer and content creator program.

Today, there's over 28,000 affiliates and influencers who are registered and are creating content on behalf of the platform. They are creating over 500,000 pieces of content in the year alone. And this goes a long way in driving a lot of amplification for the platform.

Secondly is Nykaa Play. This is our on-app beauty discovery platform where consumers can come and watch live streams and short-form video content. So very much in the same vein as live and social commerce that we're seeing in other markets. This has now gained a considerable scale, over 4 million views to our live streams and 15,000 shoppable videos have now been uploaded to Nykaa Play.

Third, of course, as you know, we are a large influencer on social media platforms across Instagram, YouTube and Facebook. With over 17 million followers, we have one of the largest social media followings for any retail company in the country and 130,000 posts on our Instagram.

Finally, on thought leadership, we believe strongly in Nykaa's responsibility towards growing the beauty market and to grow the beauty market to drive heightened demand, we need to drive heightened awareness and education. And that is best done through these proprietary IPs we've created that have been shown on the page here.

This goes, again, to reiterate both with our brand partners as well as our consumers like us, position as the leader and the thought leader as well as the trend creator in the industry. And here are just some images of some of the kind of on-ground experiential events, which we do as part of our overall content to commerce fly.

And with that, I'll pass it over to Adwaita who'll walk you through Nykaa's House of Brands.

Adwaita Nayar:

Hi, everyone. So today, I'm looking forward to talking about our own brands business. We've been building a portfolio of brands over the last couple of years, and we're really starting to focus on it, building the right org chart and the right capabilities internally.

On this slide, you can see that we have 12 brands today in our portfolio. About 7 of them are on the beauty side and the rest are on fashion. And these are split across what we call high-growth and mature brands, which are now significant in size and scale, and we'll talk about that shortly and then emerging as well. The brands span across categories from makeup to skin care to lingerie to bath and body. And today, this entire portfolio of the House of Nykaa brands portfolio, as we're calling it, is about INR2,100 crore GMV business.



We can move on. Just double-clicking just on the beauty side of the own brands portfolio. In FY '25, this portfolio has now achieved about INR1,700 crores of GMV, showing a 55% year-on-year growth. In quarter 4 itself, there was an acceleration further, and there's been a 72% year-on-year growth, taking the GMV for Q4 to INR526 crores.

On the right-hand side, you can see how this GMV is split across our own channels. So the pinks are the Nykaa online and the Nykaa stores. But also there is about 40% of this business, which comes from other channels. And on the beauty side, that predominantly is GT as well as a little bit of DTC and Amazon business as well.

Moving on. I'm going to now double-click on our 3 largest brands on the beauty side. First, we have Dot & Key. This is today one of the largest D2C skin care brands in the country. We bought this brand. We acquired this brand about 4 years ago when it was just INR38 crores in top line. And today, it's about INR530 crores of top line. It's been a tremendous 14x growth over 4 years. And I think importantly, they've built a brand with a lot of brand love and brand resonance with consumers.

Today, they are often the Number one skin care brand on Nykaa. And even on other channels, their products are often top ranked with incredible ratings and reviews. So this brand is completely on an upswing, and we're really leaning into the growth that the brand is achieving here. Some fantastic entrepreneurs run this brand, and it's doing very well.

We can move on. The second brand I'm going to talk about is Nykaa Cosmetics. So obviously, this is our flagship brand. It has the word Nykaa in it. This is a brand that we're feeling great about. The growth has been really strong this past year. It's now over INR350 crores in terms of GMV.

It's a brand that's known for trendiness for newness. It's had over 120 launches this past year. It's a very big part of the Nykaa platform business and also the Nykaa stores business. And we feel that it adds value to both the platform and the stores and simultaneously also benefits from the distribution that Nykaa has.

Today, it also has about 38,000 doors in GT and in the market. But yes, predominantly, it's a Nykaa Online, Nykaa stores and a GT distributed business. There have been some really good launches this year. We've been really trying to uplift the brand in terms of premiumization, in terms of leaning into trends, in terms of upgrading the packaging, really trying to hit the innovation on its head. And I feel that we've been successful this year on that as well. And a lot of the new launches have delivered outsized returns.

Moving on. I'm going to show you a video now of Nykaa Cosmetics just to give you a sense of what the brand is like. We've recently signed Rasha Thadani as our ambassador, and we feel that she really embodies that young fun spirit that the brand is really looking to kind of capture. And so I'll let you watch this video.

[Video Presentation]

The third brand I'm going to talk about is Kay Beauty. This is a brand that we've been building along with Katrina Kaif. I feel that it's really come into its -- it's really exploding this year, and it's one of the fastest-growing brands on the platform. It's hit about INR240 crores of GMV

Again, the innovations have been fantastic this year. The Hydra Crème lipstick was often the top-performing lipstick on the site. The Jelly Blush and the Soft Mat full coverage Foundation have all been complete blockbusters that have sort of shaken up the category. I think this brand really stands out for one being quite premium. So it is quite a premium brand, and I think the consumers are accepting it even at that price point. It's got great gross margins.

And also, I think the innovation is truly world-class, and we're working with some of the best formulators globally on this brand. Moving on. Here, we'll show you a quick video of this brand to give you a flavor of the positioning.

[Video Presentation]

Another brand that we're incubating. It's not as large as the previous 3 brands, but it's a brand that we're really starting to lean into this year is a brand called Wanderlust. It's a bath and body brand. We feel like it's a massive opportunity in India today. There aren't enough brands playing in the sensorial bath and body space.

And we really want to lean into it. It's hit about INR50 crores of GMV. We've redone the packaging, the branding. It's going to be a brand that's a lot about gifting and the gift sets are also doing extremely well on the platform today. We can move on.

Moving on to the fashion side, our own brands portfolio in fashion. There are 2 major brands that we're supporting here. One is Nykd, which is our lingerie brand and one is Twenty Dresses.

On the left-hand side, you can see that today, this portfolio has about INR430 crores of GMV in FY '25. While overall, the growth has been a bit muted year-on-year at 4%, if you see right below that, the growth on our own platforms, which is our dot-com, Nykafashion.com has been 21%.

So I think it's been a sort of deliberate strategy to focus on Nykaa platforms and deemphasize third-party platforms for fashion specifically. And we felt that the quality of the business was just much better on our own platforms than on others. And so that's the shift that you're seeing, and that's sort of the reason why growth has been much stronger on our own platforms versus overall.

And I think that same messaging you can see on the right-hand side, and you can see how the GMV mix is changing where Nykaa itself is contributing a lot more to the sales of these brands, and we're deemphasizing some of the other channels.

We can move on. So as I mentioned, 2 major brands that we're focusing on fashion. One is the lingerie brand. I think there's fantastic product market fit here. It's the #1 lingerie brand on



Nykaa, and it's often one of the top 3 lingerie products on Amazon. The customer retention rates are great.

The reviews and ratings are great. And we do feel that we've got a very exceptional product team here, which comes with a lot of experience. It's a really tough product to make. And I think we have a bit of a moat in terms of our capability set here.

On the right-hand side, Twenty Dresses, which is our Western wear brand, again, has crossed INR100 crores in GMV, and it's a top 5 brand on Nykaa fashion in the Western wear category.

So with that, I'm going to hand over to Vishal to talk about eB2B. But just wanted to put in a note that we're feeling very bullish about our own brand strategy. We feel it's really coming together, and we're incubating these incredibly strong brands that are really starting to take over -- really take off.

And I think later this year, when we have the Investor Day, we're going to lean into the story and tell you a lot more about our own brand strategy. But feeling very excited that Nykaa is transitioning from being both a retailer, but now also we have our ambition on building this house of brands, and we're really developing our capabilities to do the same.

And with that, I'll hand over to Vishal to talk about the Superstore business. Thank you.

Vishal Gupta:

Thanks, Adwaita. So moving on to the Superstore eB2B business. We continue on our momentum to build profitable scale. And you can see that in 2 years, we have roughly tripled our business to now almost INR950 crores GMV with a 57% year-on-year growth. And we now contribute to about 8% of the beauty GMV.

I think what is important is not just growth, but also the quality of the growth. And it's a very nice balance between expansion to new retailers, which is very important as we become important to our brand partners.

So scale becomes very important. But equally, we are also getting more business from our transacting retailers, which is sort of repeat behavior. So very -- because from 57% growth, 42% came from transacting retailers, rest from repeat business, yes. And we are covering now 276,000 retailers, 1,100 cities. So we are actually building meaningful scale, which is important to our brand partners.

Next. Yes, you can see from this slide as well, a very healthy order growth of 44%, driven by retailer expansion. And also in quality of growth, what we sell is also important. So we are also premiumizing because that is also one of our levers to path to profitability to get more money from same orders.

Yes. Next. And no wonder, you will see across all the different metrics of operating margin, we are actually improving quite significantly. We improved gross margin by almost 200 bps on the back of mix and higher ad income.

You can see fulfillment costs coming down, leveraging scale and also move from third-party to owned warehouses because we have now scaled for operating owned warehouses, everywhere. And selling and distribution cost also comes down. So overall, contribution margin improved by almost 500 bps.

Now double-clicking on gross margin next slide. As Adwaita mentioned that she showed our good brands in beauty owned brands. And you can see that even in our eB2B retailer network, we are able to leverage that. And in a short period, we have grown almost 9x in terms of GMV, and it's now contributing to a healthy high single digit in our business overall. So it's a nice pace.

And you can see our featured brands also growing, which is our profitable brands, and this drives our profitability by mix. Apart from this, because of scale and trust that our brand partners have on our platform, we are able to leverage that into more ad income and almost 52% growth in ad income.

So all in all, I would like to again say that we are well on our way to profitable scale with another good quarter and another year on that journey. Thanks. Handing over to Abhijeet.

Abhijeet Dabas:

Yes. Hi. Good evening, everyone. So I'll keep this very quick because some of the messages were already covered. So in Q4, as you see sequentially how the fashion business has performed through the year.

Finally, in Q4, we are starting to see a turnaround, and we are entering the next year with strong positive momentum behind us. Q4 was INR1,000-plus crores in GMV and more importantly, 18% year-on-year growth. Our estimates are that the industry growth has been much lower, around 10%, 11% by comparison.

So we have grown much faster than that. And more importantly, as we head into the next year, we are entering on the back of very strong momentum. What this translates to in terms of the year-on-year numbers, we are -- we closed the year at INR3,800 crores GMV, which was a 12% year-on-year growth. But also at the same time, we continue to improve our profitability. We have delivered close to 200 basis points improvement in EBITDA, which is structural improvement, and I'll talk more about that as we go later.

Next slide. So one of the cornerstones of our strategy always has been to bring the best brands, both from India as well as internationally to our customers, both across beauty and fashion.

And we have continued that plank of our strategy during this year. More than 800 marquee brands have been added across categories with some salient names which have been added in Q4 itself.

I'll just point out from this slide what those brand names are. So the likes of Victoria's Secret in women's lingerie, on the men's side, multiple additions, Rare Rabbit, Snitch, the Indian Garage Company, Hopscotch, which is one of the largest brands in the country for kids wear and Le Creuset on home -- on the home furnishing side. So these are brands which we have added just

in Q4. And overall, a very large number of brands added and all doing meaningfully large business with us through the year.

Next slide. So along with the growth that is now back as of the last quarter, through the entire year, one thing which we have consistently moved very rapidly towards is becoming more profitable. And we have delivered 200 basis points EBITDA margin improvement for the full year; a large part of that has come through by consistent efforts to improve gross margin.

So there is a 419, 420 bps improvement in gross margin over last year on the back of more content income, but also structural improvement in gross margins for the underlying fashion business itself. We have improved fulfillment expenses by 136 bps in large measure because of lower leakages. Leakages are a structural problem in the online fashion industry, but the team has taken multiple initiatives to reduce leakages in the fashion business.

We have continued to invest on the other side ahead of the curve on marketing because this is still a very young business, and we have not slowed down on customer acquisition. So marketing investments have continued, which will hold us in good stead as we enter the next year as well. And we have also continued to invest ahead of the curve in content, campaigns and events.

As a result of which marketing expenses have been higher by 350 bps. But in spite of that, overall, on the contribution margin front, we have been better compared to last year by 160 bps. We have managed great control over our fixed expenses, which means that on SG&A and other expenses, we have delivered close to 40 bps improvement.

And hence, overall, on EBITDA, we have delivered close to 200 basis points improvement. So the key message on the Fashion business is that we are entering next year on the back of great momentum, and we'll be very happy to share during the Investor Day more color on what is the plan for the years to come.

Padmanabhan Ganesh:

Thanks, Abhijeet. So we'll now focus on the financial performance for the quarter ended March '25 as well as the full year FY '25. We maintained our strong growth momentum in Q4 with top line growing by 24% and with EBITDA growing even faster at 43%, resulting in an EBITDA margin expansion and with EBITDA coming in at 6.5% for the quarter. This improvement has been driven by healthy gross profit growth, while we have continued to invest in marketing to drive future growth. Building on a strong quarter, we closed FY '25 with a 24% growth in top line and a 37% growth in EBITDA, leading to a full year EBITDA margin of 6%.

Next slide. Yes, this is a snapshot of the P&L for the quarter as well as the full year. As we can see, our consolidated profit for Q4 as well as FY '25 have grown handsomely. Gross profit grew 28% Y-o-Y, outpacing revenue growth of 24% during the quarter and a similar trend is seen in the full year as well.

Further, there is an improvement across most cost line items, which has led to an EBITDA margin expansion by 88 basis points during the quarter and 54 basis points for the full year. PAT has also -- just stay on the previous slide. Thank you.

PAT has also surged by 110% to deliver a margin of 0.9% for the quarter and 0.5% for the full year versus 0.5% in the corresponding quarter of the previous year. The key point to note over here is that gross margin -- the EBITDA margins have continued to grow strongly and leverage benefits have started kicking in, both on employee cost as well as on other expenses.

Now we can move to the next slide. Here is a quick snapshot of our annual vertical performance. As we can see, there's robust GMV and NSV growth in Beauty. And when it comes to gross margin, there is improvement which is seen across beauty as well as fashion verticals, and this has contributed to improved EBITDA margins across verticals.

Going ahead. Here, we can see the gross margin expansion of 134 basis points, which has been delivered in FY '25. In the Beauty business, the improvement stands at 90 basis points, and this is also aided by strong performance of our own brands. In Fashion, higher service and marketing income contributed to gross margin expansion of 419 basis points.

Moving ahead. Continuing with some of the other cost line items. Here, we see a trend in fulfillment expenses. As a percentage of NSV, these costs have remained largely flat while we are focused on improving our order to delivery time lines.

So this has led to overall efficiency gain at One Nykaa level with fulfillment expenses standing at 9.5% of NSV. Yes, we can move to the next slide. As we have seen in some of the earlier presentations, Abhijeet mentioned about that, Adwaita mentioned, so also Anchit, we have been focusing on investing behind accelerated customer acquisition, and this is reflected in the increased marketing investments during the year.

I mentioned a while back about leverage benefits starting to show up, and this is something which is very clearly reflected in this slide, where leverage benefits started to kick in with a 37 basis points improvement when it comes to employee expenses, while other expenses are also showing improvements from here. That brings us to the quarterly vertical reporting.

Here again, we can see scale efficiencies being seen across cost line items and margin expansions are being seen while marketing investments have continued to move up. So overall, this is a picture where cost efficiencies across multiple lines are coming through, and this is helping us to invest further in marketing.

And that's a reflection of the full year vertical, which shows a similar trend. Coming to some of the balance sheet items. We had mentioned in the past that our peak capex was in the year FY '22 and FY '23, where coming out of COVID, we had invested in office space, warehousing capacity on the back of our regionalization strategy, we had increased significantly, in fact, by 70% in FY '23.

From there, as we had indicated, there's a moderation in the overall capex. So FY '24, it was at INR115 crores, which is now at INR128 crores in FY '25. What this has done for us, and we can see in the chart on the right-hand side is bulk of it is coming through our investment in tech as well as in the expansion of stores. Anchit mentioned about 50 stores being rolled out during the year, and that is getting reflected over here.

Next one. Focusing on balance sheet and efficiency in terms of capex, fixed asset turnover is steady at 9.1%. There's a significant improvement in working capital with reduction in both inventory days, receivable days as well as improvement in payable days. So this is reflected in the form of working capital days coming down to 34 from 42 a year back and with ROCE now in double digits and going up to 11.3%.

Next slide. This is a summary of our balance sheet. So as you can see, what stands out over here is the working capital reduction with working capital days coming down from 42 to 34 days. What this is also reflecting is an improved cash flow position, which you will see in the subsequent slide.

So the operating cash flow now stands at INR467 crores. And what I would like to also point out is after lease payments as well as capex, there is still a significant amount of surplus cash. So this is a reflection of the strong cash flows that we have started to generate over time. Yes.

And just to round up, this is a summary of the business restructuring for streamlining operations, which we had announced earlier. We would like to update all of you that in May 2025, we received NCLT approval for both the schemes, which is a merger of LBB into Fashion.

LBB was already 100% subsidiary of the Fashion business. The other one is a demerger of our Superstore business into Nykaa E-Retail. Both of these have received NCLT approvals and the financials now factor that in. Needless to mention, there is no impact as far as consolidated financials are concerned. What this will do for us is it will unlock synergies and lead to greater operational efficiencies going forward.

Yes. With that, I would like to open the floor for Q&A.

Moderator: The first question is from Sachin Salgaonkar from Bank of America.

Sachin Salgaonkar: **Hi, thank you for the opportunity.** I have 2 questions, one on the BPC business, one on fashion. On BPC business, the question is, how should one think about steady-state margins? For the last couple of years, the margins are hovering in the range of 8.7% to 8.9% and would love to understand some of the levers in this direction?

And separately, I also wanted to understand how is the traction for the fast delivery what Nykaa has introduced in terms of 10-minute to our same-day, next-day delivery? And is there an intent of expanding that into other cities?

And second question is on fashion. Again, similar question, what could be the steady-state growth one could think about from a fashion industry perspective? The industry was clearly going through a slowdown last year. Are we out of that slowdown? And should we start the growth accelerating? And any changes to your EBITDA breakeven guidance out here?

Anchit Nayar: Maybe I can kick off with the beauty questions, then we'll come to fashion. So I think, Sachin, on your first question around the margin outlook for the beauty vertical, I would, again, just

encourage you to remember that the beauty vertical consists of 3 different businesses with very different margin profiles.

So of course, you've got the beauty multi-brand retail business, then you've got the own brands business and you've now got eB2B as well. And as we've shared in the past, all 3 have considerably different margin profile.

So I think each business individually, especially on eB2B as well as own brands, definitely has shown improvement in their margins and we will continue to do so. The beauty multi-brand retail business, I would say, is in a very, very healthy place in terms of its margin profile, and we are focused on continuing to reinvest in customer acquisition on that front.

So the outlook for the margin profile for the entire vertical is, in a way, also an outcome of the way that the mix evolves. Some of -- in a way, the mix is really at play here. Its own brands and eB2B, which currently have a lower margin profile than the multi-brand retail business. If they continue to grow faster than the retail business, that could put some downward pressure on margins at the consolidated beauty level.

But as I mentioned, and I'll emphasize again, all 3 businesses individually are improving their margins. Just -- there's probably just a bit less scope to do so on the more established mature beauty retail -- multi-brand retail omnichannel business. So that's the answer to the first question.

Regarding our Nykaa Now, which is our rapid delivery that we've rolled out. Today, that is live in multiple cities, majorly the metros. And we have seen relatively good traction. And a good percentage of our orders are now being fulfilled in those metros which are being serviced through Nykaa Now through this rapid delivery framework, which is ensuring delivery within 60 minutes. So that is now very, very convenient for the consumer.

So that is live and it's now well beyond the test stage in a few key metros. There is a plan to expand it to several other metros in the coming months. But again, we will probably update you more in detail on Nykaa Now at the Annual Day, which we will do later in the year -- in the coming months, actually. But we are seeing very promising traction on that front.

One thing I'll mention there is the key differentiator for us is we will have -- we have the largest assortment of beauty products available through our rapid delivery network. We've made a lot of our assortment available for Nykaa Now, and that's really been a big differentiator to the consumer to have that power of choice, which is still, I would say, not as well developed on some of the other rapid delivery platforms that are out there.

I'll pause there, see if there's anything FN would like to add. Otherwise, Abhijeet can go ahead on the fashion piece.

Falguni Nayar:

No, I just wanted to say we are also building it in a way with a promise of within 2-hour delivery with most likely delivery time lines of 60 minutes, which is a better way to build a beauty quick commerce business.

Sachin Salgaonkar: Falguni, just a quick follow-up out here. When we talk about steady-state margins, any number in mind? I do understand the margins are improving and the mix matters a lot.

Falguni Nayar: It's difficult to guide towards that. But the reality is that every -- I mean, the way to improve margins would be higher own brand mix, higher service income, including marketing and better quality brands that give us -- they value what Nykaa brings to the table and hence, are ready to give better margins. We see that even in eB2B business and also in Beauty business and in fashion business. So I think there are just so many drivers that it's hard to distinct. But I think Nykaa likes to work on all of that to try to improve margins over a period of time.

Abhijeet Dabas: Yes. So I'll quickly also answer the 2 questions on fashion. So Sachin, your first question was, are we now finally coming out of the rather stagnant period of growth for the industry as a whole.

So look, I think long term, the view on fashion as an online business still remains that we are -- as a country, we are just very underpenetrated still on online penetration in terms of the overall fashion category, which still remains true, particularly coming out of COVID for a few years.

During COVID, many online businesses grew very fast, only then to be corrected a little bit because many shoppers who bought online were maybe pre-COVID more accustomed to buying online and offline. Some of those who are purely buying online during COVID may have gone back to buying offline again. And hence, some correction in the industry numbers was due to happen in the years coming out after COVID.

As far as our business goes, like we mentioned before, it's a business which is very fashion first, which is very trend first, and we anchor on working with key brands, with marquee brands -- as a challenge, actually, most brands are also facing, brands today are also moving -- trying to move to a world where online selling for them can also move away from discounts and more towards fashion-based selling, storytelling, things like that.

And in that sense, a platform like Nykaa becomes a natural choice for most brands of any salience. And we are seeing a lot of traction in being able to partner with brands on those fronts. So irrespective of how soon the industry overall recovers, I have confidence that we will continue to build on the momentum we have hit in Q4 and continue to build from there because directionally, we are headed in the right direction. We are playing to our strengths. So fairly confident that numbers will continue to look up.

On the second question that you asked, which is any guidance on margins, again, same point that Ankit made. We'll talk more about this and for longer duration during the upcoming Investor Day. But structurally, even during this year, we have made structural improvements towards profitability. The 200 basis points I spoke about are not one-off improvements.

These are structural improvements, which even as scale comes back, they will stay because we are trying to address challenges to profitability with a long-term nature in mind, things like leakages, which sooner or later, we have to solve. So improvements which are coming in because we have chanced upon solutions which help us reduce or control leakages, those are structural

in nature. Similarly, being selective about which brands we work with and keeping our unit economics healthy from the get-go are structural ways of building the business, right?

So I think structurally, we are making improvements. Actual guidance, maybe this is -- the Investor Day will be a better time to talk about it.

Sachin Salgaonkar: Got it. But you guys are reiterating your guidance of breakeven of fashion by FY '26, right?

Abhijeet Dabas: We'll share more in the -- during the Investor Day, which is just in a few weeks from now.

Moderator: The next question is from Kapil Singh from Nomura.

Kapil Singh: **Hi Goodevening,** Congratulations on a good performance for the quarter. My question is on the fashion business. Just wanted to understand whether you feel that looking at what's been happening in the Beauty business on offline retail, do you think this is a business which requires a stronger presence in the offline given the category might require more touch and feel from the consumers, so just some thoughts around that? And secondly, are there any new categories, for example, things like wellness, et cetera, which could be relevant for...

Falguni Nayar: Yes. I'll answer both. So I think on physical retail, we must remember that most physical retail, multi-brand retail stores have at best 60 to 80 brands and what sells online is so many number of brands. And as a result, the role that the physical retail has in a large geographically diverse market like India is meaningful but limited and both will have to go hand in hand.

So -- and Nykaa is definitely going for representation in top 100 cities of what we call as destination stores in top cities. And also, we are trying to do more through kiosks for Nykaa's own brands. So I think there's a fair amount of physical retail representation. But I think India will have a very reasonably large importance of e-commerce because of the number of brands and the reach that they can provide to cities beyond top 100.

So I think the structure of Indian economy and consumption is such that e-commerce will remain very, very relevant. But Nykaa is doing a lot of investment in physical retail, and we think we are far ahead of anybody else on this kind of network rollout. On your question about the wellness, yes, that remains an interesting category, which has in the past overall not taken a consumer fancy.

But I think globally and also in India, we do believe that increasingly wellness and wellness, both through products and also sometimes through services will be something that the beauty consumers also will embrace. And clearly, Nykaa would -- Nykaa is watching and would have a meaningful role.

We already retail wellness on our platform, and it's growing rapidly, and we will continue to grow that rapidly. We have a social media and a focus on wellness, and we support a number of brands, and there will be further increase in that. But yes, not -- I don't mean health, but wellness, which is more like long-term sustainable beauty is what remains interesting area for Nykaa. Like you can see Wellness Week here that we have done.

- Moderator:** We'll take the next question from Sachin Dixit from JM Financial.
- Sachin Dixit:** Congrats on a great set of results. My first question is with regards to Beauty business largely. So considering we have now decently broad base of offline distribution in beauty, right? Is there any color that you're able to share on the customer overlap or consumer behavior between online and offline that you have seen so far?
- Anchit Nayar:** Yes, sure. Maybe I'll kick it off. Yes, we've always said that in India, there is nothing like an exclusively online consumer nor an exclusively offline consumer. I think especially in this millennial generation and beyond, consumers have different use cases for different -- based on the journey, right?
- So online lends itself very well to replenishment and convenience and things like that, whereas in-store experiences lend themselves well to education and learning more about products and how to apply them and how to incorporate beauty into your everyday routine. So there are different use cases for different channels, and we see a lot of overlap between our consumers where consumers who shop in our stores then tend to come and purchase online and vice versa.
- Consumers are shopping online. We also do actively send them into stores where they can possibly premiumize themselves in terms of the kind of products they're buying and also the ASP at which they're buying. So we see a lot of overlap. We think consumer is actually one and the same, by and large, for the most -- a majority of consumer is very, I would say, channel agnostic or open to experimenting and transacting in both channels.
- And that's why I think it's so important actually for every retail -- for most retailers to have, especially in the beauty industry to have -- give consumers the opportunity to transact in either channel and not just be e-com only or offline only. And that's something -- that's a call we took, as you know, many, many years ago, almost 10 years ago. And we have steadily continued to expand that offline footprint.
- So we see a lot of synergies and a lot of benefits to our business because of the fact that we are able to offer both online and offline at scale which is something that currently doesn't -- we don't see anybody doing it at the scale which we are in India.
- Sachin Dixit:** Anything on number overlap, Anchit, like how many customers are projecting in both channels?
- Anchit Nayar:** I don't know if we've disclosed it in the past, so I don't want to say anything right now. But what I can say is that it's a very, very significant percentage of our customer base. It's a meaningful percentage of our customer base is transacting across both online and offline.
- Falguni Nayar:** I think -- no, no, I think the one has to understand it. So I think there are -- basically, it all depends on the pin code also. So a lot of our customers are from pin codes where there is no store. So obviously, those are only e-commerce customers. So the weight of physical retail in the total customers and total customer engagement is to be seen in that light. So there are many brands also on a similar basis. But yes, for the brands that do omnichannel, both channels are very important.

- Anchit Nayar:** Yes. I think that's a very, very important caveat, which is for the PIN codes and for the brands where both is an option, then you see a very strong overlap. But again, as we say, e-commerce, we're able to ship to over 20,000 PIN codes in India across the length and breadth of the country, whereas our stores, even at 237 stores, we're only touching 79-80 cities.
- And it seems it's obviously a very large number. But if you look at it in a country like India, it's still -- there's still a lot of space that is unaddressed, and that's better addressed through e-commerce because just reminding you, we are not a local Kirana store type format. We're not a local pharmacy type format. Our stores are destination stores.
- They are large format -- they're large -- played large-format experiential stores, right? And that's because we believe this category is high on experience, high on aspiration. And so we have tried to maintain that positioning for our stores, as you can see from this imagery. So yes, I think as FN mentioned, I think for the relevant PIN codes and the relevant brands, it's a very meaningful mix.
- Falguni Nayar:** I think I want to just say that having stores is an asset for a strong e-commerce player, but only store network cannot replace the e-commerce. I think global data also supports, and I think it's similar in India that the number of times the customers buy on e-commerce is far more engaging than in physical retail.
- So I think the 2 used together is the best way to build rather than the only reliance on physical retail will not get you to the right dominance in beauty. And I think e-commerce is the first step along with physical retail, which ends up being valuable only for the premium brands.
- Sachin Dixit:** Fair enough. My second question is for Ganesh. On the operating cash flow side, Ganesh, obviously, we see a very, very sharp improvement Y-o-Y and looks like there was very strong control on receivables as well as improvement on payables. Can you qualify what has gone through? What have you really done to ensure that these improvements happen because there's a very remarkable improvement there.
- Padmanabhan Ganesh:** Thanks for the question. So needless to mention, it's a greater focus, greater cross-functional alignment, which has actually resulted in we being able to manage working capital far more tightly than we have done in the past, not that it was not happening in the past. What has really changed is that there is far greater focus, which has come through and which is why you're seeing the benefit flowing through across inventory, across receivables, across payables. It's actually tightly controlling that. That's really what's happened.
- Moderator:** We'll take the next question from Videesha from AMBIT Capital.
- Videesha:** So my first question -- actually, both of my questions were on the fashion business. The first one was what explains the improved GMV growth momentum in this segment because even the order growth has been ahead of the AUTC growth for the quarter.

So if you could elaborate on the initiatives undertaken, which have gone right because the proposition has not really changed. Even earlier, the focus was on differentiated and premium assortment? So that would be my first question.

Abhijeet Dabas:

So I'll take that. I think -- you're right, the proposition has not fundamentally changed, but I think it's just a function of onboarding, first of all, the right set of brands and just continuing to do deeper engagement with the brands. And we spoke a little bit about what new brands we have onboarded during the quarter. So the likes of Victoria's Secret or a Rare Rabbit or a Hopscotch, always on online platforms, our experience has been that when we add strong brands, business tend to be incremental in nature.

It doesn't cannibalize existing business because we are always able to unlock new use cases from sometimes the same customers as well as acquire new customers on the back of great brands. So that's one.

And secondly, this is the reason why I mentioned that this being a young business, what we have not slowed down during the year is new customer acquisition, including in this quarter. And all the new customers acquired in previous quarters in more recent quarters actually lead to the tailwinds as we head into subsequent quarters.

So it's a combination of continuing to acquire new customers and just continuing to build better assortment and just strengthening the assortment, which has led to better growth during the last quarter.

Videesha:

Got it. And the second question was when I look at your segment-wise performance in the filing, I see that the capital employed for the fashion segment has decreased -- sorry, the asset for the fashion segment has decreased to INR320 crores. So any particular reason for the same?

Falguni Nayar:

Fashion business is not very asset heavy because -- yes, we are focusing on building more and more brands through marketplace than inventory-led. And the inventory-led business is mostly restricted to fashion own labels.

Videesha:

So that's why we've seen a decrease in capital.

Moderator:

The next question is from Abhisek Banerjee from ICICI Securities.

Abhisek Banerjee:

My first question is to Ganesh. Sir, on the working capital bit, right, is there any impact of mix improvement given the mix has changed from fashion to beauty in the last 1 year?

Padmanabhan Ganesh:

Overall, if you look at it, the change which has come about, which is not very pronounced, but a change all the same is the increased salience in the superstore business, which is within the beauty vertical. But overall, as I mentioned a while back, it's far greater and tighter control, which has resulted in reduction in working capital.

Abhisek Banerjee:

So any guidance on where this number can go to over the next couple of years?

Padmanabhan Ganesh: Yes. So we are currently very close to a month in terms of net working capital. So I would say from here, yes, obviously, there would be more and more improvement opportunities, but unlikely to be as steep as what you have seen in the current year.

Abhisek Banerjee: Understood. And one more question to Anchit. So when we are asking about margin improvement in Beauty business, you are actually kind of indicating that we are at a high margin already, which I'm not denying. But given the kind of value add you give for the brand, do you not think that you are probably leaving some margin on the table now?

Anchit Nayar: I think it's like an age-old debate between retailers and brands. So yes, of course, there's always scope for more. No, look, I think again, I'll just reiterate, I think each of the 3 businesses that sit within the beauty vertical have scope to improve their margin profile, right?

So even if I look at the main business, which is the beauty multi-brand retailing business, there is scope to continue to improve marketing income by creating more advertising opportunities on our platform, which we have been doing over the past several quarters. And I think we might have spoken about it in the past, but we are creating a lot more advertising opportunities, middle of funnel as well as lower funnel on a platform that historically used to be a top-of-funnel advertising platform.

So now we're creating across the funnel opportunities. We've built a campaign manager that now allows brands to bid for and manage their own ad inventory on our platform, and they are, therefore, able to take real-time decisions and invest much more frequently in advertising.

So there is -- and also, we are now -- with personalization, we're also enabling for smaller brands who earlier were not able to afford to advertise on our platform to be able to now advertise on the platform. So I think there is a lot of initiatives behind our ads business that I think can have a positive impact on advertising income or services income, as we call it. That's one opportunity.

Second is, as FN mentioned, if our own brands continue to outperform the way they have done over the past several quarters, that can also be margin accretive. Thirdly, there is obviously operating leverage and benefits of scale. If we continue to grow GMV at the clip at which we are, a lot of the costs like employee and G&A, that will obviously not scale at the same level.

So there is room for improvement there. So even in an established business like the beauty retailing business, which is already at very healthy margins, there is scope for improvement. And then when I look at our own brands as well as our B2B, eB2B business there, as we've said in the past, we're still not where we want to be in terms of margin.

And that will come as those businesses get a bit more mature and as they get to a better mix in terms of repeat versus new customers, and they continue to bring, as you can see on this slide, eB2B is continuing every year to bring its fulfillment cost down, its S&D cost down and improving its gross margin as well.

So again, as I said, all 3 businesses will improve their margin profiles. And ultimately, how much of that is seen at the consolidated level is going to be an impact of mix, right? So that's the best I can really explain it to you. I hope that's helpful.

Moderator: . We take the next question from Avi Mehta from Macquarie.

Avi Mehta: I just wanted to kind of ask on the fashion bit. We've -- for the last few quarters, we've gone on this journey to reduce losses, and that has been in the period of a weaker growth environment as well. You pointed towards expectations of a recovery or some sort of a change in that momentum. Does that in any way require us to start putting investments back in the front versus margins? How should I kind of look at that play is something that I would love to understand from you.

Second bit, if I may just kind of conclude is on the gross margin side. We've seen in the beauty side, a very good improvement in the gross margin profile, and congratulations on that. Would it be possible for you to give us some qualitative understanding of how does this flow through in each of the subsegments? Is this more a mix thing? Or is that the MBO or multi-brand retail is also seeing -- or each of the segments are seeing a diverse gross margin performance? Those are the 2 questions.

Abhijeet Dabas: So I'll take the fashion question first. So like you rightly observed, we are seeing the growth momentum coming back. I think by our estimates, industry growth is still slower or has not recovered back to the same levels as it was a year ago. It is still in the 10%, 11% range. But we know as a combination of various initiatives, we have taken growth in our case is definitely coming back, and we are also seeing green shoots as we head -- as we are in the first few months of this new financial year.

So that we think is sustainably going to be there. And if you recall the margin numbers that we shared a while ago, unit economics even for the fashion business has significantly improved over the last year.

So with higher scale, I think we are looking at overall just more controlled burn. So we'll just continue to move faster towards profitability with better growth coming on board. On the gross margin side, flowing down to the contribution margin side, you've seen significant improvement.

Marketing expenses also will get better because the way this works is that the more new customers we acquire today, the more within the repeat customer base, we have more recently acquired customers, which in general, tend to get activated with a lot better marketing efficiencies.

So this just becomes a virtuous cycle where new customer acquisition cannot be slowed down for a new business because that feeds into the customer base that we target tomorrow and the ROI on targeting those customers is significantly better.

So you will also see in the quarters to come, marketing efficiency improved significantly because we kept on investing into new customer acquisition throughout a year when acquisition or

business in general was slow. So healthy unit economics, in summary, will mean that we will continue to get better on EBITDA successively for the fashion business.

Avi Mehta:

Okay. Abhijeet, just a follow-up. I mean, the reason why I was asking is if I look at fourth quarter versus the last few quarters, while I do acknowledge the full year picture and it is encouraging to see, the fourth quarter versus the last few quarters, there has been a change in the profitability profile. So I was just trying to appreciate this better or how should we kind of build it going forward between growth. So is the fourth quarter having some one-off, which is why there was a loss there?

Abhijeet Dabas:

No. So I think the fourth quarter, if you look at the overall fashion vertical, like we mentioned before, the private label portfolio grew slower than the platform business overall. The largest part of the business is still the fashion platform on which structurally as well as sequentially have been -- it has been very healthy on the gross margin front.

But when we include everything else, including the private label portfolio, particularly where we have chosen to go, as Adwaita mentioned in the House of Brands section, we've chosen to go much slower on certain third-party channels consciously in this year. Including that, it may seem like the margin growth is not as much as you would expect on a sequential basis.

Avi Mehta:

And the other part on the Beauty side?

Anchit Nayar:

Sorry, would you mind repeating the question on Beauty?

Avi Mehta:

Sure, Anchit. So if I look at the Beauty performance, whether it's on a fourth quarter basis or even for a full year basis, we've seen gross margins continue to perform well. Just wanted to appreciate whether this is -- how much of it would you kind of -- if you would give us some qualitative comments on whether each of the individual segments, how is this behaving and whether the competitive concerns that we had on the private side -- private -- our own brand side is now behind us?

Anchit Nayar:

Yes. So I think qualitatively, obviously, as I said to the previous questions around the margin profile is that each business continues to improve the gross margin. They just have different degrees of improvement that are possible given the stage of the business, right? So eB2B probably has meaningful scope to improve relative to where it is today.

Own brands definitely has a healthier gross margin because like any consumer brands business, the gross margin does tend to be -- can be -- is higher relatively than the retailers, but there's still room for them to improve there, and they have made some improvement.

And as I mentioned in my remarks regarding the ad income, there is also opportunity for gross margin improvement in the multi-brand beauty retail business, not only through ad income, but also through mix of what we sell on the platform. So if premiumization and the sale of more prestige and luxury goods continues to play out the way it has, then that should also be a net positive.

Avi Mehta: Okay. So across -- and competition is no longer an issue, right? The price-based competition that you had earlier alluded to, that's now no longer a concern.

Anchit Nayar: I think that comes and goes. It's very difficult to understand the thinking sometimes. For us, we are -- we really think long term, we think about we need to build this category the right way for ourselves, for our brand partners and for our consumers to really engage with beauty in the right way, which means making the decisions for the right reasons, right, buying for the right reasons, which is not necessarily price.

We do want to offer value and we want to offer the right price for the right product, but we think well beyond that. And I think there are some players in the market who are maybe a bit more short-term thinking in their approach to how they play this segment. And so maybe at times when other categories are weaker, they tend to try to generate some acceleration in beauty to offset that weakness in other categories.

So it's difficult to give you a definitive answer whether this is behind us. It seems to be for now, but you never know. It can come up at any time. It's not the right way to do -- to build this category and our brand partners generally do not like it because it dilutes their equity. And hopefully, this is not going to be a big issue in the coming months and quarters, but I can't give you any guarantee on that.

Moderator: The next question is from Sheela Rathi from Morgan Stanley.

Sheela Rathi: My first question was actually on the eB2B business. Just wanted to get a sense on what is really driving the growth and profitability for this business? Is it expansion into new markets? Is it a result of repeat behavior? And is it the expansion of the portfolio which we are distributing? And also some sense on what is the mix of own brands in this distribution? So that was my first question.

Falguni Nayar: May I just say that all of that answer is yes, but it's -- at this call, it's now towards the end of the questions. It's going to be very hard. If you can just wait for the annual meeting that we're going to have very soon, you will get answers to it all because what the way we are growing is all. It's not just expansion of geography, true Nykaa Style, it's trying to improve margins. It's trying to get more brands. It's trying to get high-quality retailers, repeat customer behavior, all of that. So I think it's better we discuss it in the Annual Day.

Sheela Rathi: Any sense Falguni, if I could get on how we should think about the F '26 outlook for that business? Any broad...

Falguni Nayar: We have to invest for a few more years before it gets to profitability. We've given that long-term guidance last year, and we'll update that again this year. We also do a lot of work on longer-term guidance before the annual meeting, so it's better answered then rather than off the cuff, but I just wanted you to know that it's all going in the right direction, but we share them.

But nothing -- it's all -- you're building a solid business for the long term, not that long term, but it needs work. It's not -- nothing is going to change overnight. But it's still solid capability that

we are building, and I already see a lot of our great -- I mean, large brand partners recognize and value this capability. But still one is path to profitability and other is margin improvement eventually in this business.

It's a business that is unique and it will need work on to get to the right levels. But as Nykaa does more for the brand partners and beauty is a large business with a lot of brands, I think one can get to better margin structures so that pays for the business.

Sheela Rathi: Got it. And a quick one on Nykaa Now. Are we really using any of our physical store network for the fulfillment?

Falguni Nayar: No, we are not. No, that's not the model.

Anchit Nayar: No, no. I think maybe I'll just caveat that. So yes, I think to FN's point, Nykaa Now is being done in a more traditional rapid delivery quick commerce type model, which is to leverage the dark store concept or as we call it the micro fulfillment centers. But that being said, we have the capability, which we have built actually during the pandemic, during COVID, which is to service what we call as hyperlocal delivery.

So using our physical stores to service e-commerce orders in that relevant pin code. So that capability exists. We do use it, and it is used predominantly for luxury products. But as we've always said, our stores are destination stores. They are in relatively expensive real estate because we like to be a destination aspirational store. And so it's not -- it doesn't make the most fiscal sense to use them as warehouses. But yes, we do have -- the technology is built, and we do use it to dispatch certain products and certain assortment to consumers from the stores.

Sheela Rathi: Understood. Hope to hear more details about Nykaa Now at the analyst meeting. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question we can take today. You may reach out to Nykaa's Investor Relations team for any additional queries. I would now like to hand the conference over to the management for closing comments. Thank you, and over to you.

Falguni Nayar: Okay. Thank you. Thank you, everybody. Thank you for being with us, and we really appreciate your time you spend with us.

Padmanabhan Ganesh: Thank you. Thanks, everyone.

Anchit Nayar: Thank you. Bye-bye.

Moderator: Thank you, members of the management. On behalf of FSN E-Commerce Ventures Limited, we conclude the conference now. Thank you for your participation and you may exit the meeting. Thank you.