"FSN E-Commerce Ventures Limited (Nykaa)

Q2 FY27 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 Q2 FY '27 Earnings Conference 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 Co-Founder and CEO of House of Nykaa brands; Mr. Vishal Gupta, CEO, Nykaa Distribution; Abhijeet Dabas, CEO, Nykaa Fashion; 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 a 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 all 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 ma'am for opening remarks.

Falguni Nayar: Good afternoon, everyone. It's a pleasure to be here with you to talk about our quarterly results. The second quarter, the September quarter has ended well with the GMV at INR 6,151 crores, which is a 30% year-on-year growth. And the net revenue has come out strongly at INR 3,006 crores, about 28% year-on-year growth. What is also heartening is that the gross profit which is INR 1,382 crores, 31% growth in gross profit margin and the margin stands at 46%. EBITDA is at INR 263 crores for the quarter, a 65% growth year-on-year and the margin stands at 8.7%. And the profit after tax is at INR 101 crores, a 207% year-on-year growth and the margin stands at 3.4%. So, clearly a good strong quarter in a period where the festive has shifted to the third quarter. So in light of that, this is clearly a good result.

I will move on to the next slide, which is the first half performance. On the first half, the net revenue stands at INR 5,788 crores, a 29% year-on-year growth and gross profit margin at 45.9%, which is INR 2,657 crores. EBITDA for the first half at INR 499 crores, again, a 66% year-on-year growth and a margin of 8.6%, and the PAT at INR 181 crores, a 215% year-on-year growth with a PAT margin at 3.1%. So clearly, the first half has been reasonably strong, with the second quarter being slightly improved compared to the first quarter. This is the numbers for Beauty and Fashion.

On the beauty, we saw a healthy growth rate of 28% on a year-on-year basis for the beauty vertical. And this on a first half basis is at 29% year-on-year growth, with the first half number at INR 4,907 crores of NSV. And the fashion, the same numbers are INR 509 crores for the quarter 2 of this year, which is 47% year-on-year growth, a pretty strong momentum. And if you were to look at it on a first half basis, the NSV stands at INR 960 crores, which is a 50% year-on-year growth. On the EBITDA margin, again, a strong result.

The EBITDA margin for the quarter this year has come out at INR 267 crores in the second quarter, which when compared to INR 178 crores a year ago is an EBITDA margin improvement to 10.5%, a significant improvement from 9% that it was about a year earlier. And on a first half basis, the improvement is similar.

On the fashion side, against the loss of minus INR 12 crores in second quarter of '26, we are breakeven at about INR 1 crore, a positive margin, which is 0.2%. So the EBITDA margin for fashion for this quarter has improved from minus 3.5% to just breakeven at 0.2%. And for the first half also, the picture is similar, where against a INR 30 crores loss in the first quarter at a minus 4.7% margin.

This was the picture last year. And the picture this year is that we are again breakeven with just about INR 1 crores of EBITDA, and that is about 0.1% of our NSV.

Next. I think if you were to look at the picture longer term, really happy to see that there has been substantial improvement in turnover. So, revenue has grown from INR 1,500 crores in second quarter of financial year '24.

So over 3 years, this revenue has grown now to INR 3,000 crores, doubled over a 3-year period. And also the growth has been accelerating. You can clearly see that the growth has now accelerated to almost 28% year-on-year revenue growth for the latest quarter. On return on capital employed also, the story has been similar. You can see that from a return on capital employed, which is only 6%, 3 years ago, it now stands at solid 27.3%.

And the details of the capital employed are given that capital employed pretty much stands compared to INR 1,786 crores in second quarter of '24. It now stands at INR 2,566 crores. So, Nykaa has managed to achieve scale as well as margin improvement and the capital efficiency is also improving in terms of return on capital employed. Next.

So the big wins this quarter. If you see the big wins this quarter, again, we had the fourth Nykaaland 4.0, the fourth version of Nykaaland in Delhi again this year. Fabulous attendance, again, 30,000 attendees. And if you look at it over 4 years, Nykaaland has had 100,000 beauty enthusiasts visit across its 4 editions. And the social media reach of this event also tends to be magnified multifold, with total social media reach of 150 million across 4 editions. We have seen acceleration in launches to bring globally trending beauty brands.

So, beauty business has been able to continue to convince the global majors and now fashion also joins that party. And both of them have been convincing the global beauty and fashion brands that Nykaa is the platform to list on. And with that, we saw unique partnership with Yves Rocher, Oribe, Rare Beauty on the fashion side COS, Superdry as well as Birkenstock. The brands launched in the last 1 year alone are 330-plus on the beauty side and 1,700 plus on the fashion side. So clearly, the platform is getting wider and more meaningful in its ability to serve to the customers.

We also saw launch of Nykaa Fashion Luxe. We've had a fantastic business on the beauty side, on the luxe side. And I think we are now starting with focus on Nykaa Luxe Fashion as a Luxe store-in-store environment. And we do believe that we've been able to get a fairly good set of brands to launch with us initially, and this will continue to grow as we go forward.

Another interesting acquisition that I'm really happy to announce on the back of a Aminu that was announced last quarter is that House of Nykaa has unlocked yet another new growth vector through acquisition of a brand called Simply Nam.

This is a brand by Namrata Soni, a beauty makeup professional, extremely well respected in India with all of the celebrity artists being her customers and a very trusted name in the beauty industry. And we are really happy to announce an acquisition of her brand, and she will be staying on for a long period to be partners with us in that business.

On Nykaa, another very interesting announcement is our partnership with L'Oreal in terms of Nykaa and L'Oreal BOLD. This is a strategic partnership to invest in the next generation of high-growth Indian beauty and personal care brands. And this is also unique and I think it brings the full power of 2 global beauty majors, Nykaa in India and L'Oreal globally.

And this would be a partnership that would be an important strategic partnership for any brand that grows into India. And through this, the ecosystem grows like we are able to give back to the beauty ecosystem and also the 2 brands benefit from being able to participate in the growth of beauty brands in the country.

I'm happy to say that the annualized GMV that now Nykaa caters to across all platform is $2.6 billion GMV in the second quarter, 65 million cumulative customer base, a 32% year-on-year growth. And also, of course, we now have 338 beauty stores, almost 73 stores added in last 1 year alone. With that, I hand over to Anchit to take us through the beauty presentation.

Anchit Nayar:

Yes. Thank you very much. Q2 has been a strong quarter for the Beauty business as well, with GMV growing 25% to over INR 4,400 crores and NSV growing at a faster clip by 28% to INR 2,500-plus crores. On the profitability front, EBITDA is up 51% year-over-year and has crossed 10% EBITDA margin for the first time. And this strong growth and profitability is on the back of strong new customer acquisition on the beauty.com business, as well as the premiumization and strong customer engagement from our repeat customers.

Also a point to note is the retail business has performed well, and this business has delivered a very strong early 20s like-for-like growth, the highest we've managed to deliver in the past 6 quarters.

In terms of the consumer momentum, it's again stayed strong in Q2. We continue to expand the reach conversion and optimize our spends as well as the consumer spends improving on the beauty vertical.

So in terms of monthly active unique visitors, that has grown at 30%, which is testament to the fact that we have continued to improve the engagement. And the kind of activities we are now doing on our platform is highly engaging for our consumers, and that's reflecting in the monthly active unique visitors. In terms of annual unique transacting customers, that is now at 22.1 million. And again, on the back of both strong customer acquisition as well as stronger engagement from existing repeat buyers. Finally, on AOV, we have seen a 5% increase year-over-year.

So, I would say, healthy AOV improvement on the back of premiumization of brands that are being bought on the platform, thanks in part to a lot of the work that we have done as a retail platform on improving the education awareness for premium brands and premium products, and that is now reflecting in the AOV mix as well.

So, this year, as mentioned earlier, was a great year and especially a good quarter for new brand launches. Several high-profile global brand launches on the platform include Yves Rocher, which is a French plant-based skin care and color cosmetics brand; Oribe, which is a U.S.-based professional hair care, luxury professional hair care brand and Mamonde, a trending viral Korean skincare brand owned by the Amorepacific Group, were the 3 launches this quarter that were not only global brands in terms of their level of awareness for these brands, but these were also brands that were launched exclusively through Nykaa's Global Store, which is our distribution and imports hub.

And I'll talk about that more in the subsequent slides. In terms of overall brand additions for the year, it was over 330 and many global brands that launched exclusively on Nykaa not just this past quarter, but earlier in the year include brands such as La Roche-Posay, which is the leading skin care brand globally owned by the L'Oreal Group; Anua, a trending Korean brand out of Korea, Aestura owned by the Amorepacific Group , the number 1 derma skin care brand out of Korea and SK-II, which is a prestige skincare brand owned by P&G.

So, spending some time to talk about the Nykaa Global Store. We continue to be seen as the partner of choice, not only for retailing or listing products and brands in India, but more importantly, for being the go-to-market partner of choice. And what I mean by that is Nykaa offers the services of enabling a brand to import, register, price, handling supply chain warehousing, end-to-end services for our brand partners. And we do that through our distribution arm that is called the Nykaa Global Store.

And it's exciting for third-party global brands to partner with Nykaa because, of course, we have tremendous local expertise. We understand the market well, and we're a specialty retailer. But on top of that, we also have the scale in terms of our 52 million-plus beauty shopper base, being the largest specialty retailer in beauty and having very wide distribution through both our dot-com as well as our retail channels.

Second, we are a locally relevant marketing engine. Full stack marketing services are offered to the brand partners across content creators, events and experiences, performance and digital marketing services. end-to-end full stack marketing is something, which we're able to offer to these global brands looking to distribute and retail in India. And third, of course, we own multiple channels through which to reach the consumers. Of course, we've got online channels like nykaa.com and Nykaa Man.

We also now are offering the ability to run direct-to-consumer websites on behalf of our Global Store brand partners. Second, we are also now offering the ability to run free-standing stores on behalf of our brand partners as well as distributing them through our multi-brand specialty stores.

And last but definitely not least, giving them the ability to distribute even more widely across the 0.5 million general trade, modern trade retailers, which we touch currently through our B2B Superstore arm as well. So local expertise, large consumer base, full stack marketing services as well as a wide distribution and reach through multiple channels. I think it's a very attractive proposition for global brands looking to go to market in India with the right partner.

And I think it's reflecting in the fact that currently, we have over 45 brands already who partnered with us through Nykaa Global Store. And these brands are growing at over 60% year-over-year, which is more than double the growth rate of the overall platform. So not only are they getting the benefit of working with Nykaa, but they're also seeing accelerated growth because of the relationship. And some examples of the brands who are working with us through this business model are listed on the slide as well.

Next slide, please. So here are some, I would say, key call-outs from our global store, some case studies of exceptional outcomes we've delivered for global brands. Korean brands are a big part of the overall portfolio, given that Korean beauty is trending and doing well, not just in India, but globally.

Today, 34% of the total Korean beauty business that is done on Nykaa is being done by brands who are currently coming through the Nykaa Global Store. And these brands are growing at a GMV of 2.5x that of other Korean brands in the platform. Secondly, the Nykaa Global Store has been a great way for us to bring luxury brands into the market.

And currently, there are 17 global luxury brands, which are being distributed via the Nykaa Global Store. Talking about the unique end-to-end partnerships, as I mentioned on the previous slide, today, we are now also offering brands the ability to manage not just retailing them on Nykaa's platforms, but also operating their stand-alone direct-to-consumer websites, as well as building and operating their free-standing stores as part of their overall go-to-market strategy.

And currently, we are live with this for Kiehl's, which is a skin care brand owned by L'Oreal as well as for Charlotte Tilbury, which is a makeup brand, a highly popular makeup brand that is owned by the Puig Group. And finally, we do a tremendous amount of education and brand building, locally relevant brand building for a lot of these brands. So, offering everything from FSS, reselling stores to EBO, to dot-com to marketing services. These are just some examples of the work we do on behalf of these Nykaa Global Store brand partners.

Finally, as was mentioned, this was the fourth addition of Nykaaland, and the Nykaaland continues to get bigger and better every year. It is an industry-defining event. It is an event that helps to continue to grow the awareness and grow, I would say, the appreciation for all things beauty in the country. It is probably one of the largest events of its kind globally.

And you can see that the attendance was quite meaningful, but more equally important was the kind of social amplification and reach that our content that is created at these events are able to get, and that is upwards of 150 million of social channels itself from over 1,500 content creators, celebrities and key opinion leaders who attended the event.

In addition, we had some of the best brands participate in this year's Nykaaland, all the way from international luxury brands to homegrown D2C as well as fashion, lifestyle and upcoming wellness and Korean brands as well participating in Nykaaland.

Talking a bit about retail. We have just about slightly more than doubled the store network over the past 3 to 4 years and expanded the number of cities to 111. There is today, 253 of our 338 stores are multi-brand format stores.

69 of our stores are now House of Nykaa, either kiosks or small format stores and 16 brand boutiques are currently being operated by us, 14 for Kiehl's and currently 2 for Charlotte Tilbury. And 14 new stores were added in the quarter.

But I think what's most important to spend a minute on is the kind of growth engines that are starting to really bear fruit on the retail business. You can see that like-for-like same-store sales growth was up 20% plus, which is the highest same-store sales growth we have had in the past several quarters and past several years as well. In terms of our annual unique transacting customers, we have almost quadrupled the AUTC count in our retail division over the past several years.

And finally, the general thematic that we're seeing across both online and offline is Nykaa's efforts to premiumize the consumers' basket is paying dividend. And in retail as well, you can see that the average order values in retail today are 40% higher than they were several years ago.

Touching upon Nykaa Now, which has been probably one of our newest initiatives on the beauty side, but quickly, rapidly scaling. Today, Nykaa Now offers the largest assortment of beauty and wellness assortment in India on any platform for delivery within 30 to 60 minutes. And not only are we different because of the width of the assortment we offer, which is over 1,000 marquee brands as well as at an SKU level, the depth of our SKU count on offer through Nykaa Now is more than double that of the other quick commerce players in the space.

But I think the other thing that's very interesting about this business is that we are offering across price points from mass all the way to premium and giving consumers the ability to buy and receive premium and prestige beauty products within 30 minutes to 60 minutes is an unparalleled experience in the country today. And of course, Nykaa has always been associated with authenticity and trust given the way our business has been built over many years.

And I think that is, again, reinforcing our belief in our right to build meaningful market share in the quick commerce space as Nykaa Now continues to scale ahead of our expectations over the next several quarters. And on the right, you can just see some of the advertisements and marketing we did for Nykaa Now in this past quarter. A very fun advertisement was done between Sharvari and Sheeba Chaddha and it's worth watching.

Finally, as was touched upon in the opening remarks, Nykaa has a very long-standing relationship with the L'Oreal Group. It's a relationship that has been now over 10 years in the making. We have worked with L'Oreal as a key retailer of theirs across different divisions from their Consumer Products division, all the way to their Luxury Division. As I mentioned, we have also now started to operate Kiehl's brand end-to-end operations in the country. And finally, as we continue to take this relationship deeper, we have signed the partnership to potentially invest in the next generation of high-growth beauty brands in the country.

And this is something that we're excited about because we think with Nykaa's distribution and local specialization and L'Oreal's global expertise and R&D capabilities for any young D2C brand in the market today, this combination, I think, is a very attractive one as they look to their

own capital and fundraising requirements. And with that, I'll hand it over to Adwaita to take you through the House of Nykaa.

Adwaita Nayar: Hi, everyone. Good evening. Today, we'll talk about the House of Nykaa. As of this quarter, the annualized GMV run rate is at INR 4,000 crores and an annualized NSV number of INR 2,300 crores. NSV has grown at 36% year-on-year. As a reminder, we're talking about 8 brands across the beauty ecosystem, which is shown on the right-hand side, and we're talking about 5 brands on the fashion side. Across our brands, we served 19 million consumers till date.

And in terms of distribution, we continue to retail on Nykaa platforms, Nykaa offline, but also a large network of offline stores in the general trade, modern trade space as well as D2C websites, third-party marketplaces and an international presence. We continue to build this business out holistically such that the brands are truly brands and not private labels. And in that sense, they will have complete 360-degree distribution, and those are capabilities we've been building these last couple of months.

Moving on. Here, we show the NSV trajectory over the last couple of years. You can see how this business from 2024 in a particular quarter did INR 150 crores of NSV. And in this past quarter, we've done INR 535 crores. So it's a 3x growth in terms of NSV and year-on-year growth of 39%.

On the right-hand side, we can see how that splits across various channels. And so we are building a diversified set of sales across Nykaa channels, offline, online, 3P and what is proprietary to us. We can move on. The 3 large brands that have really established themselves very clearly in the market and leadership positions are number 1, Dot & Key, which continues to grow from strength to strength. It remains one of the absolute top skin care brands in the country with INR 1,300 crores of annualized NSV.

This quarter, the team delivered strong innovation from the tinted sunscreen perspective and also launched the Dragon Fruit Jelly Bounce Moisturizer. The innovations are continuing to make the brand very relevant, and we're seeing good and strong growth in this brand.

Similarly, very strong growth coming out of Kay Beauty, a makeup brand with Katrina Kaif, which has now an annualized run rate of INR 350 crores, again, growing extremely strongly and gaining market and leadership ranks across all platforms and distribution channels. It's also a brand that we continue to focus internationally, and we're deepening our efforts in the U.K. with a visit that Katrina recently made to the market.

On the right-hand side, we have Nykaa Cosmetics, which is now a INR 300 crore brand also growing well. And the brand continues to focus on bringing accessible trendy beauty forward products to the market in a timely manner made for the Indian consumer and therefore, fills a very appropriate sort of positioning that was to be taken.

Moving on. On this slide, you see some of our other brands, which are smaller in size but are growing very fast, whether that's Nykaa Wanderlust, our Bath & Body brand, whether it's Earth Rhythm, which is our clean beauty potent natural ingredients meeting active skin care, whether

it's Maison Moi, which is one of our recent launches. It's a premium fragrance brand that we're very, very excited about.

We feel fragrance is an opportunity we definitely want to lean in on. And whether it's the Aminu acquisition we announced last quarter, which is a premium derma cosmetics brand, which has very strong innovation and R&D capabilities. This quarter, we're also announcing an acquisition of an 82% stake in Simply Nam. Simply Nam is a brand that has really caught our eye, and we're very excited about this. It's an expert-backed beauty brand that was founded by celebrity makeup artist, Namrata Soni, who is truly a stalwart in the industry.

And we're excited to work with her to really build a formidable premium makeup artistry-led, expert-led brand. As of now, this brand in FY '26 had a net revenue of INR 17 crore and has seen 5x growth in the last 4 years. The brand has very much focused on Namrata's philosophy when it comes to makeup and the products that she thinks are essential.

What we're really looking forward to in this partnership is exactly that her philosophy, her ethos, her focus on R&D, on formulation and bringing that expertise. So, this is a brand that will be more premium than the makeup brands that we currently work on and will be more focused on makeup artistry and expertise and delivering that to the Indian consumer.

We can move on. In terms of where this fits into our portfolio, over the last 3 to 4 quarters, as you can see, we've been trying to thoughtfully put together a portfolio of brands that is truly enduring. And on this chart here, you see brands that we've had and been building over the last couple of years. You see acquisitions which are in the pink bubbles and you see more recent acquisitions, which are in the squares.

So between what we're building internally, whether that's Kay, Nykaa Cosmetics, Wanderlust, our perfume franchises, which we decided to build internally versus things that we've acquired, whether it's Dot & Key, Earth Rhythm, Aminu and now Simply Nam, we are working thoughtfully on really how to fill out the portfolio in a way that makes sense in a way where we're seeing a lot of growth, a lot of opportunities where there's an ability to build something differentiated.

I think for us, building more in mass premium, building in more specialized differentiation, expert-led is really the play that we're going to be going after.

Moving on. In terms of where Simply Nam fits into our makeup portfolio, as some of you will rightfully ask, where does it fit in? And so we have 2 makeup brands today, Nykaa Cosmetics and Kay Beauty. Nykaa Cosmetics really is about the trendiest makeup for the young consumers brought to them in a very timely manner. It plays at INR 300 to INR 750 or so of price point.

Kay Beauty, which is a partnership, we very much value with Katrina Kaif, brings her beauty expertise to life through high-performance skincare-infused makeup. It has a lot of glamor in the brand. And that's a brand with wonderful products at INR 750 to about INR 1,200. And then when we talk about Simply Nam, that's going to be built very much around her makeup artistry expertise and philosophy of enhancing natural beauty, and that will play at INR 1,250 to INR 2,000. So, there's a laddering within makeup that we're very focused on.

Moving on. In terms of the transaction structure, we'll be acquiring 82% for INR33 crores. Namrata Soni will continue to own 18% and serve as Co-Founder and Chief Product Officer. And we'll be bringing Nykaa's reach, scale and capabilities to her lens of innovation, formulations and education. And this transaction is expected to close in quarter 3, subject to regulatory approvals.

With that, I'll hand over to Vishal to walk us through Superstore.

Vishal Gupta: Thanks, Adwaita. Hello, everyone. Happy to share that Superstore also had a very good quarter where we improved our scale by close to 30%. We grew our onboarded retailer network by 27%, reaching more than 0.5 million onboarded retailer base. We expanded to 100 more cities, taking us to 1,200 cities.

We grew NSV at 28%. The difference between GMV and NSV is half because of the GST-led impact where the GST, as you all know, came down last year. I had already spoken about this in the previous call, where I had said that we will lap this out from Q3. So from Q3 onwards, you will see the gap between NSV and GMV narrowing down. And half the gap is due to our own efforts in improving cancellations and returns, et cetera, so leakage reduction.

So overall, net-net, we have improved our scale by 27-28%, which is very much in line with what we had shared in our Investor Day.

Next. Now the interesting thing is that this improvement in scale came by zero increase in our off-line BDE headcount, which remained stable at 2,300, while we onboarded more retailers and serviced more retailers. You can see in the top right that per retailer, we are now servicing 26% more retailers, which really brings to fore the focus we are making in improving their productivity and their GMV per BDE went up by 14%. In fact, NSV went up by 28%.

So, good improvement in productivity. Next. And this ultimately lands in the P&L as a 363-bps improvement in S&D expense. That along with improvement in fulfillment expense, which is an improvement in spite of a little bit more money we had to give as part of the new labor code. So overall, our EBITDA continues to improve, and we improved by 370-bps.

Our scale is actually quite mouthwatering to our brand partners, and we continue to attract new brand partners. You can see the scale of our brands, which continues to go up and we attract new brands. All the D2C brands sort of want to work with us across categories, and you can see a handful of them listed on this chart.

As I had said, we are building a platform that is not in the long-term going to be dependent on sales people. So, we are building a habit of retailers to come on our app. And therefore, it becomes much more productive ecosystem where the retailers organically engage with our app and place orders.

And to further that, we have revamped our app interface, making it much more personalized, much more simple and easier to see what is the right pricing, what are the deals, what we have used stuff like what they bought before, of course, their purchase history, what the nearby

retailers are buying, allowing for discovery of new brands, which are high margin for them, all our data science-led recommendations.

So, we just launched this a few weeks ago, so we should see the impact of this as we go along. But we continue to build our app and ecosystem, which will encourage the retailers to engage on their own, which really brings a very productive overall ordering ecosystem. Over to Abhijeet.

Abhijeet Dabas: Yes. Thanks, Vishal. Hi. Good evening, everyone. Once again, very happy to share that both on growth and profitability, our fashion business continues its trajectory, which we have consistently now been able to share over the past many quarters.

As has been shared already on the NSV side, as you can see, the last quarter, we saw growth of 47%, INR 509 crores of net sales value in the last quarter, which was coming from 42% growth in GMV. So overall, very healthy growth. This growth has been possible on the back of continued addition of brands across different categories, across women's and men's as well as some of the emerging categories like kids and to a lesser extent, home and across many subcategories within that, most particularly women's western wear, men's fashion apparel and sports have been very fast growing over the last quarter.

As a result of the fast growth as well as improving efficiency, both on marketing and overhead cost absorption, for the third successive quarter, we continue to be EBITDA positive, as was shared before. Versus a minus INR 12 crore EBITDA in the corresponding quarter last year, this quarter, we were on a plus INR 1 crore EBITDA.

So again, to recall, we broke even in quarter 4 of the previous fiscal year. And in the second quarter of this year, consistently, this is the third quarter where the business has been profitable, driven by structural improvements in the underlying business.

Next slide. Just a very quick snippet on the consumer funnel. So as you can see, right from visits all the way to transacting customers and orders, we've seen healthy growth over the past quarter.

But the key thing on this slide is that with a 25% year-on-year growth in visits, we have been able to deliver a much stronger growth in the number of transacting customers as well as orders, and that's because of a lot of product enhancements, which have gone into improving conversion as a result of personalization as well as just a lot of use of AI and smart funnel optimization. The conversion has delivered significantly better outcomes in the previous quarter.

The growth is driven not just by a strong repeat funnel but also continued strong customer acquisition. So, customer acquisition itself has increased 31% year-on-year. And as a result, the cumulative customer base for the fashion business alone is now 12 million plus customers, which is a sizable number and continues to grow in a healthy manner.

I should also point out that a lot of this customer addition is happening from the premium customer bases in the country, with premium customer bases in the country, which is very over-indexed on iOS and premium Android devices as we now like to look at. We don't any longer look at only the tier of city from where customers are coming from, but we look at the device

type as a key indicator of the affluence of the customer, and we are very focused on acquiring premium customers as we speak.

AOV continues to be leading in the industry. We continue to be the preeminent premium fashion platform for online shopping, AOV of close to INR 4,400. And I will talk a little bit about additions we have done to our Luxe portfolio a few slides down the line.

And as I said, as a result of marketing optimization and product enhancements, our customer acquisition cost also for the 31% new customer growth, CAC itself is 30% down. So, we are acquiring more customers and doing so more efficiently, which will show up in the marketing percentage spend that you will see a few slides down.

Next slide. These are just some examples of the 250-plus brands that we have added. And as you will see, many of these brands are more premium as well as some Luxe brands that always have been our focus. Some more prominent names are Superdry, as was called out before, ANTA Shoes, which is a very large global sports footwear brand; ECCO, and also from categories such as home, you will see a brand like Sleepwell on this slide as well as Childhome. So, well-rounded brand addition across multiple categories, which continues to strengthen the assortment that we are able to offer to customers.

Next slide. As you will recall, we had called out the launch of H&M in quarter 3 of financial year '26, which was a real marquee brand launch for the platform. And very quickly, H&M established itself as one of the top brands on our platform. We've been successively working with the H&M Group to deepen the partnership with them because it's really a brand, which we respect deeply and one which has shared objectives with us in being able to democratize premium fashion for the discerning customer in India. We followed that launch up with launching H&M MOVE as a sub-brand in quarter 1 of this financial year. And again, it's an example of being able to work with the brand to position it differently versus how it may be positioned on other platforms. We are a platform, which prides ourselves on being able to lead with non-discounted sales, with being able to launch and give prominence to key propositions like these for our key brand partners. And most recently, in the previous quarter, we launched COS, which is another landmark moment for us as a fashion platform.

COS, as some of you will know, belongs to the same group, the H&M Group. COS launched in India offline a few months ago. And this time, launches exclusively online through Nykaa Fashion, and we are very excited with launching COS and already initial traction we are seeing in terms of numbers.

Next slide. Again, doubling down on the point which was shared earlier about Nykaa Fashion Luxe as a separate proposition being launched in the previous couple of quarters.

We now have, much like on Beauty, we have a separate dedicated experience for our Luxe customers and Luxe brands. There is a shop-in-shop, which we launched a few months ago on Nykaa Fashion, which does luxury fashion very differently compared to what is available elsewhere in the industry. In our case, it is really a very curated mix of brands across both international luxury as well as Indian designer labels. You will see many examples on this slide.

We offer personalized concierge service, styling, customization, alterations, end-to-end support even post ordering online.

And in our case, like always, we work only with authentic brand partners so that there is no question of trust in a consumer's mind. We've always had a very strong assortment of Indian designer labels. But over the past quarter, we have been able to onboard a very wide range of marquee international luxury brands. There are some examples shared on the slide here. You will see very well-known names like Prada, Michael Kors, Fendi, Cavalli, Valentino, and there are many, many others.

And we believe that over the time to come, we will now be in pole position to continue to grow the luxury business for us, which will have obvious benefits in terms of AOV as well as quality of business that we are able to deliver.

Next slide. I will round off. This is the last slide in this section, but all of what I covered previously, the increasing scale as well as efficiency improvements across the funnel, has translated into the EBITDA improvement. So as you can see, fulfillment expenses, in spite of us finding ways to deliver faster, in keeping with customer expectations nowadays, we have been able to keep fulfillment expenses in check.

Marketing and S&D expenses are significantly better, more than 400 basis points better year-on-year. Overhead expenses are close to 200 basis points better. And as a result of all of that, we are able to deliver 370 basis points better EBITDA year-on-year. So overall, very strong quarter and looking forward to quarter 3. Over to you, Ganesh.

P. Ganesh: Thank you, Abhijeet, and good evening, everyone. I will now take you through our performance for the quarter as well as half year of FY '27. As we can see, we have continued to deliver strong growth with sharp acceleration in profitability. Quarter 2 was another quarter which was strong for Nykaa, with growth remaining healthy across the business and profitability continuing to scale. Net revenue grew 28% Y-o-Y to INR 3,006 crores versus INR 2,346 crores a year ago.

EBITDA has also grown well at 65% Y-o-Y to INR 263 crores, and EBITDA margin expanding by 196 basis points to 8.7%. Our PAT growth has also moved up in tandem and has been very strong at 207%, taking PAT margin to 3.4% versus 1.4% a year ago.

Going to the next slide. Nykaa's strong performance is evident in acceleration across both our business verticals. Beauty maintained its healthy momentum with NSV growth at 28% for the quarter versus a little lower at 27% a year ago.

Fashion has continued to build on its growth scale, delivering another stellar quarter with NSV growth of 47% versus 27% a year ago. On the profitability front, both businesses have continued to expand margins, supported by operating leverage and scale efficiencies, while we remain focused on investing behind growth opportunities.

Moving ahead. Let me now walk you through our consolidated performance for the second quarter of FY '27. Revenue from operations grew 28%, reflecting healthy momentum across both Beauty and Fashion.

Gross margin expanded by 106 basis points to 46%. This was supported by the rising contribution of House of Nykaa portfolio, along with an uptick in marketing income. Fulfillment expenses increased by 47 basis points as we continue to invest in our infrastructure expansion, which is leading to O2D efficiencies.

The increase in fulfillment expenses has been offset by improvement in marketing and S&D and also leverage on employee expenses and overheads. Marketing and S&D expenses as a percentage of revenue has improved by 50 basis points to 15.2%, down from 15.7% a year ago.

This reflects better efficiency in performance marketing spend across both Beauty and Fashion platforms, along with improved BDE productivity on our Superstore business. Similarly, employee and other expenses as a percentage of revenue has also improved by 87 basis points to 11.9% from 12.8% a year ago, reflecting scale efficiencies and productivity gains across the organization.

Taken together, these factors have resulted in an EBITDA growth of 65% Y-o-Y, which is a sharp 196 basis points expansion in EBITDA margin, taking it to 8.7%.

Moving to the next slide. Here you get a snapshot of our vertical reporting, which provides an in-depth performance details across both our business verticals. At the vertical level, as we can see, both businesses have continued to improve meaningfully on growth as well as profitability. Both Beauty and Fashion have seen an acceleration in revenue growth on a Y-o-Y basis, and a notable margin expansion benefiting from scale, operating leverage, efficiencies and productivity gains.

Moving ahead. The next slide is similarly a snapshot of our vertical reporting for H1 FY '27, which is reflecting a similar pattern. Moving to the next slide.

Here, when we look at our capex, it remains quite steady at about 1% of revenue, even as we continue to invest in key growth areas, including retail store expansion, fulfillment capabilities as well as in tech. This reflects our continued focus on capital efficiency.

Moving to the next slide. Overall, from a balance sheet point of view, if we were to sum up, what we can see is that Nykaa has maintained a disciplined approach to capital utilization with a focus on long-term value creation. As profitability continues to improve, we are also seeing a steady improvement in capital efficiency, and this is resulting in a stronger balance sheet.

Fixed asset turnover increased to 10.8x in H1 FY '27 compared to 9.9x in FY '26, reflecting the increasing salience of our asset-light businesses. Working capital days, which were already healthy at 28 days in FY '26, have remained stable at a similar level for H1 FY '27. Together, with the improvement in profitability and capital efficiency, this has driven a sharp improvement in ROCE, which is now up at 27.3% in H1 FY '27.

So overall, to conclude, Nykaa has delivered yet another strong quarter with healthy growth across both verticals, continued margin expansion and a meaningful improvement in capital efficiency. We remain focused on balancing investments behind customer acquisition, infrastructure and future growth opportunities, with disciplined execution and improving

operating leverage. With our differentiated omnichannel approach, powerful brand ecosystem and sharper operating leverage, we remain confident in our ability to create sustainable long-term value for our stakeholders. With that, we will now open the floor for questions.

Moderator: Thank you very much. The first question is from Videesha Sheth from Ambit Capital. Ms. Sheth, please unmute yourself and speak. As there is no response, we will move on to the next question from Kapil Singh.

Kapil Singh: Congratulations on another strong quarter. I had a few questions on AI. We are seeing possibly increased pace of new brand launches with AI. So just wanted your perspective on this. Is this an opportunity for Nykaa or how do you perceive the threat for House of Nykaa?

And the second sub-part of the question is that we are also seeing a trend of AI shopping agents emerging. Is there a risk of consumers bypassing Nykaa's platform for product discovery and purchases? And how are you preparing for this?

Falguni Nayar: I think I will take the question, and I'll answer the second part first. I think on the second part about AI agents and whether they were to complete the transaction on Nykaa or elsewhere, depends. I think it emerges not like, obviously, AI agents cannot optimize for only one outcome. They would have to look into what the consumer mindset is about how to complete the transaction.

So I feel that the company tends to have a lot of moat in terms of large assortment, unique assortment, faster deliveries, high-quality advice and matching the consumer's desire with the right products, which has been a big discovery-led category that Nykaa is, where it's a question of reading the consumer mindset and surfacing the right products, where Nykaa's done some great work.

So I think there are enough moats that make us believe that Nykaa will continue to be a meaningful contributor in an agentic world. And Nykaa's doing everything, not just wishing, but doing everything to make sure that the partnerships and the platforms are ready to be playing that role in an agentic-dominated world.

So that's the answer to the second question. On the first one, I think we do believe that it's not just due to AI, but in general, beauty as a category is seeing a lot of brand proliferation, not just in India, but all over the world. So in every market, whether be it U.S., Korea, China, there is a lot of brand proliferation.

I was recently in China where almost 20,000 brands are launched annually and 15,000 shut down. And I think the retailer role where a lot of customers are already there and they're coming to discover great new brands is an important role in such an ecosystem. So I think even when Nykaa was first set up, it was with a clear understanding that beauty as a category has a lot of brand proliferation, and that is good for the retailer.

So I think we want to continue to play the role in allowing brands to be discovered by the right customers and also being that platform where new brands get discovered, but at the same time, the customer is also able to choose the right brand that matches them. So a lot of personalization,

a lot of like, we are working on a customer cube where a lot of information about the customer will be there that will allow us to match what would complete the transaction, and all that will be evident in the conversion and in the efficiency of the platform, and we are seeing some of that.

Kapil Singh: Okay. And the second question was on Nykaa Now. Could you comment on the economics of Nykaa Now? What are the contribution margins after fulfillment and last-mile delivery costs? And how do they compare to the core platform? And also on the scalability, what do you think? What is the experience so far?

Anchit Nayar: Yes, maybe I will come in. So we are not disclosing separate standalone financials for Nykaa Now, but directionally, what I can tell you is that it is not very different from the mainline order, both in terms of cost of servicing nor in terms of the average order values at this point in time.

There is a possibility that the AOVs could be slightly lower for a Nykaa Now order versus a mainline order because customers don't need to wait to build a basket. They can just pick up products and check out. And also, the plan is to help Nykaa Now to really grow our market share on personal care categories as well, which have historically not been an area where we have focused.

So there could be some impact on AOV on Nykaa Now orders, but we believe that the higher frequency of purchase that Nykaa Now will facilitate will more than offset that when I look at it from an annual consumption value perspective. And in terms of the other cost, I think the main cost is fulfillment, and that's, as I said, it's not materially different from the cost of servicing a mainline order, a Nykaa Now order.

So yes, I think that's how much we are sharing at this point in time with regards to Nykaa Now. As I said, we are very confident this will help us to really bring incremental demand to the platform, both in terms of the number of orders placed by consumers, but also ultimately in the annual total consumption value of the shoppers on the platform by having this capability live. So I know that doesn't fully answer your question, but that's the best we can do at this point in time.

Moderator: The next question is from Aditya Soman.

Aditya Soman: So 2 questions from me. Firstly, we have seen you indicated very strong like-for-like growth despite sort of 26% increase in retail growth in the Beauty business. So one, what is driving this? Is there a significant component of pricing just given that we have seen inflation?

And second question on the Fashion side, can you sort of give some sort of quantification of the impact of, let's say, the relationship with H&M and Nike and what that's done to the business, particularly with regards to sort of this massive acceleration in customer additions? So you have talked about 31% new customers, but at a lower CAC. So would these sort of partnerships have played a big part in this?

Falguni Nayar: Sorry. Can you just repeat the question?

Aditya Soman: Yes. So the first question was on the Beauty side, where we have seen 20% plus like-for-like growth, and this is despite a very strong retail base area addition. So what's driven this? And what proportion of this is pricing, if you can sort of give us a sense, given that we have had strong inflation?

And the second question was on the Fashion side. So can you give us some sense of how much this relationship with H&M or Nike have contributed to this acceleration in customer acquisition and the lower CAC? If you can quantify that?

Falguni Nayar: Yes, sure. So I think on Beauty, the growth is obviously a segment growth which reflects both a strong growth in Beauty omnichannel vertical, which is driven by new customer acquisition as well as slight premiumization through AOV increases and maintaining of returning customer. You can see the annual unique transacting customer also has been growing strongly. Monthly unique active customer has been growing well. So I think everything is working well for Beauty, driven by assortment and momentum on assortment and also Nykaa Now for quick delivery.

So I think everything's coming together for Beauty omnichannel business. It is slightly uplifted by growth in House of Nykaa and also retail, which are both growing a little ahead. This quarter, Superstore was slightly lagging behind. So overall, I think the segment growth tends to be similar to overall core growth. So, I think overall that everything is coming together well, with the exception of Superstore, where clearly, we constrained growth to become more efficient.

As far as Fashion is concerned, clearly led by H&M and Nike, there are certain categories that are growing strongly. Footwear category as well as men's category have seen strong momentum, and that is reflected in those results, and it is reflected in the growth momentum that we have experienced, and it is also reflecting in the marketing efficiency improvement that we are seeing.

So the entire Fashion business, at the summary level, and I think we do show segmental reporting, and if you go through the line items of segmental reporting, what it is doing is that the higher growth is allowing us to improve in terms of fulfillment is slightly better, marketing costs are slightly lower vis-a-vis.

Actually, vis-a-vis a year ago, marketing costs are significantly lower. There is almost a 350 basis point improvement in marketing costs, and you're also seeing that other expenses are also being spread over larger turnover, and hence there is an improvement from those coming down from 13% to 11.1%. So overall, there is close to 350 basis point improvement in the Fashion margins driven by strong revenue momentum.

Aditya Soman: And if I just may follow-up on the first point. So would it be fair to say then that the sort of contribution from inflation isn't very large? It would be more holistic in the sense of premiumization driving that AOV uplift?

Falguni Nayar: Yes. We believe that it's premiumization driving the AOV uplift rather than inflation yet into the prices. And also on Fashion, I just wanted to say that we have also been sharing that the assortment on the Fashion platform is growing very wide and is growing in every category. So even that is driving. So it's not driven by only couple of big players.

Of course, they have a role in our growth, and so is the rest of the platform growing well.

Moderator: The next question is from Sachin Salgaonkar.

Sachin Salgaonkar: This is Sachin Salgaonkar from BofA Securities. My first question is on advertising. Any sense in terms of where ad revenues as a percentage of GMV is there for both businesses? And are we seeing brands change the way they advertise heading into this entire new world of agentic AI?

Because, I mean, based on multiple interactions what we are having, brands across platforms are looking to advertise in a different way. Question out here is, should we see some change because of agentic AI in terms of how they're advertising? Or should ad as a percentage of GMV continue to increase for Nykaa?

Falguni Nayar: Anchit can take this? Would you like to take it?

Anchit Nayar: No, no, I can take it. So I think it's been a good quarter when I look at the monetization piece or what we call as marketing income, as services and marketing income at Nykaa. On the Beauty side of the business, it's been a strong quarter. There's definitely been a recovery over the past several quarters.

And we continue to remain very optimistic that, as we are and continue to be the largest destination for the most relevant base of shoppers in the country when it comes to the beauty category for beauty brands to get access to not just the scale of the customers we have, but also the quality of customers we have, is a very unique and quite a targeted cohort of consumers that they want to have the ability to speak to and engage with.

So the strength of the platform in that sense is well-known to the advertisers, and they appreciate that. And I think, as I've spoken about in the past couple of quarters, we've also invested this past year, year and a half behind building more capabilities for advertisers, more opportunities for advertisers to be able to spend on the platform across the funnel and sharing a lot more real-time consumer insights and ad performance metrics with the advertisers.

So I think by creating more opportunities to advertise as well as being able to share real-time data and tracking of performance campaigns, and on top of that, of course, you've got just the sheer scale and relevance of our shopper base, I think it's a very attractive and continues to remain and become more of an attractive proposition for advertisers.

So if there is going to be a shift in budgets, I think it is going to continue to be away from traditional forms of media into more new-age digital forms of media. And I think advertising on e-commerce and quick commerce platforms like Nykaa is probably the direction in which a lot of those advertising dollars will move. So I hope that answers the question.

Sachin Salgaonkar: Yes. So Anchit, when we talk to quick commerce platforms and others, they do say around 3% to 4% of their GMV is around ad revenue. Is Nykaa similar, higher, lower? How should one think about the range?

Anchit Nayar: No, I think it's not disclosed.

Falguni Nayar: I think you would have to judge it from standard retail margins to what Nykaa's margins are, and I think it tends to be much higher. I think you really can judge it based on the overall gross margins that we report.

Sachin Salgaonkar: And Falguni, does that mean are we coming at a ceiling? Because what you are alluding to is pretty high ad as a percentage of GMV, and typically at 5%, 6% ad as a percentage of GMV does cap for most companies.

Falguni Nayar: I think it depends on how you convert and what results you deliver and what is the efficiency, what is the ROI that the brands enjoy on your platform. So the better your conversions, the better your value add to the brand partners. So I don't think so. I think Nykaa was doing a lot of work on building a strong ad platform that allows brand partners to do marketing in a manner that they are used to on platforms like Amazon. And a lot of that work has what is gone in over the last 2 years.

And yes, we do believe that we would like to, I think we are able to maintain our marketing. But I think that we still very retail-dominated numbers, but over time, like House of Nykaa does not have ad income. Superstore has low ad income, but that can grow. Fashion has lower ad income that can grow. So there are always competing vectors in our overall consolidated numbers.

Sachin Salgaonkar: Got it. And my second question is on Fashion EBITDA margins. Clearly, like any Internet business, Fashion margins have shown a sharp hockey-stick kind of an improvement in the last 4-odd quarters. You did mention reasons for that with scale improving, marketing expenses coming down. The question out here is, should we expect the same trajectory now to continue?

First, we have partnership with Nike, then you have a partnership with H&M, and plus you are seeing premiumization play out there. So directionally, on that basis, any range of margins we should expect in next 3 to 4 quarters?

Falguni Nayar: No, I think based on that. Sorry, go ahead, Abhijeet. Why don't you go?

Abhijeet Dabas: No, no, I was just saying that the guidance, Sachin, the guidance we will share will always be towards the longer-term guidance that we share. We never share 2, 3 quarters out guidance. And to that extent, the same things that we've been working on, which now have started showing results over a sustained period of time, over 3 successive quarters, will lead to the long-term guidance that we have shared, which is high single digits by FY '30 and then 10% plus in steady state.

The large part of that improvement from where we are now to get to there will again be on the back of better marketing efficiency, which is, it's doing the same thing, but just better and at higher scale, which is attracting customers at lower CACs, which is being made possible by a wider assortment as well as stronger brands that we are able to partner with. I think AI keeps coming up in conversations, but there are ways in which even us as retail platforms, when we try to target customers on various other platforms from which we try to attract customers, we are able to target exactly the right customers for us using tools which are AI-enabled.

And we offer the same in return as an ad platform to brands who want to spend money on us. So by virtue of that CACs improving as well. There's a lot of tech and AI which goes on underneath in making that happen, and then absorption of overheads better.

So we are still going to guide towards the same long-term guidance and not a 3, 4 quarter out number as we typically do. But given the trajectory, and this time, it is on the back of proven hockey-stick growth and profitability, as you have seen already, we feel even increasingly more confident that we are on track for our long-term guidance.

Sachin Salgaonkar: Yes. So Abhijeet, the question was exactly that, what you are talking about, a long-term guidance and adding that or superimposing that with the commentary what you are giving, that could be pretty soon rather than FY '30, because AI is helping you guys improve monetization, ad revenues are increasing, marketing spends are sort of coming down, scale economies are helping you.

You already showed minus 12% margin going to 0.2% in a span of, quite frankly, very fast period. So directionally, you do see that improving up in a meaningful manner. So that's the point, right? Why FY '30? That margin could be much earlier than that.

Falguni Nayar: No, I think just a couple of things on that. I think what is there on the screen is the vertical reporting, and you see that clearly the main area of improvement is the marketing cost, right? That's the only one that's different. It's not like Fashion is too off on fulfillment expense or other expenses. So the main area of improvement is going to be on marketing.

And marketing has a certain thing about repeat customers get more and more entrenched on the platform over a period of time, and it doesn't happen overnight. And I always keep reminding everyone that the Beauty business was built over, like now it's a 15-year-old business, whereas Fashion is about 7-8 years-old business. So it takes time to reach those echelons. And then obviously, the Beauty is a combined profitability based on certain percentage. Like, there's a certain percentage that comes through physical retail.

I think Fashion is currently purely only e-commerce, and over time, one has to make certain investments. So I think long term, we are very clear, but I think it's not like one will try to build the business in a way that makes sense from a meaningful creating dominance and moats over longer term. So it may not just rush to that level, but yes, whether '30, '31 or earlier. Yes, it's not next year for sure.

Sachin Salgaonkar: Got it. And last small question. You already have 338 stores in the Beauty side. Where should this stabilize? Do we see that going to 500-odd levels in a few years?

Falguni Nayar: Yes, we have given guidance that we will go to about 600 stores over the next few years.

Moderator: The next question is from Swapnil Potdukhe from JM Financial.

Swapnil Potdukhe: Couple of questions from my end. The first question is on the Q3 seasonality. It's a festive quarter, but we have been hearing from a broad set of people that there has been some slowdown

on the e-commerce side this time around. So if you can provide any color with respect to Nykaa, have you seen any kind of a change in pattern typical to the festive season?

Falguni Nayar: I think we are so much at the beginning of the festive season, with Nykaa's big sale usually scheduled for end November. So very difficult to judge and give any guidance on that. But we remain very optimistic about the quarter. Beyond festive season, what happens next year, I don't know. I mean, not for Nykaa, but in general for the industry.

But right now, I feel the festive season needs to be judged with full quarter numbers, which will only pan out when you see all the numbers up to December. So till then, it would be like hazarding a guess, which is not worth it. But we remain optimistic, and we hope that the season goes well.

Swapnil Potdukhe: But just to extend that question, how were the pre-festives typically, which is the buildup to that festive season?

Falguni Nayar: Pre-festive was strong, no? Like you can see in the quarter numbers.

Swapnil Potdukhe: Okay. I was referring to October month. The other question is with respect to your operating cash flows. So I can see that number in negative, this in the first half of FY '27, and likely because of a buildup of inventory. Can you just elaborate as to what exactly is happening there?

P. Ganesh: See, this is on the back of buildup of inventory for the festive season. And versus last year, when you look at it, the festive season this year is falling in quarter 3. So what you are seeing is actually a buildup of that. It's primarily on account of the inventory uptake, which will normalize by the time the festive season gets over and you come to the end of quarter 3.

Moderator: The next question is from Jignanshu.

Jignanshu: Just 1 question on the Beauty business. As we compare our Nykaa Now business with some of the quick commerce platforms, and as Anchit mentioned that we offer more SKUs, but we are also hearing announcements from many of those platforms about significantly increasing the store network and going into smaller towns. Whereas our Nykaa Now offering is expected to be 25 cities, right, by the end of this year.

So how do we think about the competition from there? And I wanted to just highlight one more point in this regard that, if till last quarter in the data that we used to share about the order volumes, if we back-calculate sort of the frequency of purchase, that was trending down for the last 4 to 5 quarters on the Beauty business, right, on an annualized number.

So are they too correlated? And can we share the order volume of the marketplace so that we can sort of track that? And am I wrong in considering that that's a lead indicator for some competitive intensity on Nykaa Now versus quick commerce? So would love your thoughts about this.

Anchit Nayar: Maybe I'll answer the question. So firstly, on the frequency of purchase number is a weighted average of new customer FOP and repeat customer FOP. And as we've always shared,

directionally, new customers tend to have lower AOVs, lower frequency of purchase in the first year of their time on the platform. So I wouldn't look at, it's more important to look at the frequency of purchase of their respective cohorts independently. So if our existing shoppers, their FOP is increasing or staying constant, I think that's probably the right thing to look at.

But we don't disclose separate FOP for new and repeat customers. As you can see from our monthly active unique visitors, that has grown 30%. So it shows you that there is a lot of interest, a lot of engagement from consumers. They're keen to increase the frequency with which they engage with the app, whether that's a visit or a shopping journey. But the level of engagement of shoppers with the app has increased, and that's reflecting here in the MAUV number.

So I wouldn't try to overanalyze the frequency of purchase number that you are anyway deriving from our numbers because it's a weighted average. With regards to the quick commerce expanding into smaller cities in Tier 2, Tier 3, look, I think we've always felt that retail in India is such a massive opportunity.

If I look at online retail, it is arguably even a larger opportunity because it's highly under-penetrated, and it is growing faster than other segments of the retail market. And within that, Beauty is even more severely under-penetrated. So I think it's a bit too early to start thinking about competitive intensity in a beauty market like India, and that too in an online beauty market like India.

And again, competition is not new for us, and as analysts yourselves, you have been asking this question now since we've been listed. But even before that, it was a different set of investors asking us the same question on competitive intensity. First, it was from the horizontals, then it was from the Indian large conglomerates who had gone into the space, and now it's about quick commerce. So I think if there's any proof in the pudding, it's that India retail is large enough for multiple parties to coexist. They're servicing different requirements, and ultimately, it's also about execution.

And I think for retailers who execute well, understand the consumer well and are offering a proposition that has a value to the consumer, then I don't think you need to worry too much about competitive intensity every couple of years. So yes, I mean, I think let them continue to follow the strategy they would like to follow. We have a strategy that we have been following for many years now. We always talk about it. Penetration and premiumization, both are important, both are playing out well.

Penetration, you can see from the customer acquisition, which we're doing year-over-year, quarter-over-quarter is healthy. Premiumization, you can see also on the platform, is playing out nicely. So existing shoppers shopping more higher ASP products more frequently on the platform. So our own thesis is playing out in its own way. So obviously, we keep an eye on what the quick commerce players are doing.

They're doing a good job. There's no doubt about it. But there is definitely a value to what we're offering. And now, I think the biggest change is that I don't think there will be a difference between quick commerce players and non-quick commerce players. I think every and you must

be seeing this from all the companies you cover, but everybody is offering some form of quick delivery, whether it be us or the horizontals.

So it's going to become, I think, a base level, it's going to be a type of speed or a type of convenience that will be provided by multiple platforms.

Jignanshu: Sure. I think, Anchit, that's helpful. Just on the second part, just a follow-up. So should we assume that the order volumes for the marketplace will not be disclosed from now on or is that the new normal?

Anchit Nayar: You mean the frequency of purchase?

Jignanshu: No, we used to have a KPI table at the end which had marketplace metrics.

Anchit Nayar: Okay, okay. Yes, yes. I am not sure. You will have to ask my IR team. But yes, as I said, I don't think look, you are seeing, I think the annual unique transacting customer number shows you that, that number has grown at a very healthy clip.

Revenues are up. Nykaa Now, as we have disclosed here, they have a higher frequency of purchase, the mainline orders. So I mean, we are trying to give you guys a sense that the business is in a healthy place. But definitely, the IR team can come back to you if there is a question with regards to disclosure around certain KPIs.

Moderator: Thank you. 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. Over to you, ma'am.

Falguni Nayar: Yes. Thank you very much, everyone, for participating in the call, and really all the best, and my wishes for a great Diwali with your family and friends, and just wish you guys best for Diwali and what it brings for all of you ahead. With that, thank you very much.

Anchit Nayar: Thank you.

Moderator: Thank you, members of the management. Thank you, sir. On behalf of FSN E-Commerce Ventures Limited, that concludes this conference. We thank you for joining us, and you may exit the meeting now. Thank you.