February 13, 2025

National Stock Exchange of India Limited **BSE Limited**

Symbol: NYKAA **Scrip Code: 543384**

Dear Sirs,

Subject: Transcript of the Conference Call for Analyst / Investors for discussing Unaudited Standalone and Consolidated Financial Results for the quarter ended December 31, 2024

Please find enclosed the transcript of the Analyst / Investor Conference Call held on Monday, February 10, 2025 with regard to the Unaudited Standalone and Consolidated Financial Results for the quarter ended December 31, 2024.

This intimation is being submitted pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We request you to take the above information on records.

Thanking You,

Yours faithfully,
For FSN E-Commerce Ventures Limited

NEELABJA CHAKRABARTY
Digitally signed by NEELABJA CHAKRABARTY
Date: 2025.02.13 18:26:31 +05'30'

Neelabja Chakrabarty
Company Secretary & Compliance Officer

Encl.: As Above

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FSN E-Commerce Ventures Limited (Nykaa)

Q3 FY25 Earnings Conference Call

February 10, 2025

Moderator: Good evening, everyone. This is Yashashri from Chorus Call. Welcome to FSN E-Commerce Ventures Limited Q3 FY25 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, CEO, Nykaa Fashion and Head of Owned Brands; Mr. Vishal Gupta, CEO, Nykaa Distribution; Mr. Abhijeet Dabas, EVP, 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 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 consent to such recording, distribution and publication. All participant lines will be in a 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: Thank you. I'll start with the performance highlights. Welcome to all of the investors and shareholders and analysts and really happy to say that we are delighted to have a pretty good growth momentum at the GMV level where for the quarter, our GMV is at INR4,528 crores, which is 25% year-on-year growth. This is for consolidated One Nykaa performance.

And from a revenue from operations perspective, we have witnessed INR2,267 crores in the Q3, which is a 27% year-on-year growth. As you can see, the revenue from operations is growing faster than GMV. And I think for the first time, we are seeing some reigning in of the discounting that happens in the industry.

I think from a gross profit perspective, it's been a fantastic quarter with gross profit at INR991 crores, which is a 30% year-on-year increase. And the EBITDA has also come out at a pretty healthy level of INR140.8 crores, which is a 42% year-on-year growth. There has been an improvement in EBITDA margin as well as PAT margin, with PAT coming out at INR26.4 crores for the quarter, which is a 51% year-on-year. So all-in-all, excellent performance at Nykaa with a strong momentum in most of its businesses.

In the Beauty business, and I just want to remind all of you that this is the vertical definition of beauty and fashion that we now follow with a number of underlying businesses under those. So, the Beauty growth has come out at 32% year-on-year growth at INR3,389 crores. And when you look at it from a 9-month perspective, it's been a 30% year-on-year growth at INR8,716 crores. This was at the GMV level.

On the revenue also, the Beauty growth has been strong at 27% year-on-year from a Q3 perspective, where the Q3 Beauty net revenue has come out at INR2,060 crores. And on a 9-month perspective, also, it's been a healthy growth at 25% year-on-year growth, and the number stands at INR5,356 crores. So strong performance across e-commerce, physical stores, owned brands and eB2B business.

From a Fashion perspective, while the GMV growth for the quarter is at 8% year-on-year, and the GMV number is INR1,130 crores for the quarter, it needs to be seen in light of generally a subdued fashion industry business for this quarter as well as for most of the year. On a 9-month basis, the Fashion GMV has grown at 10% year-on-year, and it now stands at INR2,767 crores.

So, from the revenue perspective, yes, while the overall growth in the GMV has been subdued, I think company has worked very hard to do a number of initiatives. You can also see that our revenue growth has come out strong at 21% year-on-year. And the revenue for the quarter is at INR199 crores. And for the 9 months, this number is INR513 crores, which is again a strong 21% year-on-year growth.

I think some of the stronger revenues in terms of both LBB, which is a business this vertical has acquired as well as services business make up for this growth in revenue and also the shrinkage of leakages between GMV to net revenue line item.

Next, One Nykaa level, really happy to say that we now have a cumulative customer base of about 40 million, which is a 29% year-on-year growth. In terms of the physical retail also, the expansion continues. We are today at 221 stores, largest beauty retail network in the country. And of these, about 12 stores were launched during the quarter.

We have focused a lot on quick delivery. I think we've been sharing with all of you that 70% of our beauty orders are delivered within the same or next day in top 110 cities. And overall, also, there has been huge improvement in order to delivery timelines for Beauty business.

The highest brands were launched in the Beauty business this year as well as in Fashion business. I think in the Beauty business, if we talk about like we've seen some of the most accelerated brand launches at 200 in Beauty business and 217 Fashion brands. But in Beauty business, we saw some of the launches like NARS, Eucerin, ghd, all of you know that these are really big brands globally. So, a lot of great global brands are choosing to come into India and launching with Nykaa.

Story similar on Fashion where you're aware that we earlier launched Foot Locker. And now this quarter, we've also been able to launch Snitch as well as Victoria's Secret more recently. Of course, it is after the quarter end. But a lot of exciting brands have been launched on both the platforms.

And finally, on the content-led education, we continue to do a lot. You're all aware that this quarter saw Nykaaland execution, as well as Nykaa Wali Shaadi, which is Shaadi, as all of you are aware, is a very big business in the country, and Nykaa clearly wanted to be that go-to platform for all the shaadis. And this was solidified through our Nykaa Wali Shaadi, where we have a 4-part OTT programming series along with Tiger Tellys, which has been a huge success, ranking as top 10 within the week of launch.

So, I think all of these properties have given us more than 1 billion plus reach, continuing our journey about educating and recruiting customers in the top funnel. All this has led to about 530 million consolidated GMV for our businesses for this quarter.

With that, I'll move on to Beauty multi-brand retail, where I'll request Anchit to take this forward.

Anchit Nayar: Yes. Great. Thank you. So, I think as Falguni said, it's been a very strong quarter for the Beauty vertical as well. And you can see that the Beauty vertical has delivered a 32% growth year-on-year and a GMV of INR3,389 crores. This is some of the highest growth we've seen over the past several quarters, as you can see from the table above.

Next slide, please. A lot of the growth has been driven by a big investment which we've made over the past several quarters, something which we've discussed with the community as well around customer acquisition. And this is really bearing fruit now in terms of the financial performance of the Beauty business. As you can see, our annual unique transacting customer count has grown by 26% year-over-year, which is the highest growth in AUTC over the past 6 to 7 quarters. And today, our AUTC for Q3 FY '25 stands at 14.8 million, the highest we've ever had.

As you know, Q3 is the festive season for the retail industry. And in light of that, we do host our Flagship Pink Friday sale in November. And this year as well, we hosted the sale towards the end of November, early December, and the results were very strong. The sale delivered a growth of 36% year-over-year GMV terms. And we got over 86 million visits to the app across the 10-day period of the sale. Customer growth was strong at 55%. And we had a very strong conversion in terms of order conversion at over 4%. So, this is a fantastic opportunity for us to acquire customers and to do a lot of top-of-mind awareness building for the brand Nykaa as well.

In terms of the initiatives, we took that were unique to the sale, there were some tech developments. As you can see on the top right, for the first time on the app, we were able to show the best price on PLPs. We also enabled express checkout as well as personalized recommendation widgets so that we're able to show the right and the relevant products to the relevant consumers. Off platform, we did a lot of top-of-mind awareness building across outdoor advertising, print, Spotify and Zomato as well.

And I think all of this has led to a very strong performance on sale, which is a good outcome for us as well as our brand partners and ultimately the consumers as well. Speaking about new launches, I think it goes without saying that Nykaa continues to remain the partner of choice for global brands who are looking to enter the India market. As India continues to improve in terms of its importance to global brands as they look for growth for the coming years, we are seeing an influx of some of the best brands globally.

In this past quarter alone, we have launched Kérastase, which is a hair care brand owned by the L'Oreal Group. This was launched on Nykaa. And this has historically been a brand that's been available only in salons, and it has come to specialty retail platforms like Nykaa for the first time. Next, we also launched ghd. ghd is a hair care brand, again, that was launched exclusively on our platform. And then finally, NARS and Eucerin. Eucerin, again, a derma-cosmetics skin care brand, one of the best brands globally in the space, launched exclusively on Nykaa this quarter as the NARS, which is in the color cosmetics space. Some other brands that have also launched include some Korean brands, such as TIRTIR, Numbuzin, and AXIS-Y as well as color -- premium color cosmetics brand, Laura Mercier and hair care brand OUAI.

So, you're seeing a massive influx of brands and again, choosing Nykaa as the primary destination to enter the India market. Talking a little bit about Nykaa Wali Shaadi. As you've seen in previous presentations, Nykaa is very focused on creating proprietary IP that can help us to create a lot more awareness for Beauty as a category in the country and leveraging content very effectively to achieve that goal. And this was no different.

We believe that India has the second largest wedding market in the world after China, and it's almost $130 billion market. This is the second largest consumption category after food and grocery. And upper mid and high-income households, which is a large part of our consumer base, contributes to 50% of the total market. So, for us, it was a no-brainer that we should make the connection between beauty and weddings.

It is a very synergistic category, and we wanted to cement our position as the go-to destination for beauty as it relates to the wedding season, which was also in Q3 of this year and parts of Q4. In terms of what we did, we actually created an OTT TV show that is now live on JioCinema. It was produced by Zoya Akhtar and her production company, Tiger Telly. And it featured 4 real brides who are getting married over the past several months and behind the scenes look at what the wedding process means to them and the role that beauty plays. This show is now amongst the top 10 shows across all OTT platforms based on viewership and this is as per third-party sources.

The reach we've got on social itself has been over 250 million, and we worked with 70-plus experts to create additional content around the TV -- around this OTT show, which we created. And of course, for us, we believe strongly in the flywheel of content to commerce. So along with the content, we also drove a number of on-platform initiatives, including a sale event to capitalize on the reach and the awareness, which we were driving through the Nykaa Wali Shaadi show, and that has resulted in a positive outcome in terms of commercial actionables, and that is also something which we're very happy about.

Moving on to the next slide. And this is just the trailer of the show, and I encourage you all to watch this on JioCinema when you get a chance.

[Video Presentation]

Yes. I think just to add a few words about Nykaa Wali Shaadi. Again, as we always say, I think category creation is incredibly important in a very nascent beauty market like India. And these are the kind of activities that go a long way. We had many brands; third-party brands as well participate as part of Nykaa Wali Shaadi. And again, it reiterates that Nykaa continues to be partner of choice, not just for its distribution and retail capabilities, but also importantly, for its marketing capabilities, which we are quite uniquely positioned in.

Next slide, please. Coming to our our brick-and-mortar retail business. As you know, today, we are, of course, the largest specialty beauty retailer, both online and offline with 221 stores, 47 of which were added this year and 12 have been added in Q3 FY25 alone. The contribution to our omni-channel Beauty GMV from physical retailers at 9%. So that stayed constant over the past several quarters. And in terms of total retail space, today, it's at about 2.1 lakh square feet across 73 cities.

For us, physical retail is also a great way to premiumize the beauty market. And today, we have over 90 prestige beauty brands in our stores. 2/3 of our stores GMV comes from prestige beauty brands. And as a result, we have, I would say, best-in-class productivity at about INR4,250 a square foot on a monthly basis in terms of GMV.

Financial performance for the physical retail business, strong GMV growth, again at 34% year-over-year, so slightly higher than the overall beauty vertical. But I think most importantly, we've seen very healthy growth on same-store sales growth, like-for-like growth at 19%. And despite the investment we're making behind retail, we continue to see the network profitable at the PAT level. And on the right, you'll just see some images of the kind of stores which we've been opening over the past several quarters.

Next slide, please. Again, just some more images of the stores we've opened in Q3 FY25. As I said, 12 new stores launched and importantly, also across 3 new cities. So Agartala, Mohali and Belgaum are the 3 new cities where we have stores. And these are some images of our stores. You can see very high-quality, world-class execution in Tier 2, Tier 3 towns as well, such as Raipur, Mohali and Thrissur.

A big focus for us in the past several quarters and something we've spoken about before is Nykaa wants to continue to invest behind the premiumization of the beauty category. And as we see more consumers entering the world of prestige beauty as the Indian consumers tend to have better affordability in the coming years, we want to be well positioned to take advantage of the growth of luxury beauty in India.

Currently, luxury beauty is very underpenetrated in India. And we believe that physical retail is a great way to continue to drive penetration and growth of this segment of the overall BPC landscape. As a result, we have launched 6 flagship stores across India. These are large format stores, 3,000 square feet plus and many more to come. Currently, they are in the major metros of Mumbai, Delhi and Bangalore, but you'll see some more from us in the coming months.

In terms of the brand mix, you can see from the right side, it's a good mix of premium as well as luxury brands. And we are offering our brands a lot more space to do the relevant storytelling. We are also focusing on services in our stores. So, you're seeing a lot more focus on gifting and experiences, skin consultations as well as makeovers in store, which we call beauty services as well as leveraging AI and virtual tools better to help our consumers make better purchase decisions in store.

And with that, I will hand the presentation over to Adwaita to take you through the Beauty owned brands.

Adwaita Nayar: So, we're excited about this opportunity we have to build a house of brands at Nykaa. Until now, we've obviously been a strong retailer, and we have now set our eyes on an ambition of being a very strong house of brands as well. So first to kick off on the Beauty side, our House of Brands portfolio now is, as of Q3, INR468 crores of top line. It has tripled in the last 3 years. And so, we're seeing great momentum here spread across about 7 brands.

On the right-hand side, you can see the channel split. So as of Q3 FY25, about 50% is from our own Nykaa online channels, 13% is from Nykaa stores. And then about 35% is spread across GT/MT and other platforms, including other e-commerce platforms.

Moving on. I'll now talk about 3 of our biggest brands. So, the first is Nykaa Cosmetics. This is a cosmetics brand that we've been building over the last 5 to 6 years. We've just taken Rasha Thadani on as our ambassador, which is a move that we're excited about given she represents everything the brand represents, which is all about youthfulness and trend. This brand is now a top 5 color cosmetics brand on the website.

As of Q3, it has crossed over INR440 crores of GMV from a run rate perspective annualized. And we've also been focused on increasing the physical footprint of this brand. So, it now is listed across 11,000 GT/MT doors across 200 cities and is, of course, present in all the Nykaa stores as well.

Moving on. Another brand that we're incredibly excited about is Dot & key. This is an acquisition we did back in 2021, and we're happy to say that today it's one of the largest skincare brands in the country. It is, as of Q3, an annualized GMV run rate of INR900 crores, so it has grown absolutely exponentially.

And on the right-hand side, you can just get a taste of what this exponential growth has been. So, in FY '22 and Q3, it was INR35 crores brand, which is approximately around the time when we acquired it. And now in the quarter that we're just wrapping up, it's over INR500 crores, and this is at an NSV level, from an annualized run rate perspective.

So obviously, like massive acceleration, 15x in 3 years. From the perspective of how much we paid for it, we do believe that it was a good deal. Back in 2021, we acquired 51% for INR97 crores. And just recently, we completed another 40% or so for INR265 crores. And yes, and so we're feeling quite good about where this brand is, and we continue to be really focused on leaning into this brand along with Nykaa Cosmetics in a big way going into next year.

The next part we'll talk about is Kay Beauty. So, this is a brand that we started building 4 to 5 years ago. Again, it's been growing extremely well. So again, you can see in Q3FY22, it was just about INR100 crore brand, and now it is crossing INR330 crores. So again, 4x growth in just a matter of a couple of years. This brand is actually one of the fastest-growing brands on the platform, and we feel excited about having built this brand completely from scratch. And so, we're really honing our skills as brand builders within, obviously, the larger ecosystem of Nykaa.

Moving on. So that wraps up our Beauty owned brands section. Moving on to our Fashion owned brands and the brands that we're building there. So, you can see in Q3FY25, we've delivered about INR120 crores of GMV. This is pretty flat from last year. It has been a year of just sort of focusing and consolidating our efforts on fashion. We had a handful more brands, but we've actually now decided to just focus on five and those five are listed here. We feel that the tail was not adding enough value and also obviously drawing attention and investment, whereas we feel that we want to just double down on what really are the big brands in our portfolio. And so, you will see us being a lot more focused on our assortment going forward.

And within these, of course, we're extremely excited. Nykd, Kica is our lingerie and our leisure brand, respectively, and we think those are absolutely incredible spaces to play in. And then Twenty Dresses, RSVP and Gajra Gang are our plays in Western wear and Indian wear, again, a space that Nykaa has a huge set of customers who like us for that category. So, it's a place that we obviously want to play.

On the right-hand side, you can see how the shift of channels has actually changed. So, in Q3 FY25, the quarter that's gone by, you can see that we're now actually focusing more on our online -- our own channel of distribution, which is the hot pink. And we're sort of decelerating on selling in GT/MT offline, basically non-Nykaa channels. We feel that fashion owned brands have to really be built on our own channels and not really go far and wide.

So obviously, like the channel strategy differs from category to category. But in fashion, we're clear that we want to be more focused on the Nykaa platforms. So, with that, I'll hand over -- sorry, this is just a quick glimpse of, again, what our product sort of looks like. You guys have seen this in prior meetings. We are definitely remaining focused on being very trend-led and really meeting the customer where they're at.

So, with that, I'll hand over to Vishal, who will walk us through our eB2B business.

Vishal Gupta: Thanks, Adwaita. So dear friends, we had another great quarter on our path to profitable scale. You can see that we grew GMV by 53%. And by delivering about INR260 crores, we now are at a run rate of INR1,000 crore GMV. And you can see that it's 12x growth in 3 years, and a lot of the growth is driven as we continue to drive scale and reach. And we now have reached 2.6 lakh retailers and 1,100 cities. So, we are national. We are deep in India’s Tier 3, Tier 4 and very high retailer base.

Next. And this really helps us to improve our profitability, where you can see that in gross margin alone, we have improved by almost 250 bps, which is driven a lot by ad income. So, as we grow more scale and more retailer visits to our app, we get more ad income. And consciously, we are driving positive mix by selling higher-margin brands on our platform, which drives our gross margin. And with scale, obviously, our costs also come down. We had a few third-party warehouses in a few geographies. And as we got scale in those geographies, we moved away from 3P to our own warehouse, because that is more efficient and reduction in freight as we improve our order density, etc. Even the sales and distribution cost, you see is coming down, overall contribution margin improved by more than 500 bps. So, I think we are well on our way to profitable scale, and we will continue to keep scaling until we reach profitability.

Thanks. Now I hand over to Abhijeet for Fashion.

Abhijeet Dabas: So, on Fashion, like Falguni ma'am mentioned a while ago, I think in the midst of a tough quarter in general for online fashion as a space, the business has been resilient. GMV has grown 8%, as you can see on the left side, reaching INR1,130-odd crores. And more importantly, putting into perspective that Fashion in the scheme of things for Nykaa is still a young business. We only launched the business around 6 years ago. But in the last 3 years, we have seen still more than a 2x growth on GMV as well as on revenue.

On revenue, as you can see on the right side of the slide, there has been a more healthy 21% year-on-year growth in revenue to close to INR200 crores, largely driven by strong traction seen on the content business of LBB through events such as Nykaaland and Nykaa Wali Shaadi as well as higher services related income. So overall, tough macro environment, but still in the middle of that, we've been able to continue to grow.

Next slide. I think this just puts into perspective what Nykaa Fashion as a platform brings to customers as well as to brands. So again, over the last 3 years, we have continuously augmented our assortment by adding relevant brands across categories. The number of brands that we now offer to customers is more than 4,000, and that's a 3x increase over the last 3 years.

Across all categories, there's been relevant brand additions throughout the last year itself. We spoke about Foot Locker when we gave the last quarterly update. But along with that, over the last quarter, we've continued to add further brands. We've added the likes of a Tommy Hilfiger, Victoria's Secret more recently, Snitch in the men's category.

And I think for customers, Nykaa Fashion has established itself as a platform, which is curated, yet offers a complete assortment of all the relevant brands across all the categories and differentiated offerings from those brands. At the same time, for brand partners, we have continued to be the platform, which also brings great quality customers and allows selling fashion in the way that they would like to sell fashion and that reflects in many underlying indicators that we are able to further see in our P&L in the further slides.

Next slide. So just a glimpse of the kind of events that LBB has been able to execute over the last year. So just again, to put it in perspective, since acquisition a few years ago, LBB has scaled 9x in revenue. We spoke about Nykaa Wali Shaadi a bit earlier in the presentation today, but Nykaanland and many other such campaigns which have been driven by LBB have delivered great value.

Next slide. Most importantly, in the midst of even a difficult year, while continuing to grow the business, I think the bottom line has seen significant improvement through the year. We have seen a more than 700 basis points improvement in gross margin, which is a significant move from 44% last year, same quarter to 51% this year. This is largely on the back of marketing and services income, working with brands. Our fulfillment expenses have come down by close to 100 basis points as we have optimized our route planning and become better at saving packaging costs.

Marketing expenses are higher on account of 2 things. Firstly, we have invested ahead of the curve in campaigns and events as well as in customer acquisition, and this reflects in the middle of a tough quarter. We have still continued to acquire customers. Just to share our visits and our unique visitors have both been at all-time highs in the last quarter, and that augurs well for quarters going forward because that just creates a base of customers, which will continue to serve us well as our retention and underlying metrics remain healthy.

All of that has resulted in still a contribution margin of 184 basis points better year-on-year and also continuous improvement in EBITDA. So overall, while growth has been steady, we have made giant strides on bottom line, and that shows in this slide.

P. Ganesh: Thanks, Abhijeet. So, we'll take a quick snapshot on the financial performance. As Falguni mentioned at the beginning of this call, our top line and bottom line, both delivered a healthy growth this quarter. As we can see, revenue grew 27% Y-o-Y and has been in line with the last 3 years CAGR. EBITDA growth was higher at 42% Y-o-Y in Q3, led by healthy gross profit growth, while we continue to invest in marketing to drive growth.

Moving on. What we see in this slide is a snapshot of our consolidated profit and loss account for quarter 3 as well as 9 months FY '25. As can be seen, gross profit grew 30% Y-o-Y, outpacing revenue growth of 27% during the quarter and similar trend has been seen in the 9-month period as well. Further, there has been an improvement across most of the cost line items. And this is one of the factors which has led to a healthy EBITDA margin expansion of 69 basis points during the quarter and 42 basis points for the 9-month period.

Moving ahead. Yes, this is a quick snapshot of our vertical reporting. We have seen healthy improvement in gross margins across both Beauty as well as Fashion verticals, and this has contributed to improved EBITDA margins in both the verticals. We'll see the details of this in the next slide.

Moving on. Yes, here, you can actually see the snapshot in terms of the EBITDA expansion from 5.5% to 6.2%. And as you can see, this has been across both the verticals and across most of the cost elements as well as gross margins. You can see that leverage in fulfillment and employee expenses, that's also driven expansion. The gross margin is something which has expanded.

And the leverage benefit in terms of other expenses is also starting to show through. So overall, across multiple parameters, there has been efficiency kicking in. So, in spite of the higher investments in marketing, which has also resulted in accelerated customer acquisition. In spite of the higher investments we have seen in marketing, the overall EBITDA margins have expanded.

Moving ahead. Yes, here, as you can see, Nykaa continues to focus on prudent capital utilization. Our balance sheet is seeing healthy improvement across key ratios. You can see that fixed assets turnover has reached 9.4%. Working capital days have been consistently reducing and have come down to 36 days. And this has resulted in the ROCE of the overall One Nykaa business coming in at upwards of 10%.

And we need to bear in mind that the Beauty business is highly profitable with a much higher ROCE percentage. And the Beauty business is funding the growth of the newer businesses, which is Fashion and Nykaa D. So, all in all, through internal accruals, we have been able to manage to fund the new businesses and still deliver a higher ROCE on a consistent basis.

Yes, with that, I'll open the floor for Q&A.

Moderator: I now request Aditya Vikhram to please accept the prompt on the screen. Aditya, please turn on your webcam, unmute yourself, introduce your organization name and go ahead with your questions, please.

Aditya Vikhram: Good numbers overall. But just a quick question. With Shein coming in, what would be the impact on the fashion brand considering it seems like there would be very high competition?

Falguni Nayar: I think I'll just take the question and then I'll pass it on to Abhijeet. I think we must understand that fashion is a very wide business with women's western wear, women's Indian wear, menswear, sportswear as well as kids and home. And Shein is only in one category. And I think one has to see we have 4,000+ brands and more and more international brands also coming into the country, We've always had revolve and others. So, I think the market is very wide, and no one brand can dominate it. So, I think that's what I do believe that it should not have a much of an impact. With that, I would like Abhijeet to comment.

Abhijeet Dabas: Thanks, Falguni ma'am. So, I'll just add on to that. I think women's western wear, which is the category where a brand like Shein typically plays is one of the fastest evolving. I think these are also categories which are style first and maybe not as much brand first as a category like sports, where you find very few brands for many years taking lion's share of the business of that category. The reason is that trend changes very quickly, fashion changes very quickly. On our side, we've also seen a proliferation of what we call D2C brands come to the fore in specifically categories like women's western wear.

So, I think as a platform, we will continue to be at the forefront of bringing the best fashion to customers. The category will still continue to be very fragmented. And in saying that, there will still be a multitude of brands. And again, demand is very wide. The number of brands supplying that demand is also very wide. So, I think it's still a very large playing ground. So, we don't see such a massive impact.

Aditya Vikhram: Then a follow-up question. Your Beauty business is clearly doing well. You have high gross margins, and you are making good profit. It seems like the EBITDA as well as the bottom line is not growing as fast, right? Or it is growing fast in comparison to your Y-o-Y numbers. And this primarily looks like that most of the expense are going on the marketing side to grow the other business, right? When do you see normalized marketing expense? Or do you see marketing expense continue to go up as you ramp up other businesses? And that would be all.

Falguni Nayar: I think if I just wanted to highlight is that if you look at the Beauty marketing and ad expense, it's come out at 10.1% for this quarter against 9.5% a year ago. And this is for a Beauty vertical and consists of all the businesses together. So yes, there is some additional marketing money being spent, and we highlighted most of that as new customer acquisition has been at its fastest pace over last year, and we think that it's a worthwhile investment to make.

And similarly, we've done a lot of upper funnel what you call is educating and bringing consumers interest into the category through events like Nykaaland and Nykaa Wali Shaadi, many of those are also part of this spend. And we do believe that our marketing spend has been accelerated because we believe in the category, we believe in our domination of the category and want to continue to maintain that.

But yes, I think it is something that can easily be controlled. It's a marketing expenses considered available expense and totally controllable. So, it's more in line with -- for that year, what strategy we would like to follow. With that, I'd also like to request Anchit, if he wants to come in and add something to this.

Anchit Nayar: No, I think you covered most of it. Again, as we've said in the past few quarters, the Beauty businesses has quite a healthy profitability, but because the penetration of the category and the per capita consumption for the category is so low, there is a lot of category expansion work that needs to be done. And ultimately, the benefit of a larger TAM will accrue to us because ultimately, we are the largest player in the space. So, we see it as an investment for the future and investment in customer acquisition is one of the larger buckets of our marketing expense. And you're seeing the benefits of that play out, right?

The investment in customer acquisition over the past few quarters has been one of the major drivers for the the revenue growth, which we've seen in the Beauty business in this Q3 numbers. So, our hypothesis seems to have been correct that there is a lot of growth yet to be had, and we continue to want that growth. So, I think we'll continue to invest in the Beauty business. It's a business that has the profitability to support its customer growth plans. And in terms of supporting other businesses within Nykaa, as Ganesh said, we continue to fund all of our expansion in new businesses through the cash accruals of the Beauty business. So that will continue.

But I think the good news is, as we've said before, we believe that -- and as you can see from our numbers, the losses in B2B are reducing significantly as that business starts to reach -- as it starts to mature a bit. It's still a very, very young business. And Fashion as well, you're seeing significant improvements in profitability despite there being subdued growth. So, if I look at

B2B, the numbers here are quite self-explanatory, but contribution margin improvement of 500 basis points. So, we believe that trend will continue. So, losses will reduce in B2B. And in Fashion, I think as growth picks up once again for the overall Fashion industry, you'll see a lot of operating leverage in that business, too. So, we're quite optimistic that we'll continue to fund growth for all of our businesses, new and old, but that the losses should be reducing even more from here for both fashion and B2B, which should be good news for the overall profitability as well.

P. Ganesh: Just to add to what Anchit mentioned, as we can see from the numbers, while given the focus on new customer acquisition, etc, there is higher investment in marketing, in spite of that, the EBITDA margin for the Beauty vertical has actually gone up.

Moderator: We'll take our next question from Sheela Rathi from Morgan Stanley.

Sheela Rathi: My first question was just to understand what is the revenue profile of LBB? I mean, I wanted to understand, I believe it's supporting the Fashion revenues also. And at the same time, it's enabling marketing income for us, supporting the Beauty business also. So just wanted to get more details about how LBB is driving the growth for us?

Falguni Nayar: I think LBB business when we acquired it about a year ago was a content business that creates content for a lot of brands, including non-beauty brands that they always had in their portfolio. And obviously, their skill set lies in creating events and activities and content at scale. And that is what we are leveraging LBB for Nykaaland, Nykaa Wali Shaadi. We used to do Nykaa Femina Beauty Awards that has been now taken in-house.

It's called Nykaa Beauty Awards, which was again an in-house event. So, acquisition of LBB has allowed us to do a lot of content and event activity all in-house. We've accelerated the number of events that we do, be it Beauty Bars or be it we do a lot of fashion events where we take -- it's like a trunk show, which we take it to various events where customers come in and experience that.

We recently did an event which was called the New at Nykaa, which was new launches of the Beauty private labels, obviously, Foot Locker events. So many such events have all been done by the team, and that is what this team was in-sourced. And obviously, with the kind of focus that they get in terms of accessing all of the Nykaa's Beauty and Fashion brand partners has led to acceleration in their ability to earn revenues, and that is what is reflected in the numbers.

Sheela Rathi: Falguni, what would be the revenue profile of LBB today?

Falguni Nayar: Profile is all event activity. They charge clients for various event activity, which is all costed individual event based on estimation of the costs.

Sheela Rathi: So, this will get captured in the Fashion revenues? Or does it get captured anywhere else?

Falguni Nayar: Captured in Fashion revenues as well as we also have out-of-pocket expenses against those events. So, they spend it. So, it is obviously captured both on revenue as well as expense items.

Sheela Rathi: Understood. So just to understand the 21% revenues growth, which we have seen for Fashion, what -- if we ex out LBB, how would be the fashion revenue growth for us?

Falguni Nayar: It's very difficult for us to say because we also have had a huge improvement in GMV to NSV ratio by controlling what we call as leakages and it's a combination. So, revenue growth momentum has been higher than the GMV growth momentum. And what we disclose is basically vertical level reporting, and this is what the number is at the vertical level.

Sheela Rathi: Understood. And my second and final question is with respect to the gross margins for the Beauty business. Just want to understand how are the marketing income doing for us on a year-on-year basis? And if there are any trends in terms of brands enabling more marketing spends in this quarter will be helpful?

Falguni Nayar: In this quarter, it has done well, but I'll ask Anchit to answer it.

Anchit Nayar: Yes. I think headline, it's done well. There were a couple of quarters of softness in marketing as brands were deploying more of their A&P budgets towards promos versus advertising. I think it's something we've discussed in the past as well, Sheela. But that trend has finally seems to be reversing and brands realize that they cannot -- there is significant brand awareness work to be done in a market -- in a nascent market like India. So, a lot of the money that was being deployed for promo is now being redeployed into advertising, and that's a plus for us.

So, we're optimistic. We're seeing early shoots of it improving, and we don't think it's a Q3 phenomenon. We think it should continue into coming quarters as well. Also, we at Nykaa are also offering a lot more advertising opportunities for brand partners and something we've spoken about in the past is allowing brands to now advertise not only top of funnel in terms of on our homepage, but also allowing lower funnel advertising opportunities like PLAs and other such ad capabilities have been built and are now quite widely used by our brand partners. So that is also a net positive for the services income that we generate.

And finally, also, of course, we've created quite significant capabilities in terms of events and experiences and content creation, some of which we covered in terms of what LBB is contributing to our brand partners. And that is also an additional revenue stream for us, which was not as monetized in the past that I think will be a net positive in the future. So, I think we're quite optimistic. But again, I think no one has a crystal ball. No one knows what's going to happen with discounts in coming quarters. But at this point in time, it looks like things are improving and brands are looking to invest a lot more into marketing than they have in the past few quarters.

Sheela Rathi: And sorry, just one follow-up here, Anchit. Will it be across the board or just the large brands? Or will it include the D2C brands also?

Anchit Nayar: You can't paint all the D2C brands with one brush stroke, right? So even within D2C brands there are different types. And so, I think even the D2C brands, especially the ones that are doing well, continue to want to reinforce that leadership position. A lot of the D2C brands want to break out - get the velocity that they need to become a critical brand. And so, they're investing behind that. So yes, there are some D2C brands that are struggling, and I think there's an opportunity for consolidation on that front. But I think they're not all the same. There are some which are doing really well, and those continue to want to invest behind building brand because that's ultimately what leads to sustainable revenue growth for them in the long term.

Moderator: I now request Sachin Dixit from JM Financial to please accept the prompt on the screen.

Sachin Dixit: This is Sachin from JM. My first question is largely a comparison between what is happening for Nykaa between BPC and Fashion. Largely, BPC is growing well. Fashion has been muted, while obviously, it's gaining market share compared to other online fashion players, but still muted. However, I mean, my understanding is the customer base would roughly be similar strata in terms of income bracket and all. So how do you see the differentiated customer behavior on your two different platforms? Can you break down that for us?

Falguni Nayar: I think we have always said that we have a more premium customer in fashion. And we do not think that the fashion customer had issues about spending. I think I've repeatedly said that our Fashion business is young. People forget that. It's just a 5-year-old business, and we continue to do assortment expansion that makes the assortment more complete and that will allow us to grow the platform faster going forward. So, it's a work in process.

Over the last 2 years, we've done a lot of focus on assortment building, completing certain L3 assortment that we used to not have in the past, bringing certain exciting brands onto our platform, which again, we didn't have in the past. Like Libas was a new brand that came in last year. Obviously, Foot Locker is very interesting. They're seeing a lot of new D2C brands in fashion are coming up who are doing extremely well, like The Souled Store, The Pant Project, Snitch, Fablestreet, Freakins. They're all choosing to do business with Nykaa.

So, I think there is a lot going on. It's in such a wide space. And we do believe that we have one of the top 3 platforms of choice like Myntra, Nykaa, Ajio are the 3 big platforms of choice. We are a very large platform. And we remain in customer consideration. So, I think we remain very positive about the business. I think some of the growth near term got affected due to a marketing strategy that was followed, which was a little bit narrower. And I think some of those tend to be experiments in early days that set you back by a quarter or so, but we don't think this is a long-term issue.

Yes, it does have to be seen in the light of our overall industry, Fashion industry not being at its strongest over last one year, and it needs to be seen in that light. But I think it can't be long-term issue. And we do believe that consumer is going to continue to spend on the base of certain exciting brands that we and we will be bringing into the country or exciting brands that will get created in the country that will be available on Nykaa platform. I think with this, I would also like Adwaita to add if she'd like to add something.

Adwaita Nayar: No, I think you covered it.

Falguni Nayar: Okay. Anything from you, Abhijeet?

Abhijeet Dabas: Yes. Maybe just one additional thing. I think it's a huge strength for the Nykaa ecosystem to actually have Beauty and Fashion offered as, in a way, complementary categories. And I think given that Fashion is a much newer business like has been mentioned several times, we are also incrementally getting better every year and every quarter at how to cross-leverage both categories and how to understand our customers better. So, if anything, we have seen a lot of positive goodness because of that across both businesses and more Fashion because it's the newer business. And we'll continue to keep getting better at it. But yes, that's the only thing I will add.

Sachin Dixit: Understood. My second question would be a follow-up on the part that Abhijeet mentioned. Do you see a lot of cross-sell that is happening between the 2 platforms? Are you seeing -- because I remember when -- at the time of IPO, a few quarters post IPO, we did talk about that the Fashion user base is slightly different to the Beauty user base that we have on the platform. Are we seeing that change? Is there more cross-sell that we are seeing?

Falguni Nayar: I think we had given in the past that about 50% of our new customer acquisition has been part of Nykaa ecosystem earlier, but 50% is new to Nykaa. And the fact that Fashion e-commerce was 5x larger than BPC e-commerce made us believe that there would be customers who would be Fashion first. But over time, beauty and fashion are lifestyle choices and customers tend to have overlap. So, I think overall beauty consumption in the country is on the rise, and many fashion first customers also are becoming beauty customers. Nykaa's own customer acquisition is far accelerated in Beauty now. And also, in Fashion to a certain extent, but a lot more accelerated in Beauty.

So finally, it's the same kind of consumer, but they either approach through their fashion first outlook or their beauty first outlook. And we benefit in either scenario. But we do believe in vertical commerce, and the consumers' choice and journey being very vertical-oriented. But with today's digital possibilities that everything is one click away, that according to us, it's not a deterrent. And in fact, having 2 separate vertical focus asset allows us to do more for both sets of customers.

Sachin Dixit: Which is fair. I was just asking on the 50% number that you mentioned, right? Have you seen that trend upwards or downwards?

Falguni Nayar: It's gone. I mean we have a lot more cross pollination going on through better digital frameworks and the number has slightly gone up.

Anchit Nayar: Yes. But just to add, I think it's not something which we have done very aggressively, proactively. So that opportunity always remains. Cross-sell is one, but I think as was just mentioned, cross-pollination. So, getting existing beauty consumers on the nykaa.com app to download and to buy on the Nykaa Fashion app, that hasn't been done at scale, but that is something which we can always do. I think we're just waiting to, as Abhijeet said, continue to strengthen the assortment and then we'll start to do a lot more work there.

Moderator: I now request Harit Kapoor from Investec to please accept the prompt on the screen.

Harit Kapoor: Am I audible?

Moderator: Yes, please go ahead.

Harit Kapoor: So, I just had 2 questions. One was on Fashion. So, this increase in the marketing spend, how do we read this? Do we read this has increase in customer acquisition cost because the transacting customer and visits haven't increased to that extent? Or is it just an accounting adjustment because LBB is in revenue as well as an expense. So just wanted a little bit of clarification on that.

Falguni Nayar: It's a bit of both. So LBB has a higher percentage of marketing expense because that's the only expense they have in their revenue. And also, there is a certain small amount of adversity in customer acquisition costs for the Fashion business.

Harit Kapoor: Got it. And the second was just two number related.

Falguni Nayar: I'm sorry, this adversity was also for only 1 to 2 quarters and since corrected. So, it's a mixed number. Sorry, go ahead.

Harit Kapoor: My second was on just number related questions. One was on working capital. Ganesh, do we expect that this reduction in working capital days is representative of full year? Or do we see some adjustments happening at the end of the year, et cetera?

P. Ganesh: So directionally, as you would see over the last few quarters, the working capital days have been consistently coming down. So, in that sense, the reduction which you are seeing, you can take it as a representative of an ongoing basis.

Harit Kapoor: And also, just one last thing on the margins. Is there anything to call out in terms of Y-o-Y impact in GCC in terms of basis points? Because I remember, the same time last year, you had called it out, but if it's not -- is it relevant to call out this time around?

P. Ganesh: We have not specifically called it out this time because last year was the first time that had come in and it was not really there in the base, whereas now consistently 4 quarters, we have had GCC come into the base, although the current quarter would be a little higher given that we have now opened the second store, et cetera. But given that GCC is in the base, that's the reason we are not calling it out anyway.

Falguni Nayar: I think on GCC, we remain quite optimistic about the market and the fact that it's a high consumption market with a lot of opportunity to do profitable business. However, the rollout of the stores has been slower than expected and e-com rollout is also pending adoption of the technology stack over time. So, I think in that sense, in the GCC right now, the level of activity is not very high to be needing to call it out. But yes, there's been some investment in GCC over last 1 year.

Moderator: I now request Sachin Salgaonkar from Bank of America to please accept the prompt on his screen.

Sachin Salgaonkar: Just a couple of questions. One Falguni, I just wanted to understand how one should think about the steady state EBITDA margin on the BPC business? For last few quarters, we have seen the margin hovering in the range of, let's say, 7.5% at the low end to 9% at the high end. Are we actually at that level? Or do we see room to improve? And how far are we from a steady-state margin? That's question number one.

Falguni Nayar: I think the Beauty EBITDA is a combination of beauty.com, which enjoys a very good EBITDA number. There is a certain percentage now we have been disclosing that about 8% of the business comes from retail, which is also a profitable business for us, but lower profitability than dot com. It can be positively impacted by the profitability of the Beauty private label, which is on the uptick. And we talked about it that we've seen very good growth in our private label business, both in terms of level of revenue and profitability improvements have happened, some profitability improvement and there could be more going forward.

And lastly, it also is a combination of the weight of the superstore business, which tends to have a negative profitability. So, I think we have given some idea of how each of those change every quarter. So, we tend to report retail as a percentage of omni-channel revenue every quarter and Beauty owned brand also, we are getting the -- at least the GMV and how it is changing every quarter.

And finally, on the eB2B business, also similarly, I think some investors have been asking, and we said that we can give the composition of the eB2B GMV as a percentage of our total Beauty GMV. And I think that has been reasonably constant over the last 1 year. So, it's not really breaking out of the weightage zone. But yes, I think there is some amount of adverse effect on EBITDA margin coming from the investment that we make in eB2B business.

Sachin Salgaonkar: Got it. Clear on that.

Falguni Nayar: We have a positive momentum because we think that the EBITDA loss in eB2B will go down over time.

Sachin Salgaonkar: Second question is on Fashion. Clearly, we are seeing slowdown in the industry slightly at more on the prolonged basis versus the original expectations. And of late, we are seeing some increase in marketing expense and plus a sort of a Shein launch, which directionally might keep at least in certain pockets, competitive intensity higher. Any general thoughts of breakeven in the Fashion business potentially getting pushed back? Or you're comfortable with the breakeven next year?

Falguni Nayar: Well, we remain comfortable because if you look at it, like if our marketing expense, which became adverse from 24.6% to 30.5%, if that had stayed under control, we could have possibly had EBITDA margin breakeven this quarter. So, I think the main thing here to balance, and that is what it is for all e-commerce businesses is to balance between growth and profitability and all customer acquisition costs us and typically, the customer that you acquire breaks even on second or third order. So that's the investment we make ahead of becoming profitable on that customer.

So, I think we remain reasonably confident that as the ratio of new to repeat customer keeps improving in the Fashion business, we should be in a better place.

So, I think today, Fashion businesses where we have acquired about 7 million customers, I'm giving rough numbers, ever acquired 7 million, of which about 3 million are annual transacting users. So, I think we continue to want to create engagement level in fashion customers. And I think I'm a big believer that e-commerce is all about assortment first, and we are really working very hard to continue to improve our assortment. And I think because fifth year of a business is not too long a life, but because most of it has happened since being publicly listed, there's a lot of attention on to it.

But I think as our assortment keeps improving and we are really excited about what we've been able to do so far and what lies ahead. And I think the long and short of it is the way the industry is emerging with so many players, such a large market, I think e-commerce has a role to play. So, we remain confident, and we will try to keep working on marketing expenses in a zone that we feel long term comfortable.

Sachin Salgaonkar: And last question, I just wanted to understand directionally on eB2B. How many cities do you further want to expand, i.e. how many more years could we see further expansion in the eB2B business before it comes at a meaningful scale and the incremental investment should not be as high?

Falguni Nayar: I think we are not focusing from a city perspective level. I think the way we are looking at it is that we have a certain revenue growth target and certain amount of revenue growth happens through improvement in productivity of the existing network and some amount happens through investment in newer geographies. I don't think we are covering all over the country.

So, I think the new geography is not like going to a totally new geography. I think like we already cover 1,100 cities, which is very wide. And like you saw last year, we increased by 250 cities. So, I don't think overnight is going to change to like covering 3,000 cities or anything like that. So, I think we'll keep adding to the coverage in a way that the overall unit economics of the business doesn't get worse.

Moderator: I now request Videesha from Ambit to please accept the prompt on the screen. Since there is no response, I'll now request Vijit Jain from Citi to please accept the prompt on the screen.

Vijit Jain: My first question is now you have had same-day, next-day delivery for about a little more than 2 quarters, I believe, now. Could you talk a little bit about what kind of customer behavior changes are you seeing in the cohorts where you've been able to deliver within that time frame? Has it led to better retention metrics in a quantifiable way? And if you can talk a little bit about whether other metrics in the business like RTOs and returns metrics are different meaningfully when you and where you offer SDD, NDD versus the existing offerings? That's my first question.

Falguni Nayar: Yes, Anchit, would you like to take this?

Anchit Nayar: Yes, sure. So, I think, look, on as we say for us, as for any e-commerce or any retail business, convenience is one of the 3 main pillars of really building a consumer value proposition. And we've always worked on improving our speed, and that reflects in the fact that our, O2D, order to delivery timelines have reduced from over 4 days to less than 2 days over the past 2-3 years. And today, as we've said before, 70% plus of orders across 110 cities are sitting at same day or next day delivery. So, our speed is getting a lot better. But it's not that we are doing this at the platform level. We're doing this across the assortment and across a majority of our demand in terms of, as I said, top 110 cities are 70%, SDD, NDD.

So, there is no real difference in the KPIs for consumers who are receiving orders same day or next day versus those for whom it is taking slightly longer, whether it be on average order value or anything like that. So again, it's because we're trying to solve for pan-India rollout here of SDD, NDD, and it's available on the entire assortment. So, it's not like there's some limited assortment, etcetera. So, anything that we can, if you live in a particular pin code in a particular city, then a large part of that assortment is now available. So, I would say there's not too much of a difference in some of the KPIs we track.

Vijit Jain: Got it, Anchit. Because I asked in general, for a lot of e-commerce platforms, generally, when you've seen spread up fulfillment for whatever reasons, RTOs, tend to move down and those kind of metrics we. So, I was wondering. But your answers were helpful. My second question is on Fashion business. I just wanted to get a broad sense on about a year or so back at one point of time, you guys had mentioned that when you're launching new products, either through your own brand or through others, the journey from concept to retail is like 6 months to 1 year for most of the goods on the platform, right? Has that shrunk meaningfully since? Do you think that is one of the major vectors of competition that you will see as Shein comes on board into India? That's my second question.

Falguni Nayar: We think our own brands on our platform is not a very large contributor. I mean we've always announced it that it's about 10% to 12%, but that was always -- we had said the GMV of our own brands to a GMV of our fashion omni-channel business. And within that, it had also the fashion private label that we sell on third-party platform. So, I think I just want to remind you that really, yes, I do understand that fast fashion is what Shein will bring in and fast fashion is what is prevailing in the industry now. So, to that extent, own labels would have to do that.

But I think if you are asking for a role of dot com. Dot com is going to get that kind of speed of new launches through a lot of D2C and other brands that are also coming on to our platform, international brands, D2C brands like Cider is a very similar model to Shein. So, there are other players from China, which have a similar model that are operating. So, there are a number of players who will cater to that need for speed of launch. And our own labels may also participate in that. With that, I think if Adwaita wants to come in.

Adwaita Nayar: Yes. No, I think we are not trying to launch at an interval quicker than 6 months. We don't really think that is the problem to be solved with the need of the consumer. I think the consumer does want constant freshness with new drops every month. So, our own brands are obviously dropping product every single month to provide them the newness. But yes, that cycle does begin 6 months in advance. That being said, we do retail a lot of other fast fashion brands and folks who are able to bring trends to the market very, very quickly. And so, we're being able to leverage that sort of fast fashion trendy behavior via our third-party brands, of which we struck a couple of very interesting arrangements where we have a lot of exclusive merchandise coming from those brands and players.

Falguni Nayar: I think at a strategic level, if I may say at this point, we want our fashion labels to be enablers to our dot-com business and, they are being built as brands with the journey, which is independent of just our platform and beyond that also. But I don't think the ambition is to build a very big fashion brand with the aggression of trying to match some of the fastest, largest fashion brands in the country. So, we are not coming from that. We really are retailers - I always say that for even Beauty that we are a retailer first, and we want to continue to build strong retail platforms.

I think on beauty.com, now we are so large that, that is also giving us opportunity to build our beauty brands in a much stronger way because we are a very large distributor. But again, when we are building those brands, we are building them both on platform and off platform. So, we have a brand approach to building brands, but distribution strength is also important, and that is what is the unique source that Nykaa has.

Moderator: I now request that Siddhartha Bera from Nomura to please accept the prompt on the screen.

Siddhartha Bera: The first question is on this growth on the BPC side in the NSV. So, we have seen now for quite some time that the NSV growth has lagged the GMV growth in the BPC segment. So, what is really driving this? Will this converge at some point or? There are some fundamental changes in the business, which will continue to drive this? Some thoughts here?

Falguni Nayar: It has converted this time. This time, the NSV growth is slightly faster than the GMV growth.

Siddhartha Bera: Okay. Okay.

Falguni Nayar: Sorry, I think NSV and revenue from operation is similar. I think, yes, the GMV is still slightly higher at 32%.

Siddhartha Bera: Yes. So, anything particular which we should look at, which has changed because it's like for the last few quarters, we have seen consistently NSV underperforming the GMV. So, any thoughts here will be helpful.

Falguni Nayar: No. I think what we were telling you earlier was that basically, this is reflective of all the brands who sell on our platform. And discounts in the industry had been going up over the last 5-6 quarters because of competitiveness amongst all the brands. A lot of international brands are coming into the country, a lot of domestic brands, which already have been there for a long time are competing with each other and a lot of D2C brands are also jumping into the picture. So that had led to additional competition. And as a result, the brands were discounting to compete with each other. So, there is some amount of that reflection in there.

Siddhartha Bera: Understood. And second is on this BPC business. Again, I mean, if I look at the profitability, at least at the EBITDA level, it's been stuck at a certain range for quite some time now with offsetting factors always coming from a bigger push towards growth. Do you think at some point or at a certain scale, we should start touching that double-digit type of profitability in the near -- next few years?

Falguni Nayar: Yes. I think like what I've been trying to say is that most of the investment, we have done a lot of improvement in many of the direct cost items. And I think marketing, which is also a direct cost item, we have chosen to invest a little bit more than, say, a year ago when it was at 9.5% for Beauty and now it's at 10.1%. We don't see this as something getting adverse. We see a conscious strategy and decision to invest more in marketing to accelerate our growth and that you can see in terms of acceleration in our customer acquisition and in our growth, and we do believe that, that's been very valuable.

I think the next line that we need to really work on is other expenses, which have been 12.6% a year ago and only 12.5% now. There could be some improvement in controlling those expenses and we would like to do that. And yes, so I think net-net, we do believe that over time, we'd like to control both marketing expenses, bring them down and control other expenses, bring them down, and those 2 can lead to improvement in EBITDA margin for Beauty vertical.

Siddhartha Bera: Got it. Lastly, on the gross profitability side for the BPC. Do you think there are further levers where we can look to sort of improve that from where we are already like higher growth in the house of brands or some other areas where you can think that we'll continue to improve our gross profitability? Or this is largely probably at a level where you need to look at more other costs to sort of improve the overall profitability?

Falguni Nayar: No. I think while gross profit margin is quite healthy, yes, I think -- I wouldn't say that there are no drivers at all available to e-commerce businesses. I mean, advertising is one such driver, charging for maybe faster delivery in some at a future date or a whole bunch of stuff.

But I think we have a very large business. So, what all will move the needle is a key question mark rather than are there ways in which we are improving our gross profit margin. We are, of course, improving. We showed earlier that even in B2B business, we've had improvement in gross profit margin. We have had some improvement in gross profit margin in overall in Beauty business, like it's moved up from 42.2% a year ago to 43.4% now.

So, I wouldn't say that it's a very healthy number, and I don't want you to believe that, oh, it's going to go up soon, but I also would not like to admit that there is no ability to improve that. And yes, as a company, we keep trying to improve our gross profit margin. But because it's a very large number on a large business, you have to do a lot of initiatives so that it can move the needle.

Anchit Nayar: Yes. Maybe I can add. I would say that each of the individual businesses that sit within the Beauty vertical have certain opportunities to improve gross margin. For example, for the multi-brand retail business, if the premiumization of the category plays out nicely, then that is also margin accretive. If ad income, as I spoke about earlier, if that revives it continues to revive and if we continue to create more opportunities for brands to advertise on our platform, that could be gross margin positive. And for B2B as well, there are things the team is working on to improve gross margin, as you said, house of brands.

But I think where it gets very complex is that this vertical is a combination of those businesses. So sometimes even if each business is independently improving their cost structure, improving their margins, if one business that is smaller than the other grows faster, naturally off of a smaller base and becomes a larger percentage of the total mix, at a consolidated level, that can look like it's staying flat. So, I hope you understand that complexity also. But what I can assure you is that each of the underlying businesses have improved their respective margin profiles over the past several quarters and years for that matter.

Moderator: 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 management for closing comments.

Falguni Nayar: Thank you very much. We've really enjoyed this participation from all of you. I hope we've been able to answer most of your questions. And I also want to thank my team on this side who have participated in this call and provided you access to that thought process. So, thank you very much, everyone, who have participated in this call. And with that, I look forward to connecting with you in the future.

Moderator: Thank you.

P. Ganesh: Thank you.

Anchit Nayar: Thank you.

Adwaita Nayar: Thank you.