

A Study on Financial Performance Analysis of Nykaa

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Abstract

This study provides an analysis of all the financial aspects of FSN e-commerce ventures limited Nykaa to examine the performance and value making Nykaa is the foremost omnichannel retailer for beauty and lifestyle products in India secondary data was collected and published annual reports and market disclosures were used toward identify profit liquidity and market solvency over the years and all the other pertinent attributes the study utilized ratio trend and comparative analysing for growth financial structure net working capital administration and return to shareholders this study analyzes the consequences of Nykaa's rapid growth post-ipo and the deployment of capital on the margins and risks which were primarily focused on the business model the study analyzes and discusses in detail the wide range of revenue generation across beauty and personal care and fashion and the technological and fulfillment customer acquisition of the cost.

Keywords: Nykaa, Growth, Financial health, E-Commerce, Liquidity

INTRODUCTION

A part of leading player in the charmer, fashion and personal care in India is Nykaa which is a part of FSN E Commerce Ventures Limited and is known for its strong online play and which is very much in the growth stage of their multi channel business model. Since day one Nykaa has been standing out with a thought out product range, partnerships with international companies and in to technology based buyer interaction by their webpage, mobile app and also via a growing store base the company has put in place a very reliable platform which in turn serves many consumer segments. Post it's IPO growth has been great, also they have straddled into the fashion and lifestyle sectors and have invested in private label brands and logistics which has made them a large force in India's e-commerce environment. A in depth financial analysis is required to determine Nykaa's profitability, liquidity, solvency, and total financial health which is of great import given the company's great growing and switch business plan toward study Nykaa's financial performance and forward looking strategy in the very competitive field.

OBJECTIVES

- To know the liquidity position by using the quick ratio and current ratio

- To know the solvency ratio use of debt equity ratio and proprietary ratio
- To Assessing profit by gross profit ratio, operating profit ratio and net profit ratio
- To know the growth by comparative balancesheet analysis

STATEMENT OF THE PROBLEM

In recent time Nykaa has put forth as a key player in the Indian online beauty individual care selling which seen great growth in revenue expansion of product lines and entry into stores at the same time this quick growth has also brought in great competition profit fluctuations change in buyer trends large scale investing in advertising infrastructure although Nykaa has a very strong brand image what we see is a lack of in depth analysis of their financial health stability post ipo thus it is very much the need of the hour to put a critical look at Nykaa's financial health liquidity profitability and solvency which will tell us if its growth is based on solid financial health

LITERATURE REVIEW

Suchitra Suchitra, Ramesh Pai (2025)¹ the study titled "NYKAA: A Comprehensive Analysis of a Leading Indian E-Commerce Cosmetic Company" The cosmetics industry is one of the major industries that have attracted many players due to its rapid growth. The cosmetics industry

plays an important role in developing the country's economy. This study is being taken up to better understand the contribution of the beauty industry to the development of the country and to evaluate the strategies of these companies. Nykaa is one of the leading companies in the cosmetics industry. It offers various products of different brands on one platform. Its setup by Falguni Nayar in 2012. She anticipated the huge opportunity in online trading in the coming years and converted that opportunity into a big vision. Her decision was not wrong it turned into building a large-scale business. By operating multinational, it attracts customers from various regions. Initially, it started the business by offering beauty products later on diversified with fashion, skincare, luxury products. This study is conducted to evaluate the strategies used by NYKAA to be one of the top companies in E-Commerce.

Toshit Nager(2023)² The article titled "AN ANALYSIS OF NYKAA'S BUSINESS EXPANSION STRATEGY" The internet has become a popular alternative to traditional storefronts for consumers and businesses alike. Having a website is important for retailers as it serves as a hub for all aspects of the business, including advertising, direct marketing, sales, customer service, and product. Branding is the process of marketing a concept or image so that more and more people recognize it and associate it with a certain service or product. Consumer behavior research examines how consumers choose, acquire, and discard goods, services, experiences, and ideas to meet their wants and requirements. Relationship marketing seeks to rediscover the actual purpose of marketing by reaffirming the significance of the client or buyer. Brand awareness refers to the degree to which consumers are familiar with and appropriately link a given brand with a certain product. Marketing in the digital age entails getting one's wares in front of as many people as possible in a way that's efficient and inexpensive. Increasing the public's familiarity with a brand is crucial to making it successful in today's cutthroat marketplace. This report examines the results of Nykaa's corporate expansion plan, which focuses on two primary pillars: new products and new markets. Nykaa's product development has resulted in the introduction of additional shopping options,

including apparel, home furnishings, and accessories. Private label cosmetics and health supplements are among the offerings from the company's new private label. Nykaa's sales climbed by 40% in the fiscal year 2020-21, hitting in 2,100 crores. The establishment of Nykaa's private label in 2015 has also been instrumental in the company's rapid expansion. Nykaa's development and improved financial performance may be attributed to the company's focus on expanding its operations. Data from different internet consumers was gathered through an electronic survey and both primary and secondary sources were used to compile information for this study.

Meenal Kaustubh Pendse, Shailesh Pandey(2023)³ the study title "Nykaa quench the spark: "A spark neglected burns the house!" Learning outcomes After completion of the case study, the students will be able to examine the service failures faced by Nykaa; propose a resolution to the service failures faced by Nykaa through service recovery strategies; analyse the service quality gaps faced by Nykaa and propose strategies to bridge the gaps; learn and comprehend more about business models in e-commerce; and evaluate the e-commerce business models for deciding the best fit for Nykaa. Case overview/synopsis "Nykaa" was the brainchild of Falguni Nayar, who was an IIM alumna and had worked with the Kotak Mahindra Group for nearly 20 years as a venture investor and merchant banker. After representing the group's global operation in the UK and the USA, she became the head of the institutional equities division. In 2005, she was the Managing Director of Kotak Mahindra Bank's project. Nayar had reached the pinnacle of her career, but something was troubling her. In 2012 when Nayar noticed anomalies in India's beauty and personal care market, her goals were realised. Unlike in other nations such as Japan or France, the availability of beauty products in India was limited, despite significant demand, owing to product unavailability in many areas. Nayar founded "Nykaa", an online portal for multi-beauty, personal care and well-being items that also later branched out into fashion.

RESEARCH METHODOLOGY

A research design is the overall sketch of research. It indicates a plan of action to be carried out in connection with a proposed research work. It is a blend of both descriptive and analytical methods of study.

TYPE OF DATA

The study is based on secondary data. The data required for the study has been collected from Annual reports of Nykaa, Financial reports (Balance sheet and Income

Statement), Official company website, Published financial databases and research articles.

PERIOD OF STUDY

The study covers a period of five financial years from 2020–21 to 2024–25. It is selected to analyze the financial performance and growth of Nykaa based on its published financial statements.

TOOLS USED FOR ANALYSIS OF DATA

- Ratio Analysis
- Comparative Financial Statement

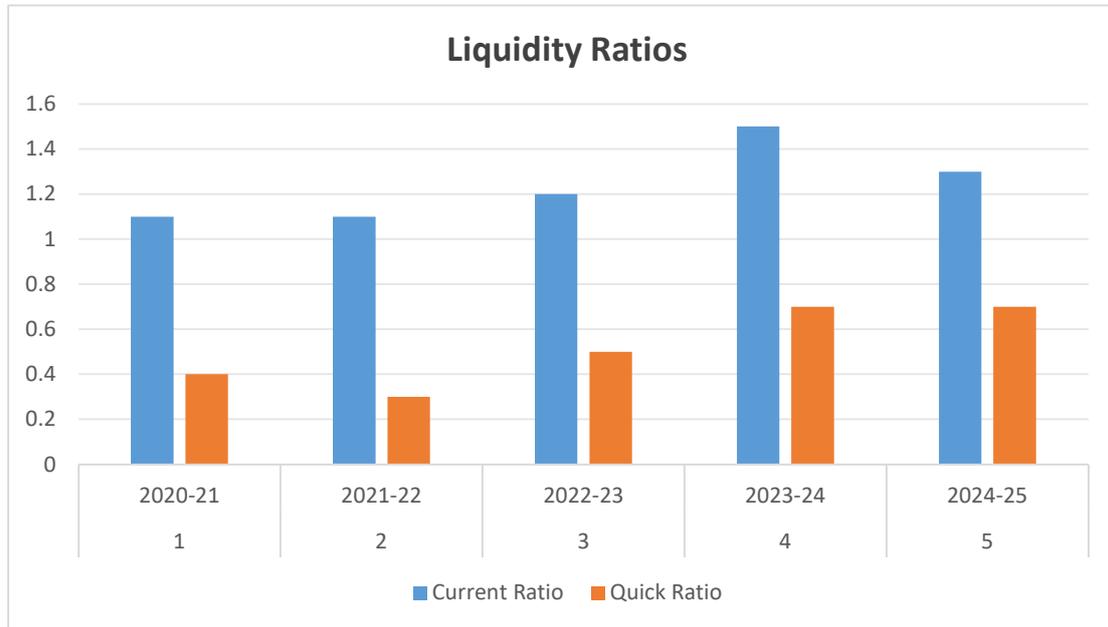
DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

Table No:1.1
Liquidity Ratios

S.No	Year	Current Ratio	Quick Ratio
1	2020-21	1.1	0.4
2	2021-22	1.1	0.3
3	2022-23	1.2	0.5
4	2023-24	1.5	0.7
5	2024-25	1.3	0.7

Chart No:1.1



INTERPRETATION

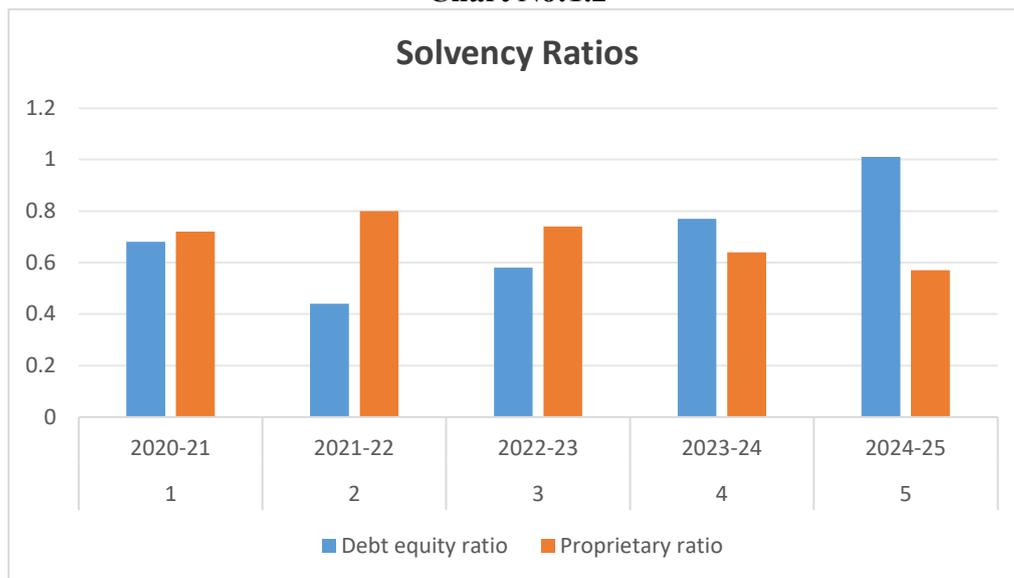
The FY2021 and FY2022 Nykaa’s current ratio was at 1.1 which is a sign of stable short term liquidity. It went up to 1.2 in FY2023 and saw a large scale improvement to 1.5 in FY2024 which in turn indicates better working capital efficiency. However in FY2025 the ratio goes down to 1.3 which is a small drop in liquidity although still above what in the past. The quick ratio drops from 0.4 in FY2021 to 0.3 in FY2022 which is a report of weak immediate liquidity. It improved to 0.5 in FY2023 and saw a very large scale improvement to

0.7 in FY2024 and that level was maintained in FY2025. As a whole, The report of improving liquidity position with only small variations in recent years.

Table No:1.2
Solvency Ratios

S.No	Financial year	Debt equity ratio	Proprietary ratio
1	2020-21	0.68	0.72
2	2021-22	0.44	0.80
3	2022-23	0.58	0.74
4	2023-24	0.77	0.64
5	2024-25	1.01	0.57

Chart No:1.2



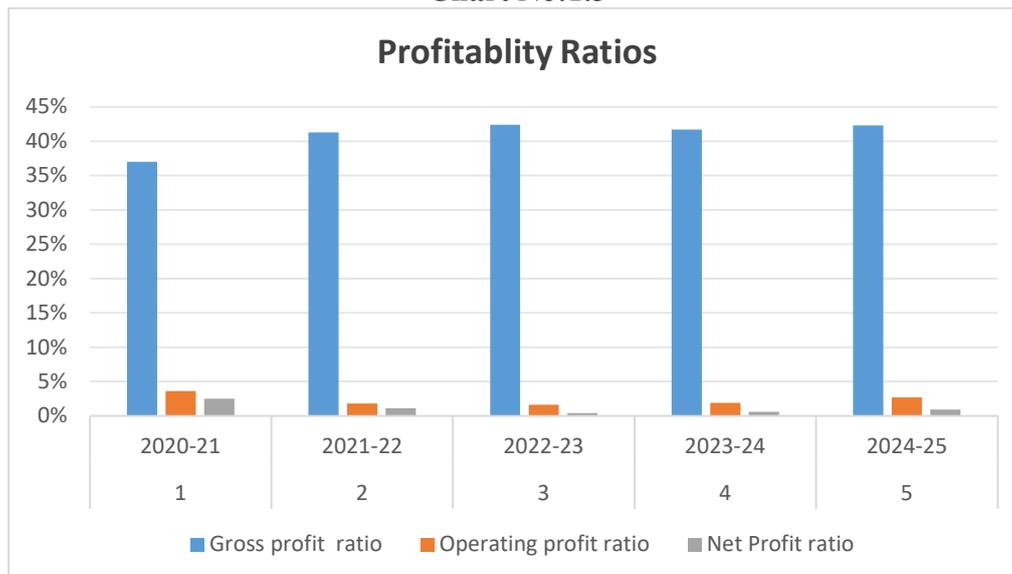
INTERPRETATION

The debt-equity ratio at Nykaa fell from being approximately 0.68 in FY2021 to approximately 0.44 in FY2022. This shows company’s lower reliance on debt and an increase in the company’s equity. This ratio then increased to approximately 0.58 in FY2023 and further to 0.77 in FY2024. This shows a gradual increase in leverage. In FY2025, the ratio increased to approximately 1.01 which means equity was less than debt and there was an increase in financial risk. The proprietary ratio also increased from approximately 0.72 in FY2021 to 0.80 in FY2022, suggesting strong equity financing. This ratio then decreased to 0.74 in FY2023 and further to 0.64 in FY2024 which indicates an increase in the reliance on debt. In FY2025 the ratio further declined to approximately 0.57, which indicates a lower proportion of the assets which was financed by the shareholders’ funds.

Table No:1.3
Profitability Ratios

S.No	Financial year	Gross profit ratio	Operating profit ratio	Net Profit ratio
1	2020-21	37%	3.6%	2.5%
2	2021-22	41.3%	1.8%	1.1%
3	2022-23	42.4%	1.6%	0.4%
4	2023-24	41.7%	1.9%	0.6%
5	2024-25	42.3%	2.7%	0.9%

Chart No:1.3



INTERPRETATION

Analysis of the data shows the gross profit margin improved from 37.0% in FY2021 to 41.3% in FY2022 and further to 42.4% in FY2023. This shows increase in both cost efficiency and power. The margin dropped to 41.7% in FY2024 but improved in FY2025 to 42.3% showing stability. On the other hand, the operating profit margin improved from 3.6% in FY2021 to 1.8% in FY2022 and 1.6% in FY2023. This shows increase in both margins reflected lower operating expenses and went to 1.9% in FY2024 and further improved to 2.7% in FY2025. This shows better operational control. From 2.5% in FY2021 that pressure reduced to 1.1% in FY2022 and 0.4% in FY2023. Pressure from profitability decreased margin net from 2.5% in FY2021. 0.6% in FY2024 and from 0.9% in FY2025 overall profitability improved.

Table No:1.4
Comparative Balance Sheet

S.No	Particulars	2021	2022	2023	2024	2025
1	Total Assets	100%	107.8%	117%	130.1%	148.6%
2	Current Assets	100%	111.6%	130.8%	148.5%	176.4%
3	Non Current Assets	100%	103.6%	111.7%	118.6%	118.1%
4	Total Liabilities	100%	107.7%	117.1%	130.1%	148.6%
5	Current Liabilities	100%	107%	111.2%	114%	119.4%
6	Non Current Liabilities	100%	85%	80.4%	71.9%	62.1%

INTERPRETATION

Nykaa’s balance sheet report indicates a steady growth in total assets from 100% in FY2021 to 148.6% in FY2025 which is a result of continuous business expansion. It has large increase in current assets which went from 100% to 176.4% which in turn improves liquidity and see greater investment in short term assets. Non current assets also saw moderate growth from 100% to 118.1% which is a sign of ongoing investment in the long term. Total liabilities went up in proportion to asset growth which maintained the balance in the company’s finance structure. Current liabilities grew from 100% to 119.4% which is a result of expanded operations. At the same time the current liabilities dropped drastically from 100% to 62.1% which is an indication of reduced use of long term debt. As a whole Nykaa’s financial standing is that of a company which has grown via efficient working capital management and has controlled its long term leverage.

FINDINGS

- As a whole have is a report of improving liquidity position with only small variations in recent years
- In FY2025 the ratio further declined to approximately 0.57, Which indicates a lower proportion of the assets which was financed by the Shareholders fund
- Pressure from profitability decreased margin net from 2.5% in FY2021.0.6% in FY2025 overall profitability improved
- As a whole Nykaa's financial standing is that of a company which has grown via efficient working capital management and has controlled its long term leverage

SUGGESTIONS

1. Nykaa needs to keep improving its working capital management practices to help maintain its good liquidity position.
2. The company must optimize its current assets to manage its short-term funds efficiently.
3. Considering the reduction in non-current liabilities, Nykaa should implement a conservative long-term financing strategy to keep financial liabilities low.
4. The company must monitor the increase in current liabilities so that it balances with the expected increase in revenues to avoid liquidity challenges.
5. To achieve sustainable growth and profitability, Nykaa needs to create more efficient utilization of its assets, and along with that, make more strategic long-term investments.

CONCLUSION

Nykaa's financial report shows we see a trend of growth in revenue which is a indication of increasing market acceptance and customer trust. The company's business model has been a factor in consistent sales growth in the beauty and fashion segments. In the early years profit was low as a result of high spend in marketing, logistics and expansion. But we do see a which reports better cost control and improved operational efficiency. Also we have that Nykaa does a good job in terms of liquidity which means they are in a good short term financial health. The company's long term funds are well managed

which gives a stable solvency position. We see improvement in inventory management which in turn has made operations flow more smoothly and has reduced holding costs. Also we note positive trends in asset utilization which in total has improved overall efficiency. Nykaa's approach with respect to omni channel has played a role in improved sales.

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