DCF Valuation of FSN E-Commerce Ventures (Nykaa)

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# 1. Executive Summary

This report presents a Discounted Cash Flow (DCF) valuation of FSN E-Commerce Ventures (Nykaa). The objective is to estimate the intrinsic value of Nykaa’s equity and compare it with its current market price.  
  
- Estimated Intrinsic Value per Share: ₹ 157  
- Current Market Price (as of 14 August 2025): ₹ 215  
- Valuation Outcome: Nykaa is overvalued by approximately 37%.

# 2. Company Overview

- Founded: 2012 by Falguni Nayar  
- Business Model: Online and offline retailer of beauty, wellness, and fashion products  
- Segments:  
 • Beauty & Personal Care  
 • Fashion & Lifestyle  
- Key Financials (FY 2024):  
 • Revenue: ₹ 6386 Cr  
 • EBITDA: ₹ 347 Cr  
 • Net Profit: ₹ 40 Cr  
  
Nykaa operates in India’s fast-growing beauty and e-commerce sector, benefiting from increasing digital adoption and rising discretionary spending.

# 3. Methodology

The DCF model estimates intrinsic value by projecting future free cash flows and discounting them at the company’s Weighted Average Cost of Capital (WACC).  
  
Steps Followed:  
1. Forecasted revenue growth based on historical CAGR and industry outlook.  
2. Estimated operating margins and projected Free Cash Flow (FCF).  
3. Calculated WACC using Cost of Equity (CAPM model) and Cost of Debt.  
4. Computed Terminal Value using the Gordon Growth Model.  
5. Discounted projected FCFs + Terminal Value to present value.

# 4. Key Assumptions

- Revenue Growth Rate: 30% CAGR over 5 years  
- Operating Margin: 15%  
- Terminal Growth Rate: 5%  
- Tax Rate: 25%

# 5. Results & Valuation

- Enterprise Value: ₹ 45609 Cr  
- Equity Value: ₹ 44880 Cr  
- Intrinsic Value per Share: ₹ 157  
- Market Price (as of 14 August 2025): ₹ 215  
- Valuation Difference: 37% (Overvalued)  
  
Visuals:  
- Sensitivity Analysis: Intrinsic value across WACC & terminal growth scenarios

# 6. Conclusion

The DCF analysis suggests that Nykaa is currently overvalued. Based on assumptions and sensitivity analysis, the intrinsic value per share is estimated at ₹ 157 compared to the market price of ₹ 215  
  
While long-term growth prospects in e-commerce and beauty remain strong, the valuation indicates **HOLD :-**

“Nykaa is currently trading ~37% above its estimated intrinsic value. However, considering its strong brand, industry growth potential, and omnichannel expansion, investors may choose to **HOLD** the stock while avoiding fresh entry until valuations become more reasonable.”

# 7. Appendix

- Detailed financial forecasts  
- Step-by-step FCF calculations  
- Sensitivity tables