CONSUMER DISCRETIONARY AND STAPLES

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Will these 'Davids' fell the giants?

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CONFERENCE TAKEAWAYS | **January 17, 2022**

Will these 'Davids' fell the giants?

In our first Direct to Consumers (D2C) and Digitally Native Brands (DNB) conference, we hosted 14 companies across categories. Key takeaways: (a) tapping into whitespaces through product innovation, education and premiumisation; (b) access to real-time consumer data & insights aids faster consumer feedback and launch of functional products which can lead to stickiness and better retention; (c) adjacencies and/or geographical expansion will drive scalability (>6-8x revenue growth over 3/5 years) and profitability; (d) it is time incumbents act before D2C companies becomes potential MT/LT risk to revenues/profits. Ability to expand beyond top 15-20 cities, navigate low affordability and manage competitive intensity from new and existing players offering similar products are the key aspects to watch.

Below are our thoughts on D2C space along with KTAs across 14 companies

Spend for consumer data & insights to create brand

D2C companies are leveraging social media platforms like Facebook, YouTube and Google to acquire consumers and create brand awareness. To that end, while initial customer acquisition cost is high, getting real time consumer insights which help launch a more functional portfolio, foray into adjacencies, etc aid in increasing Customer Life Time Value (LTV). This along with improving retention rates brings economies of scale and thus profitability for D2C firms.

Riding on product differentiation and rise of digital commerce

D2C companies have cracked the success code of online product launch, distribution and marketing vs incumbents for whom offline still constitutes ~95% of revenues. Consumers shopping behavior tilting towards online platforms (got accentuated post Covid) keeps D2C companies in a natural win-win situation in its journey to build brands and achieve scale. However, it is important for D2C companies to address category whitespaces and consumers' emerging needs in order to get consumer wallet share; most companies that attended fulfill this criteria (refer exhibit 5).

Scalability and profitability

Against a pre-conceived notion of D2C companies having limited potential to achieve scale, our interaction with founders suggests that having already built reasonable heft in the sub-category by playing the role of category creators/disruptors, D2C companies are now looking at adjacencies, geographical expansion and omni-channel to achieve scale. Most D2C companies are guiding for >6-8x revenue growth over the next 3/5 years, signifying share gains largely from incumbent players. On profitability, while a few have achieved EBITDA breakeven, the remaining have timelines to achieve the same. This said, given lack of scale, brand recall, limited distribution and weaker supply chain, it may not be easy for all D2C companies to be successful.

Time for incumbents to smell the coffee

D2C/DNB companies like Lenskart, Mamaearth etc have already shown scale along with being on the road to profitability and are eating into growth and market share of traditional consumer companies. For e.g., in FY20, Lenskart's revenue of ₹9bn surpassed Titan Eyewear's revenue of ₹5.4bn. Also, most D2C/DNB companies (Melorra, Plum, XYXX, Rage Coffee, etc) are also expanding into offline retail channels, implying increasing competitive intensity for shelf space and consumer attention amongst incumbents. Competitive landscape mapping (exhibit 6) suggests threat from D2C is highest in BPC, F&B and apparel categories.

Companies we hosted and their impact on listed peers

Company	Sector	Threat to listed peers
Melorra	Jewellery	◑
Plum	BPC	●
Ustraa	BPC	●
XYXX	Apparel	◕
The Souled Store	Apparel	◑
TenderCuts	F&B	◔
Sleepy Owl	F&B	◕
Rage Coffee	F&B	◕
MyFitness	F&B	◑
Oziva	Health & Wellness	◑
Nua	Health & Wellness	◕
SuperBottoms	Health & Wellness	◔
Skillmatics	Games & Toys	◔
Design Café	Home improvement	◔

Note: ● - Strong; ◕- Relatively Strong; ◑ - Average; ◔- Relatively weak

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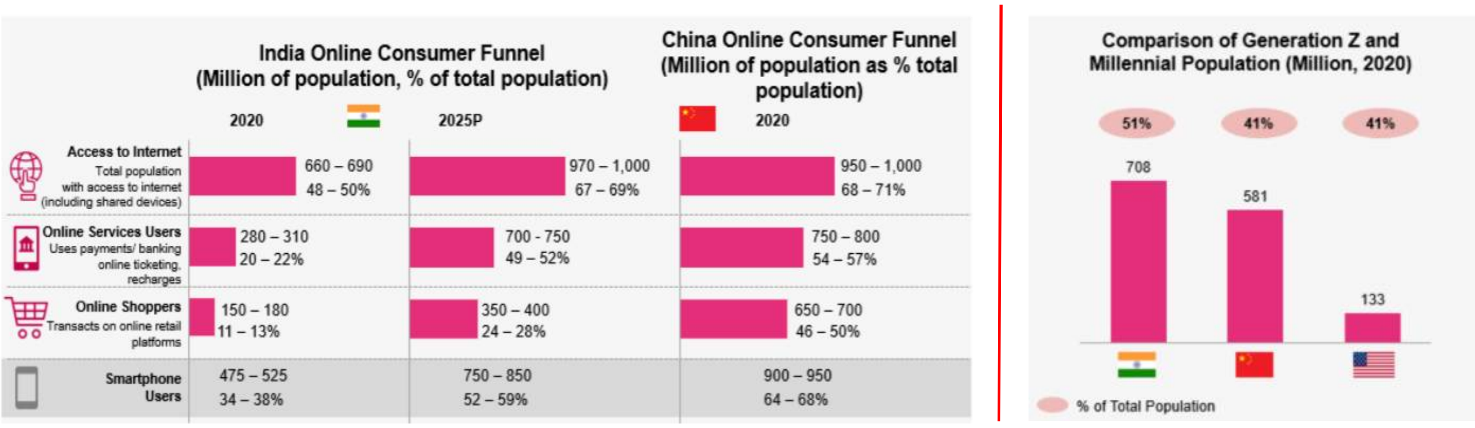
More than just right time, right place

Ain't no coincidence

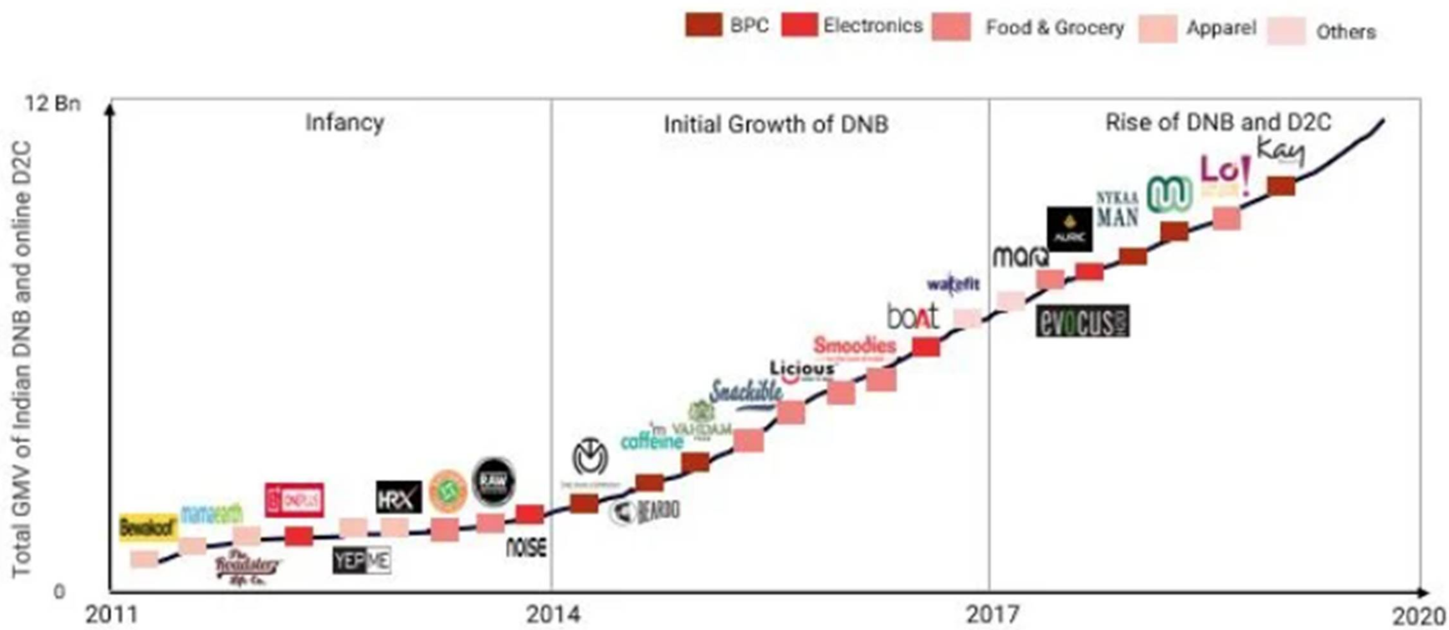
Multiple macro factors and category/channel nuances lead to success of a brand. In case of D2C/DNB and their scale-up, we believe it is a mixture of all three things. Over the last decade, India has seen: (i) increased penetration of smartphones; (ii) improving affordability of data; (iii) increasing awareness and adoption of online shopping not only within top 25 cities but down to Tier 4 cities; (iv) improvement of payment gateways and cash-on-delivery option; (v) revolution in logistics etc. Recognition and exploitation of these macro tailwinds gave birth to a new genre of companies – Direct 2 Consumer (D2C) or Digitally Native Brands (DNB). India's D2C/DNB companies are leveraging on the formalization journey of the consumer sector and are eating market share/growth from modern retail formats. Accelerated by the pandemic, these D2C/DNB companies are leveraging real-time consumer feedback (available at a faster pace vs traditional retail), R&D and varied business models to launch innovative and differentiated products satiating emerging consumer needs. With increasing access to the internet, improving capital availability and revolution in logistics, there isn't a better time for D2C/DNB companies to scale.

Exhibit 1: There is only one way that online usage and penetration are likely to go – up



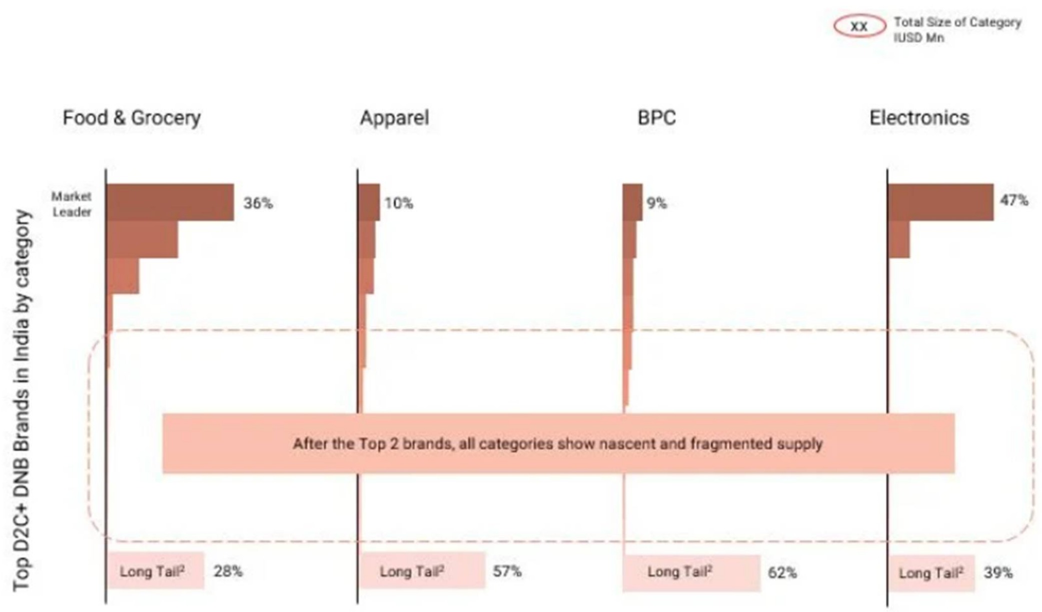
Source: Nykaa DRHP, Ambit Capital research

Exhibit 2: BPC and Electronics have the highest number of D2C and DNB companies in India



Source: Ambit Capital research, Redseer

Exhibit 3: However, the market is highly fragmented in case of Apparel and BPC categories



Source: Ambit Capital research, Redseer

Exhibit 4: D2C/DNB companies bring with them in-built advantages

Source: Ambit Capital research, Industry

Alongside this, incumbents across most consumer categories like F&B, HPC, Apparel, QSR, Jewellery etc have either left whitespaces, not addressed consumers' evolving needs or have not innovated enough, thereby creating opportunities for D2C/DNB companies.

Exhibit 5: Armed with product/brand USP, D2C/DNB companies are geared to drive scalability; gradually looking to improve economics and profitability as well

Company	Category	Genesis/Problem that brand solves	Current TAM	ARR	Target - 3/5 Yrs	Drivers for scalability
Melorra	Jewellery	Low-ticket, non-ethnic/wedding wear designs for everyday purpose	USD480bn	₹3.5bn	USD1bn (FY26)	Fresh designs every week, appeal among millennial
Plum	Beauty & Personal care	Addresses whitespace in mid-to-premium beauty & personal care	₹1.3trn (overall BPC market); ₹70bn (online BPC)	N.A.	N.A.	Functional product launches, branding, playing across channels
Ustraa	Beauty & Personal care	Addresses whitespace of mid-to-premium male grooming	₹50bn (beard grooming & care market)	₹1bn	₹5bn	Brand awareness, NPDs, offline strategy
XYXX	Apparel	Highly comfortable and trendy innerwear and loungewear	₹184bn	₹900mn-₹1,000mn	₹10bn (by FY27)	Rising needs and awareness of comfortable innerwear; reducing product life cycle among customers
The Souled Store	Apparel	Phantom collection merchandise and quality clothing	Overall apparel TAM: ₹5.6trn	₹2bn	₹10bn	Provides licensed merchandise and quality apparel based on trending topics
TenderCuts	F&B	Freshness & hygiene needs; door-step delivery	Overall TAM: USD75bn; Truly addressable market: USD20-22bn	USD20mn	N.A.	Shift from wet market to hygiene platforms; opening offline stores
Sleepy Owl	F&B	Convenience, Innovation, Taste & Packaging	₹ 250bn, including in-home, HoReCa and out of home;	₹270mn	₹5bn	Improving awareness, offline strategy; Expanding into adjacencies like cookies
Rage Coffee	F&B	Caffeine content, innovation, formulation	₹75bn D2C market; ₹30bn in-home range	N.A.	₹5bn	Deepening online and expanding offline
MyFitness	F&B	Innovation, addressing product concerns, marketing	₹4bn	₹1bn	₹10-11bn	Category expansion, adjacencies, offline strategy
Oziva	Health & Wellness	Clean plant-based wellness provider	Nutraceuticals: USD4bn & Beauty: USD20-22bn	GMV: ₹1.5-2bn	₹10bn	Innovative functional products, TAM expansion, offline strategy
Nua	Health & Wellness	Better designs, superior quality; subscription model; creating awareness through content	₹180bn (considering target of ~100mn menstruating women for Nua)	N.A.	N.A.	Brand awareness & campaigns, consumer feedback driven functional product launch
SuperBottoms	Health & Wellness	Cotton-based reusable diapers for babies which are safer	USD1.25bn	₹500mn (ARR ₹1bn by year end)	N. A.	Rising awareness and need for reusable cloth diapers which are better for babies and more economical
Skillmatics	Games and Toys	Educative board games with engaging content	USD5.8bn	₹1bn	N. A.	Acceptability of parents towards educative content via board games for children
Design Café	Home improvement	Convenience & speed to consumers; better earnings to designers & contractors	USD20bn - Home interior & improvement market	₹1.8bn order booking	N.A.	Structural shift in buying pattern, setting up more experience stores

Source: Companies, Euromonitor International Limited 2021 © All rights reserved, Nykaa DRHP, Ambit Capital research

Likely impact on incumbents in the mid to long term

Having established the market potential, hearing D2C companies strategies to achieve >6-8x revenue growth over the next 3/5 years does indicate mid to long-term growth and/or margin impact for some listed consumer companies. In order to identify the same, we map the D2C companies we hosted along with their category, competitive landscape and vulnerability to listed peers.

Exhibit 6: Competitive intensity within D2C, competition vs listed peers and vulnerability to listed peers indicate low to medium risk as of now

Company	Sector	Competitive intensity in D2C	Competitive intensity in traditional retail	Listed peers	Vulnerability to listed peers	Similar D2C/DNB companies
Melorra	Jewellery	Low	Medium	Titan (Tanishq), Kalyan Jewellers	◑	Caratlane, Candere
Plum	Beauty & Personal care	High	Low	HUL, Marico, Zydus Wellness	●	Nykaa Cosmetics, MyGlamm,
Ustraa	Beauty & Personal care	High	Low	Marico, Emami, HUL	●	The Man Company, Beardo, Bombay Shaving Co, Man Matters, Bold Care
XYXX	Apparel	Medium	High	Page Industries (Jockey), Rupa, Lux	◕	Cresmo, Damensch, Bummer, Dashing, Modern Crew, Freecultr
The Souled Store	Apparel	Low	Medium	Trent, ABFRL, Arvind Fashions, Shoppers Stop	◑	Bewakoof, Nicobar, Bombay Shirt Co, Wrogn, Faballey
TenderCuts	F&B	Medium	High	None	◔	Licious, Fresh to Home, Meatigo, Zappfresh
Sleepy Owl	F&B	High	Medium	Nestle, HUL, Tata Consumer Products	◕	Blue Tokia, Beanly, Country Bean
Rage Coffee	F&B	High	Medium	Nestle, HUL, Tata Consumer Products	◕	Blue Tokia, Beanly, Country Bean
MyFitness	F&B	Low	Medium	HUL, Agrotech	◑	Alpino, Pintola, Yoga Bars, The Butternut Co.
Oziva	Health & Wellness	High	Low	No direct comparison; potential adjacency for Marico, Dabur	◑	Plix, Fast & Up
Nua	Health & Wellness	Low	Medium	P&G Health & Hygiene	◕	Heyday, Carmesi, Natracare, Vivanion, Sakhi, SheCup
SuperBottoms	Health & Wellness	Low	Low	No direct comparison	◔	Bumberry, Bumpadum, Mylo
Skillmatics	Games and Toys	Low	Low	No direct comparison	◔	Butterfly Edufields, Chalk & Chuckles
Design Café	Home improvement	High	Low	None	◔	Homelane, Livspace

Source: Companies, Euromonitor International Limited 2021 © All rights reserved, Nykaa DRHP, Ambit Capital research
Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

In many categories, D2C/DNB companies are largely playing in the mid to premium end whereas incumbents are playing the mass to mid end. Incumbents ride on the moat of wider distribution and hence serve the mass population to derive scale. Incumbents are also focusing on expanding their distribution into Tier 4 and the territories beyond. This leaves a major gap amongst the incumbents in terms of limited innovation and lack of premiumisation. As macro tailwinds start to increase disposable income, consumers will walk the premiumisation ladder. As that tends to happen over the next few years, if incumbents are not thinking enough towards emerging consumer problems, innovating and launching functional products, shifting their retail channel mix etc., then there are chances that incumbents may not be able to participate in the categories' premiumisation journey. Alternatively, incumbents may likely ride the D2C wagon inorganically by acquiring the brands which strategically fit their portfolio/distribution architecture.

Exhibit 7: D2C brands are charging a 10-130% premium to traditional incumbents

Category	Company/Brand	Pack size	Price (₹)	D2C Premium
Instant Coffee	Rage Coffee	100 grams	599	
	Nescafe Gold	100 grams	449	33%
	Bru (Gold)	100 grams	300	100%
	Tata Coffee Grand	100 grams	310	93%
Shampoo	Plum	300 ml	550	
	Tresemme Keratin	340 ml	295	87%
	Pantene	340 ml	264	108%
	Head & Shoulders	340 ml	250	120%
Briefs (M)	XYXX	1 unit	275	
	Van Heusen	1 unit	249	10%
	Jockey	1 unit	209	32%
	Rupa	1 unit	120	129%

Source: Amazon, company websites, Ambit Capital research; Note: Pink highlight indicates a D2C brand; All prices are based on MRP (ex-discounts);

Summarising KTAs

Exhibit 8: Summarising company-wise conference takeaways in three quick points

Sector	Company	Key takeaways
Jewellery	Melorra	▪ Melorra differentiates itself on its designing capability by launching 75 new designs every week inspired by global trends. ▪ Melorra employs a zero-inventory model where the product is manufactured only after the order has been placed. The manufacturing is done via 3D printing which allows for higher precision/quality in jewellery making. ▪ Gross margin for Melorra are ~23.5% for gold jewellery (vs Tanishq at ~12-15%) and will touch 29-30% in 3-4 years partially led by improving share of diamond/gemstones.
Beauty & Personal care	Plum	▪ Plum sells about 500k products per month across 150 SKUs both via online and offline channels. Customer education, content and key opinion leaders (KOLs) are a critical part of the strategy. ▪ Plum retails its products across online and offline channels (65% online and 35% offline mix). Given that about 85-90% of BPC in India is offline, it is not possible to sit out from selling via offline channels. Plum currently has 12,000 retail points in India. ▪ The AOV stands at ₹1,000 on website while it is smaller for other marketplaces. CAC (blended) stands at ₹400, but can sometimes go as high as ₹800. Blended CAC can be ~₹600.
Beauty & Personal care	Ustraa	▪ Large FMCG players approached men's segment the same way as women's by replicating the formats – this did not work for them. On the other hand, Ustraa started with core focus on men and engaged in customer interactions and built connections with them. ▪ Started as an online brand and then forayed into the offline channel with current presence at over 8,000 locations pan-India with goals to reach 30,000 by end of next year. It currently draws about 65% sales from online and 35% sales from offline channels. ▪ The average order value stands at ₹660-700 with the basket size averaging at 2.2 items. The repeat rate stands at about 40% on a month-on-month basis. The current revenue run rate is at ₹1bn with the target run rate over the next 2-3 years at ₹5bn.
Apparels	XYXX	▪ 3 core lenses of focus: Product innovation (right to win), functionality (use of differentiated fibre and finish) and brand narrative. ▪ Use an omni-channel distribution approach with presence on own website, marketplaces and offline stores (MBOs/GT). ▪ Make innerwear from cellulose fibres which are much softer vs cotton. Designs are also trendy and centred around younger crowds.
Apparels	The Souled Store	▪ Order repeat rate has been over 110% (heading to 140%). They come for the fandom and stay for the quality. TSS does not offer discounts to avoid undermining product value. ▪ Supply chain is a key differentiator with decisions made based on data. Sourcing takes only ~20 days with inventory days at 56-61 days. ▪ Also forayed into offline stores to improve brand visibility among customers. Offline store of TSS has highest conversion rate compared to other apparel stores.
F&B	TenderCuts	▪ TenderCuts is the only branded player to offer fresh meat to consumers either at the store or at the doorstep within two hours of the first cut due to its short supply chain. TenderCuts does not use a central processing model which other online meat companies use – biggest differentiation vs competitors. ▪ Plan to double distribution by end of this year to ~70-80 outlets from ~40 outlets currently. Entered Bangalore recently and will expand to Pune in the coming months. ▪ Three-fourth of customer acquisition happens organically, one-fourth through performance marketing. Customer acquisition cost (CAC) is ₹140-150 and AOV is ₹500-550. ▪ Current Annual Run Rate (ARR) of USD20mn, achieved 3x growth in last year. 75% of sales is online and remaining retail with 42% customer retention rate (on 12 months basis). EBITDAM of 12-18% and store-level payback period is 2-2.5 years.
F&B	Sleepy Owl	▪ Incumbents in the coffee category have not undertaken any major innovation in the last two decades, which provides a whitespace for D2C start-ups to exploit. Three key moats of Sleepy Owl would be: "convenience, taste & product design". ▪ Since ~90% of category purchase happen in offline channel, Sleepy Owl will eventually move to GT/MT channel as well. ▪ Annual Run Rate (ARR) of ₹270mn with a repeat purchase of ~60%. AOV is ~₹950-1,000 on website. Targeting to reach ₹5bn in sales over the next 3-5 years. High gross margin at +70% leaves enough on the table for performance marketing spends (~25% of sales).
F&B	Rage Coffee	▪ Rage has a unique positioning in the instant coffee market as it provides superior taste and higher caffeine (90-120mg/cup) vs traditional instant coffee offered by incumbents. It also uses a proprietary (patent pending) small-batch crystallized coffee that is infused with six plant-based vitamins. ▪ Capturing growing demand for coffee in Tier-II and III towns through offline wholesale channel. Also, catering to global demand with distributor partnership in the US, Europe & GCC markets. ▪ Online/offline channels contribute equally to overall sales. 70% of online sales are through own D2C website. Targeting ₹5bn topline by FY25 through a mix of online and offline channels.

Sector	Company	Key takeaways
F&B	MyFitness	▪ DNA of MyFitness is innovation in product (to suit Indian palate) and marketing. It offers peanut butter across a range of flavours and textures (crunchy, smooth and crispy). MyFitness's product is 3x smoother than competition. ▪ Nut butter market has grown from a ₹2bn market in 2018 to ₹4bn in 2021. It is expected to grow at 35% CAGR and reach ₹10-11bn by 2025. ▪ Competitors such as Sundrop and Funfoods retail at ₹300/kg vs MyFitness at ₹375/kg due to unique taste and peanut butter being 3x smoother than competition. Higher gross margin vs competitors due to the above reason has helped company to be EBITDA positive since day one. Competition gives retailer margin of ~10-15% whereas MyFitness gives retailer margin of 25%.
Health & Wellness	Oziva	▪ OZiva is India's leading certified clean, plant-based nutrition and wellness brand. The brand offers a wide range of products in women's health, men's health, fitness, skin health, hair health, kids health and clean beauty. ▪ In-house R&D and formulation team creates innovative products that fulfil consumer needs in a clean and natural way. Aspires to add more value to the existing consumers by offering new products and helping them build a healthier habit of adopting a clean, holistic lifestyle with OZiva products and therefore increase LTV (Lifetime Value). ▪ GMV of ₹1.5-2bn with 50% sales from own website and remaining from other e-com portals. 50% of sales from hair and skin health categories. Targeting ₹10bn in sales in next 3-5 years from multiple brands. Average Order Value (AOV) of ₹1,100-1,200 on own website and ₹900 on e-com portals. Healthy gross margin of 60-65%.
Health & Wellness	Nua	▪ Nua offers India's only 100% customizable sanitary pads powered by a subscription model wherein customers can subscribe for 3-packs at ₹399. Its reach is pan-India with 45% subscribers coming from Metros and the rest from Tier-2 and below. ▪ Nua pads cost ₹11/pad, which includes delivery costs, customization as well as disposable bags. Pads from peers, such as P&G cost about ₹9-11/pad excluding delivery costs and offer no disposable bags. ▪ Nua currently has about 300,000+ customers, 77% of its revenue comes from subscriptions with 12-month customer retention of over 50%. The subscription base comprises 45% customers from metros and the rest from Tier-2 and below.
Health & Wellness	SuperBottoms	▪ Flagship product of SuperBottoms is high performance diapers, potty training pants, langots and new born essentials. They also have a whole host of feeding, travel and storage accessories. Their latest portfolio has diversified further to include detergent sheets and innerwear for older kids. ▪ SuperBottoms boasts of a parent community of close to 1 lakh parents on Facebook. The community is highly engaged and deeply invested with the brand. Their concept of "service with love" is led by a team of moms who help customers with their queries. ▪ Economics of diapers are very favourable – normal diapers cost ₹35,000-50,000 p.a. vs SuperBottoms costing ₹8,000/10 diapers which can last for over 3 years. ▪ The AOV stands at ₹1,500-1,600. Annual run rate currently stood at ₹0.5bn. SuperBottoms expects to exit FY22 with a run rate of ₹1bn. Gross margin is healthy at 50-55% despite Covid impact. CM1 margins stand at 34-36%. EBITDA is also positive and slipped slightly due to Covid-19 but will recover as the situation normalizes.
Games and Toys	Skillmatics	▪ Have an omni-channel approach for distribution with presence through own website, Amazon and other marketplaces. Also present in offline big-box retailers, such as Walmart and Target in US (15k retail locations). ▪ Vision is to create a global education brand in overseas markets through educative games. Have built games for 3-6 year and 6-9-year age brackets. ▪ Being in India has multiple structural cost advantages across manufacturing, marketing, tech and product design.
Home improvement	Design Café	▪ Developing an entire ecosystem by offering convenience and speed to consumers while ensuring designers and contractors earn more than their usual take rates. ▪ Targeting the mass segment of consumers with homes costing between ₹6-20mn. Offers delivery guarantee (~45 days on average) due to modular technology. Consumers are also given 10-year warranty. ▪ Current order booking is ₹150mn/month. Average order value of ₹0.6-0.7mn. Margins are +40% currently. Typical sales cycle is 21 days and 45 days of inventory. Company has >1,050 SKUs.

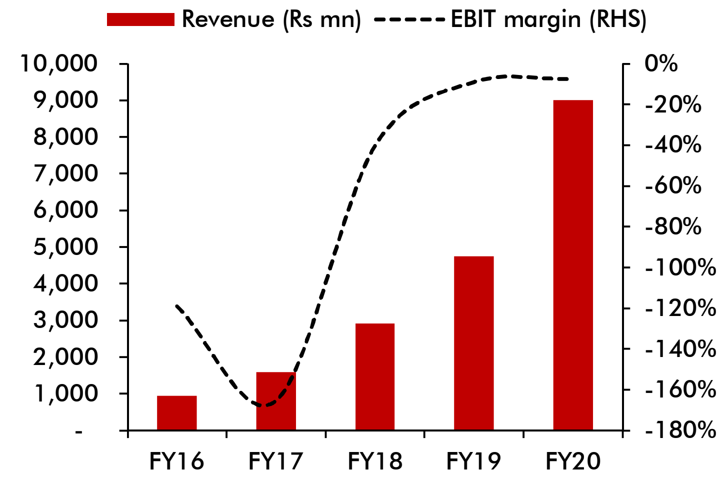
Source: Companies, Ambit Capital research

Case study on successful ramp-up of D2C/DNB players

Lenskart: Eye on growth, scale and profitability

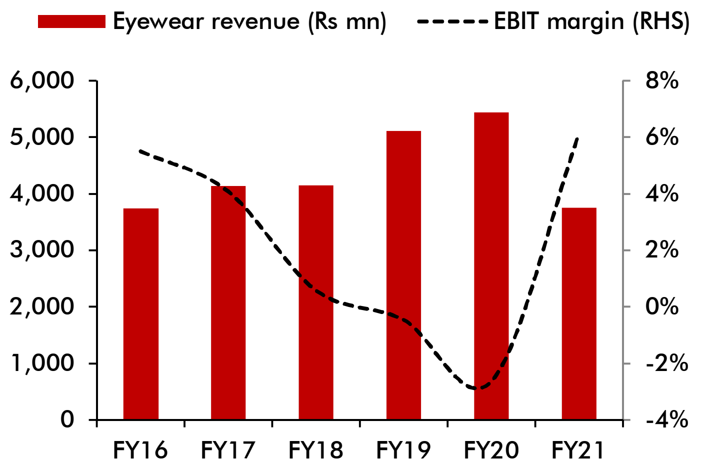
Lenskart which started as an online portal for contact lenses and then moved to introduce prescription glasses and sunglasses is today India's largest Eyewear retailer with an omni-channel presence (700+ stores across 30+ cities). Online is now driving 90% of its sales vs 70% before the pandemic. Catering to the Indian demand of 'aur dikhao', Lenskart has over 5,000 styles of frames and over 45 types of lenses. Lenskart overtook Titan on scale with revenue of ₹9bn in FY20 vs ₹5.4bn for Titan. Lenskart has also been successful in keeping its loss in check with EBIT-level losses declining from 9% in FY19 to 7.6% in FY20.

Exhibit 9: Lenskart has been successful in driving growth while curtailing losses



Source: Ambit Capital research, Company

Exhibit 10: While Titan has struggle to grow, however, Titan was successful in turning around on profitability in FY21

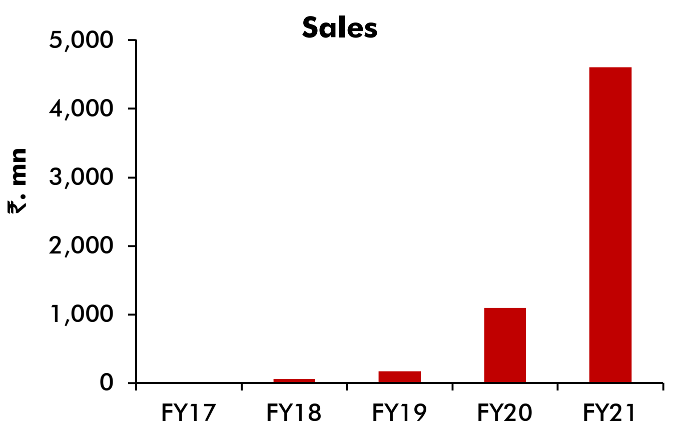


Source: Ambit Capital research, Company

Mamaearth: House of brands strategy at play

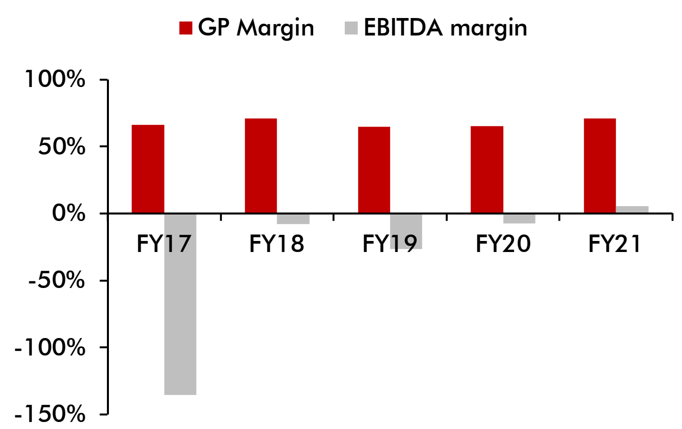
Founded in 2016, Mamaearth started as a D2C brand offering 100% organic and toxin-free skin care products for babies. It slowly diversified into skin and hair care products for all age groups with its 'all natural ingredients' proposition. Mamaearth is now building omni-channel presence and scaling its offline network (currently reaches 10k retail points) with offline accounting for 20% of sales. In FY21, Mamaearth's revenue jumped 4x (touching ₹.4.6bn) and turned EBITDA positive. The parent company, Honasa Consumer recently entered the Unicorn club after raising $52mn in funding led by Sequoia. It will use these funds to expand its portfolio of D2C brands in beauty and personal care segment and become a 'house of brands'. Currently, it owns two other brands – Derma Co. (science based dermatology products) and Aqualogica (hydration based skincare brand).

Exhibit 11: Mamaearth grew a whopping 320% in FY21…



Source: Ambit Capital research, Company

Exhibit 12: …and turned EBITDA margin positive for the first time



Source: Ambit Capital research, Company

Melorra

"Zara" of the jewelry industry

Melorra was started in 2016 by Saroja Yeramilli who has rich experience in the jewelry business having worked with Tanishq (1994 to 2006; last 2 roles being Head of Sales & marketing and Head of Business Development for USA). Melorra retails fashionable and affordable jewelry and aims to bring innovation in the space with design. Melorra claims to be the largest D2C brand in India. It focuses on releasing a large variety of designs (75 new designs every week) which are fashionable, comfortable and functional and appealing to customers across various demographics. Melorra employs a no inventory approach wherein most of the products are only manufactured after the order is placed. Melorra services across 2,700 cities and towns in India and is profitable on every order. It commands a strong premium on its designs which has allowed it to deliver impressive margins.

Jewellery

Quick Insight

Analysis	
Meeting Note	✓
News Impact	

Current strategy/USP

- Melorra employs a no inventory model where the order is manufactured only after the order is placed (manufacturing lead time of 11.6 days). The manufacturing is done via 3D printing, which allows for higher precision in jewelry making at much affordable cost compared to traditional handmade jewelry.
- While other jewelry retailers think of digital as an extension, Melorra has digital at its core with digital marketing driving most of its sales. Melorra's customer service team offers trust building pre-sales and post-sales experience to the customers.
- Melorra also operates experience centers of 500-700 sq. ft. where customers can visit and experience items through digital mediums and then place orders. As on Oct-21 there are 10 experience centers which achieved store-level profitability within 9 months of operations. Melorra aims to open 350 such experience centers over the next 5-6 years.
- Melorra makes non-wedding jewelry which can be used for everyday wear as they are well designed, functional and comfortable to change. It makes non-ethnic jewelry which can not only appeal to Indians but also for global customers.
- Design is central to Melorra as it constantly introduces new designs every week (~75 new designs every week). Designing products take about 30 days which is inspired by global fashion trends. Melorra enjoys higher product margin compared to peers due to design and innovation leadership.
- Melorra operates at affordable price points wherein its products are purchased as accessories. The average ticket size is about ₹25,000 (as compared to Tanishq at about ₹120,000).

Key statistics and other highlights

- Current revenue stands at about ₹3.5bn; Melorra expects the revenues to reach to about USD1bn by FY26.
- Margins stand at 23.5% for gold jewelry (vs Tanishq at 12-15%) and will touch 29-30% in 3-4 years partially led by improving share of diamond/gemstones. Primary reason for margin premium is design and product innovation.
- Customer profile: Age-wise contribution to sales – 34-52 years old: 42%; 25-34 years old: 40%; <25 years old: 18%; Metros contribute to 48% of sales while the rest comes from Tier 1-6 cities, towns and even villages.
- The LTV/CAC ratio stands at 2.9 for the website and 7.5 for the app. User sessions on the platform happen about 12-13 times per month.

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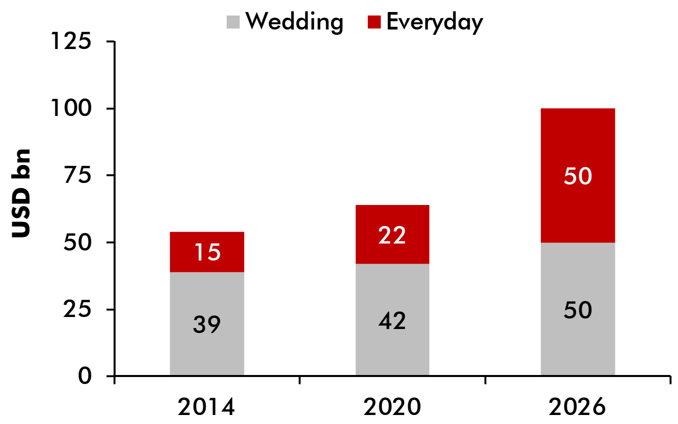
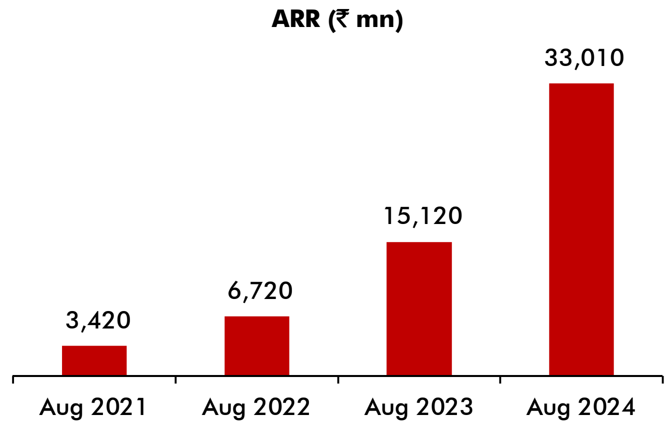
Exhibit 13: Everyday-wear jewelry is poised to exceed wedding wear jewelry growth



Source: Company, Ambit Capital research

Exhibit 14: Melorra's ARR is expected to report a strong growth to ₹33bn by Aug 2024



Source: Company, Ambit Capital research

Exhibit 15: Operating metrics of Melorra vs competition

Metrics	Melorra	Branded Players	Other Players
Net ASP	25,000	100,000	35,000
YoY Growth (%) (FY21-22)	339%	10%	30%
Gold Gross Margin (%)	23%	12%	10%
Gold Share	95%	75%	15%
ROCE	50%	10%	20%
Appeal	Global	Wide	Metro
TAM	$480bn	$50bn	$10bn

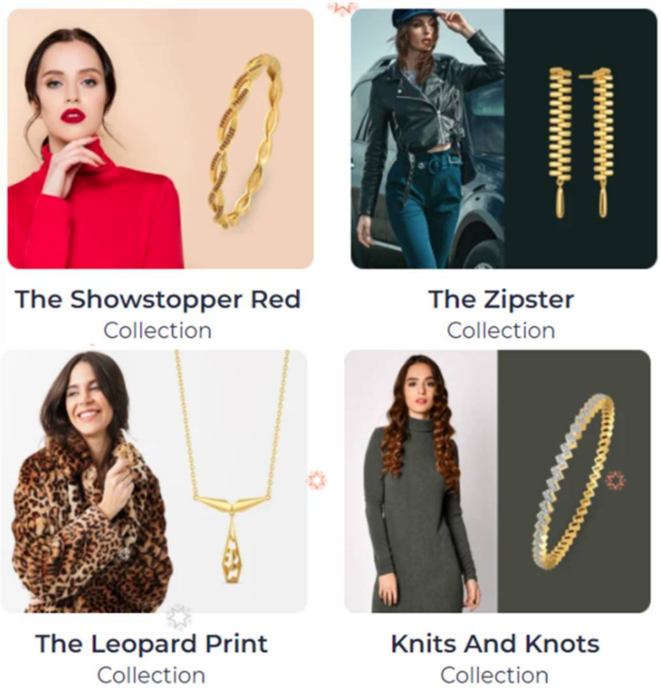
Source: Company, Ambit Capital research

Exhibit 16: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
06/05/2015	Seed	389	Lightbox Ventures
11/05/2017	Series A	224	Lightbox Ventures
20/03/2018	Loan	-	Blacksoil Capital
30/04/2018	VC (Bridge)	14	Lightbox Ventures
08/05/2018	Series B	301	Lightbox Ventures
07/02/2019	Series C	994	Lightbox Capital, Blacksoil Capital, Jeejeebhoy Family Office, Chowdry Associates, Beeline Impex
29/02/2020	VC (Bridge)	938	Lightbox Ventures, Burman Family Holdings, Jeejeebhoy Family Office, Chowdry Associates, Beeline Impex, Symphony International Holdings
18/09/2020	Loan	157	Alteria Capital
Mar21-Sep21	VC (Bridge)	173	Symphony International Holdings, Param Capital, Value Quest

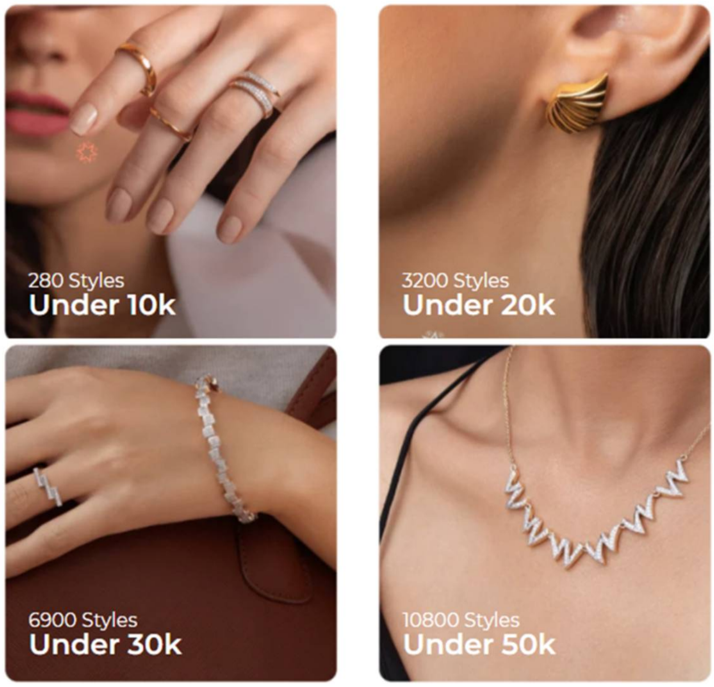
Source: VCCEdge, Ambit Capital research

Exhibit 17: Unlike traditional jewellery players, Melorra offers unique designs inspired from global trends…



Source: Ambit Capital research, Company

Exhibit 18: …and across wide price range



Source: Ambit Capital research, Company

Exhibit 19: Melorra has also launched its "Experience centers" where customers can visit and experience items through digital mediums and then place orders

Source: Ambit Capital research, Company

Pureplay Skin Sciences (Plum)

Beauty & Personal care

Quick Insight

Analysis	
Meeting Note	✓
News Impact	

Pioneering D2C beauty & personal care

Pureplay Skin Sciences runs 3 brands - Plum, Plum Body Lovin and Phy. Plum was started in 2014 as the first D2C brand in India. It is engaged in retailing its own line of women's beauty and personal care products. Plum sells about 500k products per month across 150 SKUs via both online and offline channels. It is not only the first online BPC brand but also the 1st brand to introduce vegan BPC products in India. Plum follows both an inventory-led model (with Nykaa, etc) and marketplace model (with Amazon, etc).

Current strategy/USP

- Plum retails its products across online and offline channels (65% online and 35% offline mix). Given that 85-90% of BPC in India is offline, it is not possible to sit out from selling via offline channels. Plum has 12,000 retail points in India.
- Among channels, online is a high-growth area. Being D2C gives the highest insights into the consumers' behaviors. Own website accounts for about 20% of overall online traffic.
- COVID-19 has led to rising preference for online. In the BPC segment, online penetration has increased from 5-6% to 10-12%. Covid resulted in the removal of a lot of barriers. China's online BPC penetration is ~25%.
- Customers are becoming more aware and concerned about the environment and are influenced by social media. These factors play in favour of Plum which makes vegan and environment-friendly products.
- Consumer journey to buying skin and hair care-related functional products starts from teens. Ample of scope to innovate and address whitespaces in BPC category.
- There is constant innovation in the BPC segment as new products are introduced. Given the large TAM and prospects, Plum expects to grow by 8-10x over the next 5 years.
- Customer education, content and key opinion leaders (KOLs) are a critical part of the strategy. 50-60% of marketing still goes towards performance and positioning marketing.

Key statistics and other highlights

- Plum witnesses 1mn visits/month and sees a 45% repeat rate.
- Plum has been profitable since 2016-17 with minor positive EBITDA. The company is seeing a growth of 2.5x.
- The average order value stands at ₹ 1,000 on website while it is smaller for other marketplaces. CAC (blended) stands at ₹ 400 but can sometimes go as high as ₹ 800. Blended CAC can be ~₹ 600.
- Top 3 product categories are moisturizers, serums and face washes. Top 15 products contribute to 55% of total sales for Plum.

Exhibit 20: Plum offers its own brand of cosmetics and personal care products which are environment-friendly

Source: Company Website, Ambit Capital research

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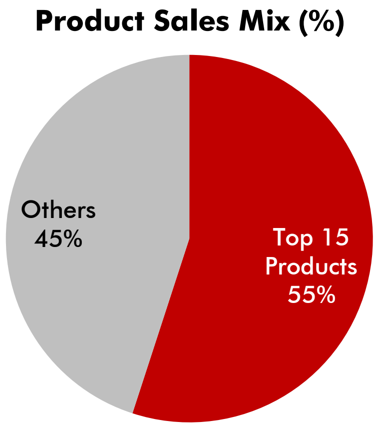
Exhibit 21: Top 15 products are the biggest revenue contributors which include moisturizers, serums and face washes as the Top 3



Source: Company, Ambit Capital research

Exhibit 22: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
14/11/2018	Series A	148	Unilever Ventures
07/05/2020	VC (Bridge)	76	Unilever Ventures
11/08/2020	Loan	170	Trifecta Venture Debt
12/11/2020	Series B	1,114	Unilever Ventures, Faering Capital, Trifecta Ventures

Source: VCCEdge, Ambit Capital research

Ustraa

Beauty & Personal care

Quick Insight

Analysis	
Meeting Note	✓
News Impact	

Grooming for men's care market!

Happily Unmarried started out in 2003 as a seller of quirky and fun products. Following that and the rising trend around e-commerce, Happily Unmarried diversified into the men's personal care space with the launch of new brand "Ustraa". Ustraa started out with beard and face care products and has expanded into adjacencies with the introduction of soaps, fragrances, hair care etc. Ustraa products currently retail at about 32 marketplaces and at over 8,000 outlets across India.

Current strategy/USP

- Large FMCG players approached the men's segment the same way as women's, by replicating the formats, which did not work for them. On the other hand, Ustraa started with core focus on men and engaged in customer interaction and built connections with them.
- Started as an online brand and then forayed into the offline channel with presence at over 8,000 locations with a goal to reach 30,000 by the end of next year. It currently draws about 65% sales from online and 35% from offline.
- Ustraa attracts 25% of total online sales on own website while the rest 75% on other marketplaces. The cost of driving traffic to own website has been increasing and beyond a point having one's own website is not profitable.
- Have plans for running a women's range but will be kept online-only. The women's space is much evolved and is tougher to crack plus it faces stiffer competition.
- Ustraa started a subscription model but it did not work as majority of sales are still via cash-on-delivery (60-70%). Though the subscription model does exist, it does not get many subscriptions and is hence not the core focus area.

Key statistics and other highlights

- The average order value stands at ₹660-700 with the basket size averaging at 2.2 items. The repeat rate stands at about 40% on a month-on-month basis. Ustraa attained pre-Covid sales levels four months ago.
- The current revenue run-rate is at ₹1bn with the target run-rate over the next 2-3 years at ₹5bn. CM 2 margins stand at 9-10% at the company level.
- Top 3 categories are beard care, hair care and fragrances. Hair care has witnessed more repeat and loyal customers and has surpassed beard care. Ustraa has also been adding new products in hair care such as vitalizers, oils, shampoos, wax and sprays.
- Focus on launching new products which are trending (apple cider vinegar, red onion, vitamin C etc) and then on building leadership in the space. Brand has the potential to launch ayurvedic versions of overall male grooming range.
- The company is also exporting to Malaysia, USA, Fiji, Maldives, and Indonesia.

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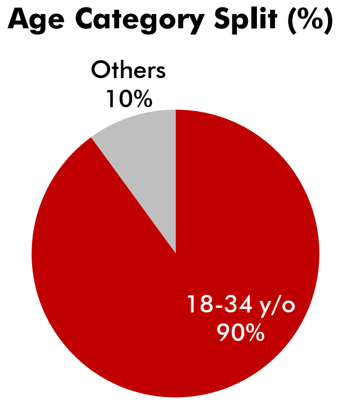
Exhibit 23: Ustraa offers a wide range of men's personal care products

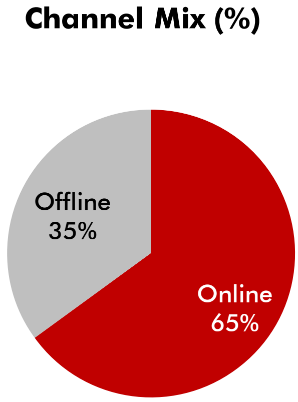
Source: Company, Amazon.in, Ambit Capital research

Exhibit 24: Majority of Ustraa's customers are millennials



Source: Company, Ambit Capital research

Exhibit 25: Online channels (65% of revenue) include own websites and marketplaces



Source: Company, Ambit Capital research

Exhibit 26: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
07/11/2012	Domestic	74	Info Edge
21/10/2014	Domestic	49	Info Edge
30/01/2016	Domestic	55	Info Edge
04/07/2016	Domestic	56	Info Edge
07/11/2017	Domestic	290	Info Edge, Wipro
20/09/2019	Domestic	105	Info Edge, Wipro
31/07/2020	Pvt Equity	502	IIFL Seed Ventures

Source: VCCEdge, Ambit Capital research

XYXX Apparels

Unlocking inner comfort

Founded by Yogesh Kabra, XYXX Apparels is engaged in retailing of men's innerwear and loungewear such as briefs, boxers and t-shirts. It started as a digital first brand but eventually evolved into an omni-channel player given innerwear is mostly purchased offline in India. XYXX initially launched underwear but gradually expanded into vests, pyjamas etc. on consumer demand. Currently it has an offline presence in 16 states touching more than 6,700 retailers in India. Given its success in innerwear and loungewear, XYXX plans to foray into kids essential wear and athleisure. Building a business akin to Jockey! One of the co-founders of XYXX Apparels was previously associated with the core team responsible for launch and scale-up of Van Heusen's innerwear range.

Current strategy/USP

- It uses a cellulose fiber that has traditionally been used in sanitary pads and diapers. This fiber compared to cotton is 3x softer, naturally antibacterial, cooler to touch and 50% more moisture absorbent.
- The founder believes that incumbents in the underwear space offer similar designs and colors with no innovation. From a pricing perspective the ₹250-350 per underwear category provided an opportunity to disrupt by providing better quality and designs.
- Omni-channel presence with a strong and growing offline network across 16 states through 64+ distributors and 6,700+ retailers (MBOs). XYXX has scope to increase offline presence compared to Jockey, which is available in 80,000+MBOs.
- XYXX is also planning to foray into kid's essential wear/innerwear (₹12bn market size growing at 12% CAGR) and men's athleisure (₹216bn market size growing at 18% CAGR). However, XYXX will not enter into women innerwear as it is a complex category.
- Driving sales growth by growing each SKU deeper rather than just adding newer SKUs to the portfolio.

Key statistics and other highlights

- Targeting to reach revenue of ₹10bn by FY27 with ₹4bn contribution from men's innerwear and balance ₹6bn from loungewear, athleisure wear and kids essential wear. XYXX is aiming to break even at PAT level by FY24.
- Innerwear market size in India is ~₹140bn. Mid-premium segment (₹150-300/underwear) contributes ~45% of the market and is growing the fastest. XYXX underwear start at ₹215 vs ₹350+ for other new-age brands.
- Gross Annual Run Rate (ARR) of ₹900mn-₹1bn in Oct '21; healthy CM2 positive profitability. Blended GM of 50-55%; GM for offline channel is 43-44% and for e-com it is 57-58%.
- General trade (MBOs) accounts for 45-50% of overall sales and remaining 50-55% from online channel (Amazon contributes ~25% of overall sales) which includes own website and other online marketplaces. AOV online ranges from ₹550-750.
- Online repeats are better than category on Amazon and at par with Jockey. Offline repeat purchases are also healthy at 45-50%.
- Jockey offers 27-28% margins to retailers and 7% + 2% cash discount to distributors vs XYXX that offers 30% margins to retailers and 9% + 3% cash discount to distributors. XYXX was able to reduce trade margins by ~1% as its size has increased.
- Inventory days for XYXX stands at 40-50 days (lower due to omni-channel presence) vs 70-80 days for Jockey and 100-110 days for Rupa, Lux and Dollar. Receivable days stand at 90 days and should come to down to 60 days in the coming years.

Apparel (Innerwear)

Quick Insight

Analysis	
Meeting Note	✓
News Impact	

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Exhibit 27: XYXX is disrupting the innerwear and loungewear market with superior products in terms of quality and design

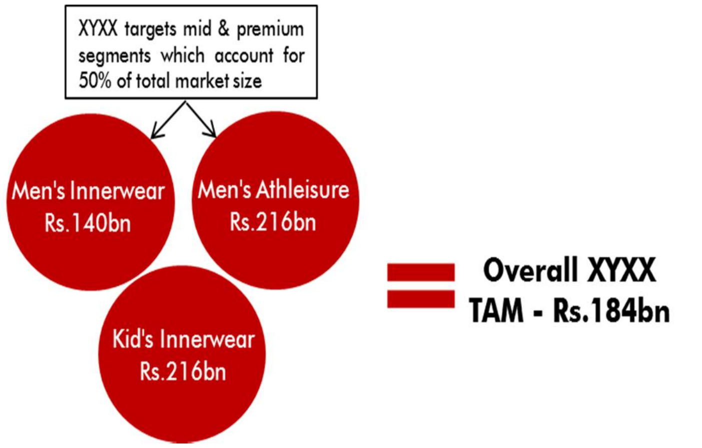
Source: Company, Ambit Capital research

Exhibit 28: XYXX identified a whitespace in the mid-premium segment which has no new brands

Category	Brand	Price for basic solid brief	Competitive landscape
Online only Premium	Cresmo, Damensch, Bummer, Dashing, Modern Crew, Freecultr	₹.350+	Small market, crowded with only digital brands, low entry barriers
Mid Premium	XYXX	₹.215+	Only brand with premium products at this price, digital first & offline presence as well
	Jockey	₹.180+	Offline dominant, fatigued brands, no new players
Mass	Dollar, Lux	₹.100+	Many inferior product players for mass

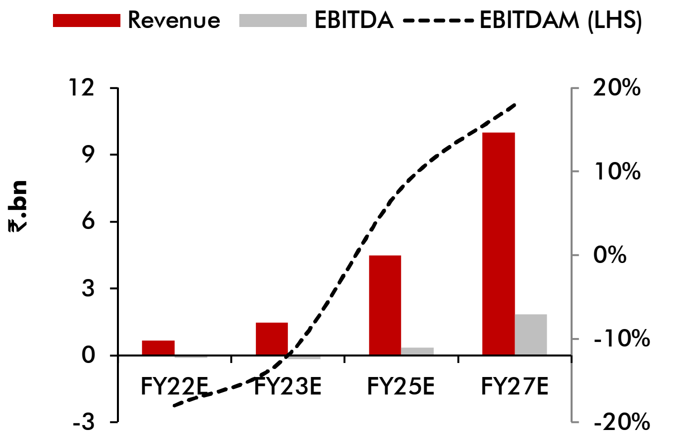
Source: Company, Ambit Capital research

Exhibit 29: Overall TAM of ₹184bn comprising men's innerwear, athleisure and kids innerwear



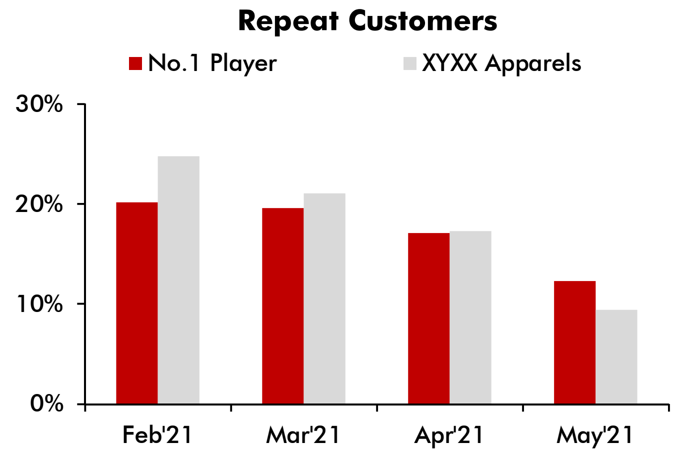
Source: Company, Ambit Capital research

Exhibit 30: Targeting ₹10bn in revenue and 18% EBITDAM by FY27



Source: Company, Ambit Capital research

Exhibit 31: XYXX has strong online repeat purchases, comparable to the #1 player



Source: Company, Ambit Capital research; Note – Data is only for Amazon

Exhibit 32: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
15-Jun-21	Series A	240	Sauce.vc, DSG Consumer Partners, Synergy Capital Partners
04-Sep-19	Seed Round	60	Sauce.vc
07-Mar-19	Seed Round	Undisclosed	Sauce.vc

Source: VCC Edge, Crunchbase, Ambit Capital research

The Souled Store

Apparel

Quick Insight

Analysis	
Meeting Note	✓
News Impact	

Adding character to the Soul

The Souled Store (TSS) started in 2013 as India's first licensed merchandise and apparel player with licenses to produce products with pop culture being central, including characters from Disney, Marvel, DC, Harry Potter and IPL among others. TSS started out with a capital of ₹0.55mn and maintained a very cash conservative model which ensured efficient capital management. The majority of TSS' revenue comes from its own website (~90%). Along with this, TSS operates its own stores which add to brand tangibility and visibility.

Current strategy/USP

- The Souled Store started out in the merchandising category which was nascent at the time of its founding in India with a primary focus on the product quality.
- TSS uses a huge amount of data to determine which kind of apparel and style has more appeal and demand and accordingly all decisions are based on this data. TSS has been able to build a data-centric culture for all decisions in this manner.
- Key strategies have been: (i) product and intelligent data-driven decision making; (ii) focus on unit economics; (iii) not to acquire customers merely through discounting.
- Customers come for the fandom it offers with its merchandise, they stay back with the brand for its quality. This has enabled TSS to deliver over 100% order repeat rate from existing customers.
- 90% revenue comes from its own website as well as its stores, with the balance coming from online marketplaces (Amazon, Flipkart etc). TSS also opened physical stores recently which have seen a positive response from customers.
- TSS has much lower lead times vs market incumbents due to a data-centric supply chain management. The industry takes about 3-4 months in sourcing their fabric needs, while TSS can source in about 20 days (inventory days at 56-61 days).
- In addition to its men and women's segments, TSS also plans to introduce its kid's range. With this segment, the marketing and selling channels are slightly different along with other factors. As they build their bandwidth around it, the line will come into place.

Key statistics and other highlights

- The Souled Store is targeting to achieve an annual run rate of ₹10bn as it adds new categories over time. It is currently clocking a ₹2bn run-rate.
- Unit economics is a priority for TSS, which has led to the brand barely offering discounts (except once a year/quarter). CAC stands at about ₹200 (up from ₹50-60 in its early days).
- On offline stores, TSS saw a better-than-expected response, even competing better than the online platforms. Footfall conversion at stores stood at ~70% (vs industry average at 10%). While offline presence is positive, TSS will maintain a largely online presence.
- Customer Profile - The gender breakup between men and women is nearly 50-50%. The primary age group stands at 18 to 32 years old and sees more traction from Tier 1 cities vs others.
- TSS usually takes about 30-40 days to introduce new designs but can push the process to as low as 3-4 days if required. This is enabled by having in-house manufacturing facilities at hand (in-house facilities contribute to ½ of total manufacturing).
- Order repeat rate stands at 110% with a target to reach about 140%.

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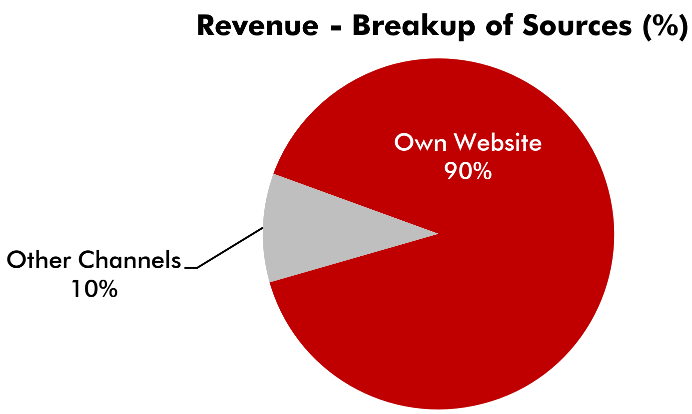
Exhibit 33: TSS operates 3 stores currently. As per management, the stores have seen impressive response from customers with ~70% conversions

Source: Company Website, Ambit Capital Research

Exhibit 34: Own website traffic mostly dominates sales for TSS with majority customers being drawn there



Source: Company, Ambit Capital Research

Exhibit 35: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
19/10/2019	Series A	225	RPSG Capital Fund
04/08/2021	Series B	756	Elevation Capital

Source: VCCEdge, Ambit Capital research

TenderCuts

Food & Beverage

Quick Insight

Analysis	
Meeting Note	✓
News Impact	

Riding on mass market opportunity

TenderCuts was founded in 2016 by Nishanth Chandran to disrupt the highly unorganized meat and seafood market in India. TenderCuts provides freshly cut meat and seafood to customers through its neighborhood stores, which cater to both walk-in customers and online shoppers. TenderCuts directly sources mutton and sea food from farmers and fishermen which ensures better control on quality and pricing. Chicken, mutton and sea food contribute 90% of sales, with the remaining 10% coming from value-added products such RTE/RTC. It is present in Chennai (market leader) and Hyderabad with ~40 stores combined, and recently opened its first store in Bangalore. It has plans to enter Pune in the coming months.

Current strategy/USP

- Indian consumers buy meat from traditional markets (wet market) despite purchase experience being unhygienic and inconvenience due to one reason i.e. fresh cut. This is also the reason why frozen meat does not work in India. Overall TAM in top 10 cities is ~USD30bn, but truly addressable TAM for TenderCuts is USD20-22bn.
- TenderCuts is the only branded player to offer fresh meat to consumers either at the store or at the doorstep within two hours of the first cut due to its short supply chain. TenderCuts does not use a central processing model which other online meat companies use – biggest differentiation vs competitors, refer exhibit 38).
- Have created an integrated model of in-store experience and online. Integrated model has better operating margins, CAC and customer experience vs central processing model (refer exhibit xx).
- TenderCut's business model offers the freshness of wet meat market along with the convenience and hygiene of organized market at prices similar to traditional market.
- Plan to double distribution by end of this year to ~70-80 outlets from ~40 outlets currently. Entered Bangalore recently and will expand to Pune in the coming months.

Key statistics and other highlights

- Current Annual Run Rate (ARR) at USD20mn; achieved 3x growth in last year. 75% of sales come from online and the remaining from retail; 42% customer retention rate (on 12-month basis).
- Breakdown of line items: gross margin of 42-43%; cost of wastage, delivery and packaging costs at ~12%; netting this would give contribution margin (CM1) of 30%. To get EBITDAM, discounts and fixed costs (electricity, man power) of 12-18% needs to be factored. This finally gives EBITDAM of 12-18% (wide range owing to discounting factor remaining inconstant through the year). Store-level payback period is 2-2.5 years.
- 3/4th of customer acquisition happens organically; 1/4th through performance marketing. CAC is ₹140-150 and AOV is ₹500-550.
- Value-added products contribute 9-10% (share was 6% P.Y.) to overall sales. RTC range is a high-margin product (45-50% GM).
- Mature stores can clock ₹5.5-6mn sales/month, with 12-15% margins (slightly lower due to inefficiencies, small scale etc.). Margins can improve to 18% as scale increases. Cost to set up stores is ₹4.5-5mn with negligible working capital.

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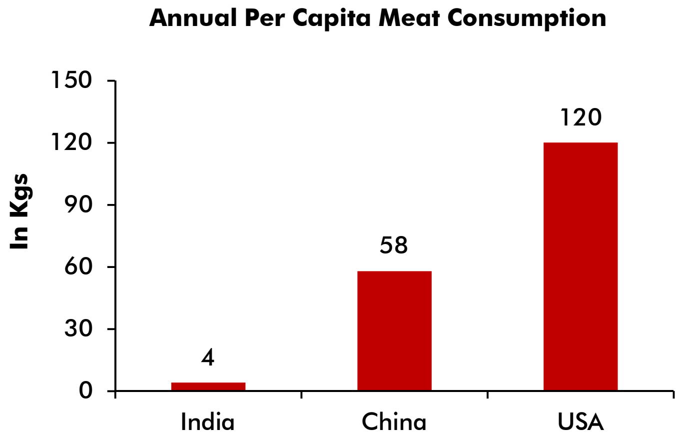
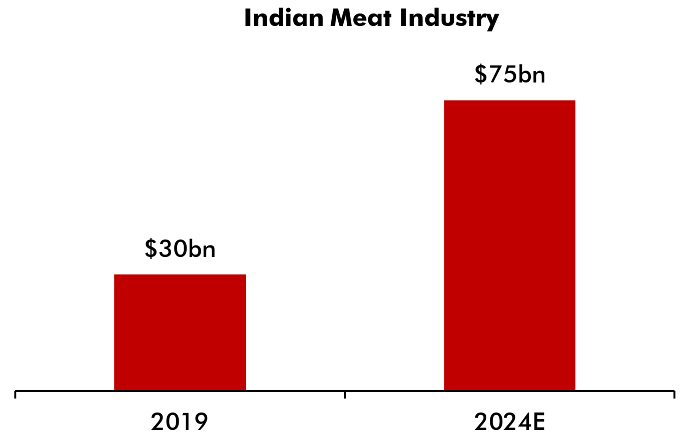
Exhibit 36: India's per capita meat consumption is very low compared to other nations



Source: Company, Ambit Capital research

Exhibit 37: Meat industry is expected to grow at ~20% CAGR till 2024



Source: Company, Ambit Capital research

Exhibit 38: TenderCuts' unique integrated model leads to superior operating metrics vs competition

Particulars	TenderCuts	Competition (Licious, Fresh to Home)	Comments
Time from cut to cook	2 hours	24 hours	Lower time from cut to cook ensures better freshness
Operating margins	20%	10%	Better margins due to omni-channel business model, use of technology in planning
CAC	$1.50	$5.70	Offline stores cater to bigger market which reduces CAC due to walk-ins
Customer experience	4.6	4.1	Based on ratings from inception

Source: Company, Ambit Capital research

Exhibit 39: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
08-Feb-21	Series A	1,100	Paragon Partners, Nabventures
01-Sep-17	Angel Round	46	Suresh Krishn

Source: VCC Edge, Crunchbase, Ambit Capital research

Sleepy Owl Coffee

Food & Beverage

Quick Insight

Analysis	
Meeting Note	✓
News Impact	

Refreshing sip for connoisseurs

Sleepy Owl Coffee was founded in 2016 by three partners, Ajai Thandi, Ashwajeet Singh and Arman Sood. Sleepy Owl started as an RTD coffee brand delivering fresh cold brew. Post initial success of fresh cold brew, it introduced cold brew packs (make fresh brew at home), RTD iced coffee bottles and hot brew bags (roasted & ground coffee in tea bags). Online channel contributes 70-75% of sales while the remaining 25-30% comes from the offline channel. Offline channel consists of select 1,800 GT stores and 250-300 MT stores across Delhi and Mumbai.

Current strategy/USP

- Sleepy Owl's mission is to make India a coffee lover nation. Japan, South Korea and UK have undergone a shift from tea to coffee consumption and the founders believe India is just a few years away from this shift.
- Incumbents in the coffee category have not undertaken any major innovation in the last two decades, which provides a whitespace for D2C startups to exploit.
- Three moats of Sleepy Owl: Convenience, taste & product design.
- Sleepy Owl aims to gain from consumers looking for a better in-home coffee experience through its superior product offerings.
- Target group is mainly Gen Z and millennials that prefer coffee over tea. Gen Z and Millennials are looking for better coffee and are willing to experiment.
- Since ~90% of category purchases happen in offline channel, Sleepy Owl would eventually move to GT/MT channel as well.
- From adjacencies, sleepy owl can easily expand into gourmet cookies.

Key statistics and other highlights

- Targeting to reach ₹5bn in sales over the next 3-5 years.
- Annual Run Rate (ARR) of ₹270mn with a repeat purchase of ~60%. Percentage of consumers (in revenue terms) that come back in a given time frame: 24-month/12-month revenue cohort is 141%/120%.
- High gross margin of 70%+ leaves enough on the table for performance marketing spends (~25% of sales). 95% marketing focus is on Facebook and Google. Logistic cost is ~8-10%.
- Market share in Big Basket gourmet section is 15-17%; market share of Amazon coffee category is 5%. 90-95% of customers are millennials aged between 24-30 years.
- Online/offline channel contribute 70-75%/25-30% of overall sales. Majority of online sales (~70%) comes from own D2C website. Average Order Value (AOV) is ₹950-1,000 on the website.

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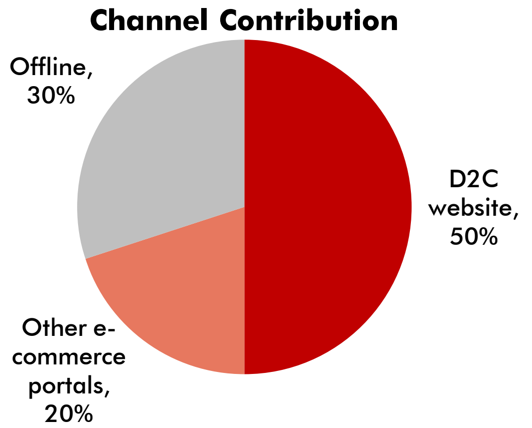
Exhibit 40: Sleepy Owl offers cold brew, hot brew as well as RTD coffee

Source: Company, Ambit Capital research

Exhibit 41: Online accounts for ~70% of overall sales



Source: Company, Ambit Capital research

Exhibit 42: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
03-Mar-20	Series A	Undisclosed	Rukam Capital, DSG Consumer Partners
17-Apr-18	Seed Round	35	DSG Consumer Partners

Source: VCC Edge, Crunchbase, Ambit Capital research

Rage Coffee

Revolutionizing coffee with health benefits

Founded in 2018 by Bharat Sethi, Rage Coffee is an omni-channel, natural plant-based coffee brand that manufactures, markets & distributes instant coffee products through its own website (35%), online market places (15%) and offline channel (50%). Rage has a unique positioning in the instant coffee market as it provides superior taste and higher caffeine (90-120mg/cup) vs traditional instant coffee offered by incumbents. In addition to instant coffee, Rage also offers cold brew, ground coffee and coffee shots. Rage is targeting to become a ₹5bn brand by FY25.

Current strategy/USP

- Identified many gaps in the coffee category in supply chain, formulations, manufacturing and distribution which incumbents have not addressed. Launched Rage coffee with a differentiated product in terms of formulation, functionality and taste to address these gaps.
- Use a proprietary (patent pending) small-batch crystallized coffee that is infused with six plant-based vitamins. Offers more caffeine per cup (90-120mg/cup) vs traditional coffee.
- Omni-channel presence to tap into both digital and offline consumers. Currently majority of coffee sales takes place in offline retail (~90%), hence Rage Coffee needs to be available in offline outlets as well.
- All decisions are taken from data perspective – distribution channels, marketing decisions, product launches, etc.
- Capturing growing demand for coffee in Tier II and Tier III towns through its offline wholesale channel. Catering to global demand as well with distributor partners in the US, Europe & GCC markets.
- Aspire to be a caffeine company and not just a coffee company. Planning to launch more products with innovative use of caffeine (e.g. caffeine snacks).
- Run an affiliate program with individual consumers, home chefs etc as affiliates. Currently have 6,000-7,000 affiliate members.

Key statistics and other highlights

- Online/offline channels contribute equally to overall sales. 70% of online sales are through own D2C website. Offline business is run through wholesale, touching ~1,000 POS outlets. 70-75% of offline sales are in Tier 2/3 cities.
- Trade margins in offline channels are ~45% (CFA agents, distributors, salesmen). Do not offer any credit in the offline market.
- Breakeven on the first transaction online (AOV ₹600) on a contribution basis. Spend 40-45% of sales on marketing/ad spends. 35% repeat purchases on D2C platform. At AOV of ₹ 600, can breakeven in the first order itself.
- Dependent on Facebook and Google for online marketing. Going forward, CACs are expected to at best remain stable or go up. Performance marketing spends are almost similar to distributor margins.
- Targeting ₹5bn topline by FY25 through a mix of online and offline channels.

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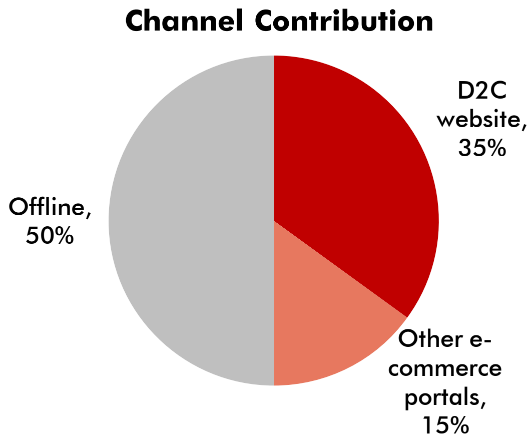
Exhibit 43: Rage Coffee offers instant coffee, cold brew bags and ground coffee

Source: Company, Ambit Capital research

Exhibit 44: Offline and online channels contribute equally to sales



Source: Company, Ambit Capital research

Exhibit 45: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
17-Aug-21	Series A	375	Sixth Sense Ventures
07-Apr-21	Seed Round	Undisclosed	9 Unicorns Venture Capital Fund, Emarson Computers, CC One Venture Labs, Spotlight Capital, Evolvx Advisory, Darshan Deora and KRS Jamwal
07-Jan-20	Seed Round	Undisclosed	Refex Capital, Keiretsu Forum Chennai, Harminder Sahni, TD Mohan, Rajan Srikanth, Prakash Katama, Uday Sodhi, Ajay Sarupria, Kumar A, Sawan Gupta

Source: VCC Edge, Crunchbase, Ambit Capital research

MyFitness

Food & Beverage

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Customising a commoditized category

Founded in 2018 by Mohammad Patel and Rahil Virani, Myfitness is a digital first health and fitness-focused food startup that sells peanut butter on online and offline channels. DNA of Myfitness is innovation in product (to suit Indian palate) and marketing. It offers peanut butter across a range of flavors and textures (crunchy, smooth and crispy). Due to its superior product offerings, word of mouth has been the biggest growth driver for Myfitness. Online channel contributes to ~55% of sales with remaining 45% sales coming from the offline channel. Management believes brand Myfitness is well-positioned to capture growth in nut butter market (35% CAGR till FY25).

Current Strategy/USP

- Founders found a gap in nut butter industry – they believe peanut butter is not a commodity and every country needs its own customized taste for peanut butter. Myfitness has customized peanut butter for Indian palate.
- Peanut butter usually has a sticky texture, but through R&D, Myfitness is able to manufacture peanut butter that is 3x smoother than competition. Myfitness also solved the oil residue problem that is generally found in other peanut butters.
- For increasing brand awareness Myfitness on-boarded Hardik Pandya, Kriti Sanon and Samantha Prabhu as brand endorsers and partnered with Mr. Olympia competition in 2021.
- Targeting gym/fitness/other retail stores in the offline channel through a strong network of 1,200+ channel partners. Planning to enter GT/MT channel full-fledged in 2022. Incrementally also focusing on family consumption segment as repeat purchases are higher in this segment.
- Adjacencies line includes plant protein, vitamins supplements, kids snacks, effervescent, gummies, rice cake, etc. Launching a new brand called 'Suprfit' that will have a range of health foods such as Apple Cider Vinegar, Effervescent Tablets, Rice Cakes, Gummies, etc.
- Setting up a new factory with an installed capacity of 70,000 jars/day. Once that plant is commercialized, products would be available on Big Basket, Wellness Forever, Swiggy, etc.

Key statistics and other highlights

- Nut butter market has grown from a ₹2bn market in 2018 to ₹4bn in 2021. It is expected to grow at 35% CAGR and reach ₹10-11bn by 2025.
- In June 2018, Myfitness was doing business of ₹0.15mn per month to now having an annual run rate of ₹1bn.
- Repeat customers on a quarterly basis on the website are 36%, on Amazon it is 39%. Amongst channel partners, 81% repeat their order in 90 days.
- Competitors such as Sundrop and Funfoods retail at ₹300/kg vs Myfitness at 375/kg due to unique taste and peanut butter being 3x smoother than competition. Higher gross margin than competitors due to the above reasons has helped the company to be EBITDA positive since day one. Competition gives retailer margin of 10-15% whereas Myfitness gives retailer margin of 25%.
- Strong social media following with 130k followers on the Instagram handle.

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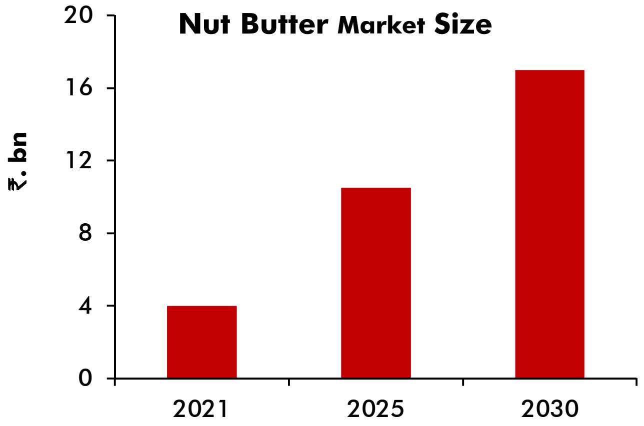
Exhibit 46: Roped in several celebrities such as Hardik Pandya, Kriti Sanon and Samantha Prabhu

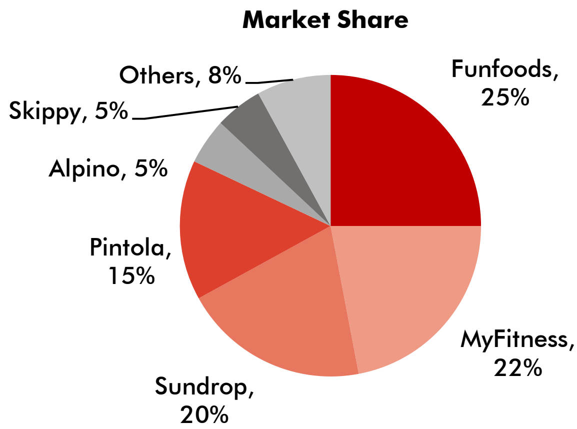
Source: Company, Ambit Capital research

Exhibit 47: Nut butter market is growing at 35% CAGR and is expected to be ₹17bn by 2030



Source: Company, Ambit Capital research

Exhibit 48: MyFitness holds 22% market share in the peanut butter category



Source: Industry sources, Ambit Capital research; Note: Market share data is as per best estimate

Exhibit 49: Funding details

Date	Funding Round	Amount Raised (₹ mn)	Investors
17-Jun-21	Seed Round	75	9UNICORNS, Ashutosh Valani & Priyank Shah, Varun Alagh, Arjun Vaidya, Shashvat Nakrani, Sharad & Shreyans Jain, Puneet Kumar, Anjali Bansal

Source: VCC Edge, Crunchbase, Ambit Capital research

Oziva

Health & wellness in a clean manner

Founded in 2016 by Aarti Gill and Mihir Gadani, OZiva is India's leading certified clean, plant-based nutrition and wellness brand. The brand offers a wide range of products in women's health, men's health, fitness, skin health, hair health, kids health and clean beauty. OZiva became the first nutrition and wellness brand in India to be certified clean by US-based CLP (Clean Label Project). 'Clean' refers to offering products that are free of harmful chemicals and ingredients. While its nutrition products have been awarded the coveted Purity Award and Pesticide Free certifications by CLP, its beauty products have been tested and cleared for harmful ingredients like heavy metals, sulphates, phthalates, parabens and more. Over the years OZiva has multiplied and strengthened its digital footprint and is now planning to increase its offline presence.

Health & Wellness

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Current strategy/USP

- OZiva aspires to be a one-stop shop for all wellness needs of consumers across categories. It is India's first certified clean nutrition brand i.e. without any harmful chemicals and ingredients.
- In-house R&D and formulation team creates innovative products that fulfill consumer needs in a clean and natural way. Have developed patent pending plant derived nutraceutical & cosmeceutical ingredients. Aspires to add more value to the existing consumers by offering new products and helping them build a healthier habit of adopting a clean, holistic lifestyle with OZiva products and therefore increase LTV (Lifetime Value).
- Provides personalized diet & expert consultations to customers through OZiva Prime. This has helped in increasing trust and brand loyalty.
- Strengthening omnichannel strategy by improving offline channel presence with the launch of new products, and variations of online best sellers. For e.g.: Sachets of best-selling products at ₹ 20. Aims to reach 10,000 outlets by Dec'22 through a targeted pin code approach.
- Nutraceuticals is USD4bn (dietary supplements is USD2bn+) and beauty is USD20-22bn market. OZiva products are a blend of beauty & nutraceuticals. Online penetration is 3% vs China which has 20% online penetration.

Key statistics and other highlights

- GMV of ₹1.5-2bn with 50% sales from own website and the remaining from other e-com portals. 50% of sales from hair and skin health categories.
- Targeting ₹10bn in sales in the next 3-5 years from multiple brands.
- 80% of the consumers are in the 18-55 age group and 30% of customers are in the 25-35 age group. Non-metro cities contribute ~70%+ of sales.
- Average Order Value (AOV) of ₹1,100-1,200 on own website and ₹900 on e-com portals. Healthy gross margins of above 60-65%.
- Customer Acquisition Cost (CAC) varies among categories, ranging from ₹400-800.
- 96-97% of raw materials/ingredients used are sourced from India. In-house quality control team adheres to tighter norms for a clean label brand.
- Targeting to launch 5-10 products per quarter. It takes approximately 7-8 months to launch a new product.

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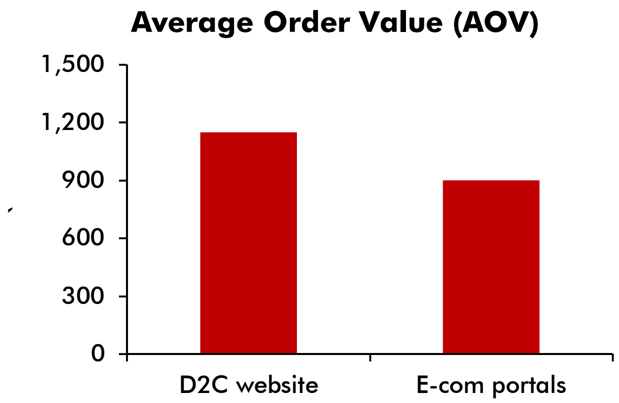
Exhibit 50: Oziva offers a range of clean beauty and immunity boosting products

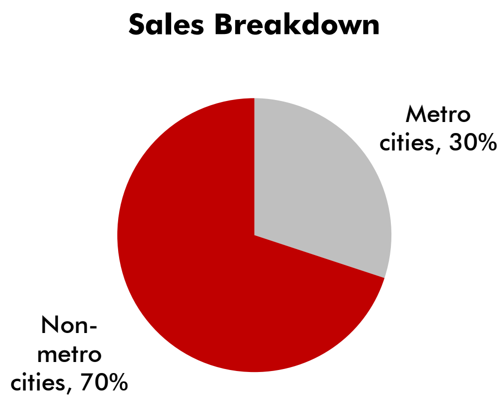
Source: Company, Ambit Capital research

Exhibit 51: AOV for Oziva ranges between ₹900-1,200…



Source: Company, Ambit Capital research

Exhibit 52: ..with 70% of sales generated from non-metro cities



Source: Company, Ambit Capital research

Exhibit 53: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
17-Mar-21	Series B	900	Eight Road Ventures, Matrix Partners India, F-Prime Capital
25-Jun-20	Series A	385	Titan Capital, Matrix Partners India

Source: VCC Edge, Crunchbase, Ambit Capital research

Nua

Company Background

Brand Nua was built with the idea of keeping women's wellness at the centre. Nua is also engaged in building a holistic solution for women including content and community building in order to build trust among women. Nua offers safe, innovative and effective products that are MadeSafe certified and backed by science. This includes India's only 100% customizable sanitary pads powered by a subscription model wherein customers can subscribe for 3-packs at ₹399. Its reach is pan-India with 45% subscribers coming from Metros and the rest from Tier 2 and below.

Current strategy/USP

- Nua uses a digital/D2C approach to connect with its customers. It draws about 80-85% of its revenues from its own website while the balance comes from online marketplaces (Amazon, Flipkart, etc).
- Nua focuses on products which have a recurring use case in the women's wellness segment. Nua has built its own technology and aims to build subscription behavior on their platforms.
- Nua believes women's wellness is an unrealized and unexplored area of growth. Incumbents are not thinking beyond the basic product. Incumbents can do a lot of other things but are not doing that yet. For example, while many brands operate in the sanitary pad industry, no other player engages in honest discussions with their customers about consumer wellness which was an opportunity for Nua to build on.
- Critical parameters would be awareness, affordability and availability. Nua brand is working to building a captive consumer base while working on all these parameters. Next phase would be to undertake brand marketing campaigns.
- Sanitary pads are a great product for Nua to start as they are a basic need category and require high trust. With the nature of the product, pads witness high repetition and use and offer massive growth opportunities.
- USP of Nua sanitary pads is the toxin free, rashfree product with a wider back and extremely soft and light design.
- Nua is working on building technology-enabled solutions besides the products it offers today.

Key statistics and other highlights

- Nua has about 300,000+ customers. 77% of its revenues come from subscriptions with 12-month customer retention of over 50%. The subscription base comprises 45% customers from metros and the rest from Tier 2 and below.
- Customer profile: Customer age group is 23-35 years, which contributes 85-90% of the base. 45-50% women are from metros and the rest from smaller cities. Nua has no traction in rural areas.
- Nua pads cost ₹11/pad, which includes delivery costs, customization as well as disposable bags. Pads from peers such as P&G cost about ₹9-11/pad excluding delivery costs and offer no disposable bags.
- Optimum pad usage per period cycle for a woman is 15 pads. However, even incumbents are seeing average pad usage of 8-10. Thus, penetration as well as increasing frequency of pad usage are pivots for volume growth.
- In China, there is a direct correlation of women workforce and category penetration. In India, too, as participation of women workforce increases, category penetration can improve.

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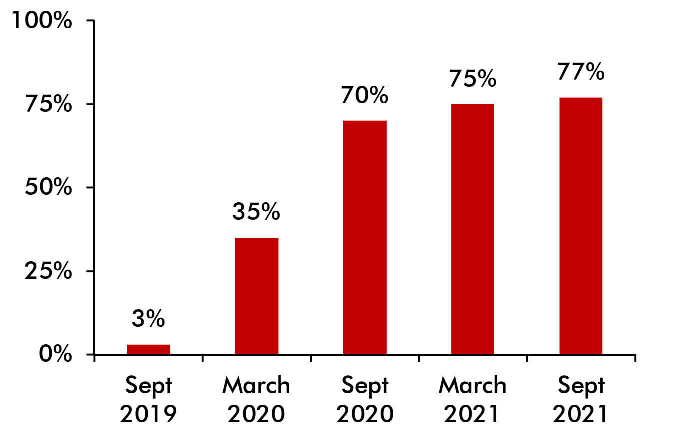
- Nua has launched a second product, Cramp Comfort. This product came as a result of Nua's interaction with customers on social media platforms. Getting real-time feedback from consumers helps shorten the ideation to product launch loop. Nua is in the process of expanding into new, adjacent categories.
- During COVID-19, Nua witnessed strong growth as revenues grew 5x with 4x retention growth.

Exhibit 54: Nua offers pads for different flows along with a disposable bag

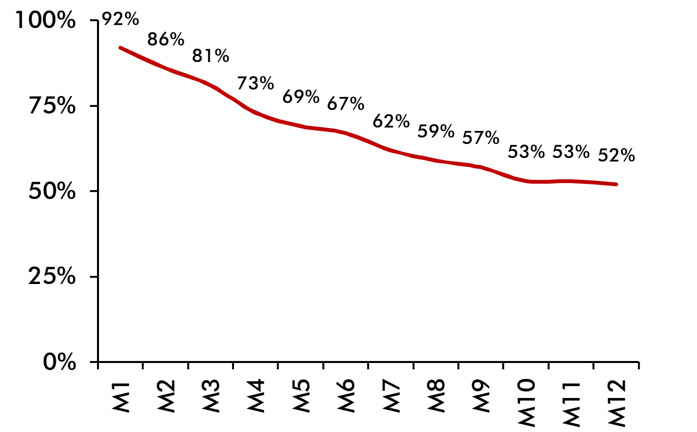
Source: Company Website, Ambit Capital research

Exhibit 55: Share of subscription as a % of sales has been rising



Source: Company, Ambit Capital research

Exhibit 56: Even on M12 basis, Nua is seeing healthy subscriber retention of >50%



Source: Company, Ambit Capital research

Exhibit 57: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
13/02/2018	Seed	50	Kae Capital
12/03/2019	Series A	275	Lightbox Ventures, Kae Capital
04/09/2019	Loan	60	Alteria Capital
25/06/2021	Pvt Equity	520	KAE Capital, Lightbox Ventures, KA Enterprises (Deepika Padukone), Kalysta Capital

Source: VCCEdge, Ambit Capital research

Super Bottoms

Challenging the traditional diaper market

Superbottoms is India's leading brand for sustainable mom and baby essentials. They are the pioneers of cloth-based diapers for newborns as an alternative to the traditional diapering system. Cloth diapers are soft and reusable, safe and promise a rash-free comfort as against disposable diapers. They are also economical in the long run with each diaper lasting up to 300 washes. Their flagship products are high-performance diapers, potty training pants, langots and newborn essentials. They also have a host of feeding, travel and storage accessories. Their latest portfolio has diversified further to include detergent sheets and innerwear for older kids. Superbottoms boasts of a parent community of close to 1 lakh parents on Facebook. The community is highly engaged and deeply invested with the brand. Their concept of "service with love" is led by a team of moms who help customers with their queries. They also run video demos and home visits to handhold customers through their parenting journey. ~55% of their sales come from own website, ~43% from online marketplaces (such as Amazon, Firstcry, Flipkart and Myntra) and the balance from other portals and offline retail stores. Superbottoms sees strong traction in South India and increasing awareness in Gujarat, Delhi and Kolkata.

Health & Wellness

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Market dynamics

- Economics of diapers are very favorable – normal diapers cost ₹35,000-50,000 p.a. vs Superbottoms costing ₹8,000/10 diapers which can last for over 3 years.
- In USA, 20-25% of diapers are now cloth-based. P&G globally has a cloth-based diaper product.
- Market is also seeing an entry of Chinese players in the cloth-diapering segment.

Current strategy/USP

- Superbottoms makes diapers out of organic cotton which is soft and does not cause rashes. The diapers can serve as an alternative to the 2-diapering system which involves traditional diapers and cloth langots.
- All their products and packaging are sustainable, eco-friendly and plastic-free.
- They have obtained certifications like CPISA and OKEO TEX that are a testimony to the highest standards of quality.
- The patent for their flagship cloth diaper has been filed with the confirmation pending.
- SuperBottoms employs a team of moms across functions like sourcing, product innovation, customer service and operations. They also work with a network of mothers who work part-time with local communities to expand offline footprint.
- Key growth pillars would be product differentiation, awareness, referrals and marketing. The brand is also present in ~100 offline retail stores across India.
- Marketing is done via performance marketing, social media, ATL and PR. Initial growth is attributable to a strong word of mouth and recall.
- Along with diapers and Langots, Superbottoms also launched a range of first-in-category padded underwear for kids which is seeing fantastic adoption and high rates of retention.
- Ongoing portfolio refresh happens on a continual basis with new prints, variants and designs being launched frequently.

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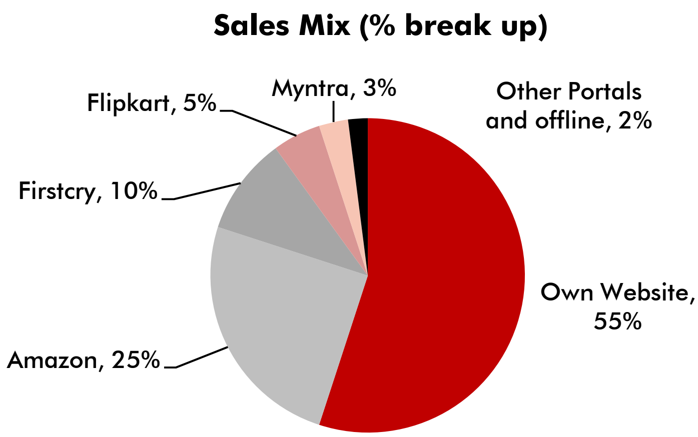
Key statistics and other highlights

- Annual run-rate is ₹0.5bn. Superbottoms expects to exit FY22 with a run-rate of ₹1bn.
- AOV stands at ₹1,500-1,600. Superbottoms sees a lot of people buying only 1 product at first following which they buy more.
- Superbottoms have retention rates in excess of 40% on a MoM basis. CAC ranges between ₹300-500 with LTV of ₹3,000-4,000.
- Gross margins are healthy at 50-55% despite Covid impact. CM1 margins stand at 34-36%. EBITDA is also positive and slipped slightly due to Covid but should recover as the situation normalizes.

Exhibit 58: A Superbottoms diaper vs a traditional disposable diaper

Source: Company Website, Ambit Capital research

Exhibit 59: Own website is a critical element in drawing customers and contributes the highest to sales



Source: Company, Ambit Capital research

Exhibit 60: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
14/12/2018	Seed	16	Titan Capital, Venture Catalysts
01/01/2020	Pre Series A	46	DSG Consumer Partners, Venture Catalysts
05/04/2021	Series A	155	DSG Consumer Partners, Saama Capital, Venture Catalysts

Source: VCCEdge, Ambit Capital research

Skillmatics

Mastering the "Skills" learning cycle

Skillmatics was launched in 2017 with the vision to create a global education brand with a primary focus on developed markets. Skillmatics develops innovative educational games, learning resources and STEM toys that build core skills in children through systematic play. Skillmatics sells primarily in the US across both online and offline channels. It retails through its own websites, marketplaces such as Amazon as well as across retail chains like Walmart and Target (~15,000 stores). Skillmatics is dominant on Amazon USA and stands amongst the top 3 products in the kids toys & games category. Skillmatics has strongly utilized its technology and analytics engine to innovate in product design. Additionally, it has built a vertically integrated supply chain that allows it to launch new product at a 5x pace vs traditional incumbents, driving higher success rates. Leveraging structural advantages of costs in India (90% GM), Skillmatics has been able to compete against incumbents in the US and has maintained profitability.

Current strategy/USP

- Brand, distribution and product engines will be key parameters to achieve scale.
- Efficiently uses its online channels to market and engage customers directly as Skillmatics believes an omni-channel approach allows to approach all channels where the consumers shop from.
- Leveraging its tech, it has built a strong analytics system which allows it deliver successful products (75% success rate).
- Skillmatics leverages on low cost of manufacturing and manpower in India while selling products in developed markets. Competition from Chinese brands is limited as Skillmatics designs differentiated products that are based on unique IP/content (vs commoditized plastic-based products)
- Analysis indicated there is a finite number of game mechanisms such as guessing, balancing, matching, hunting, etc. Skillmatics mapped games to have the highest engagement among age groups and also added educative elements in them (repetition is an effective learning technique and is an element in their games).
- Developing and launching a product is typically a 12-month cycle for incumbents. However, Skillmatics designs and launches products in 2 months.
- Skillmatics started with the 3-5 years age group and then forayed into 6-9 years group. They have also made an app where customers can buy more content for the games.
- USA is currently the biggest market followed by India. Skillmatics entered Canada and the UK recently. The goal is to reach about USD10mn sales in one country and only then enter other countries.
- Key focus is on the longevity of the product. Iconic platforms have stayed long while gadgety products and hardware products have not lasted as long and requires high amount of R&D.
- Skillmatics started with an initial capital of ₹2mn and was run bootstrapped till it raised funds from Sequoia. Having Sequoia on board has also benefitted Skillmatics in understanding the US market better.

Key statistics and other highlights

- 3-6 years and 6-9 years are the key customer age brackets with a revenue split of about 50-50 between the two.
- Current revenue stands at ~₹1bn (for 2021) with very healthy gross margins of about 90% aided by a strong business model around profitability.
- Being in India has multiple structural cost advantages across manufacturing, marketing, technology and product design.
- Sales breakup: Value – 85% from US and 15% from India. Volume – 75% in US and 25% in India. Products sold in the US are priced higher vs India.

Games & Toys

Quick Insight

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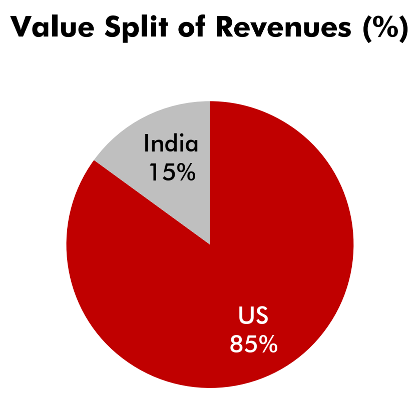
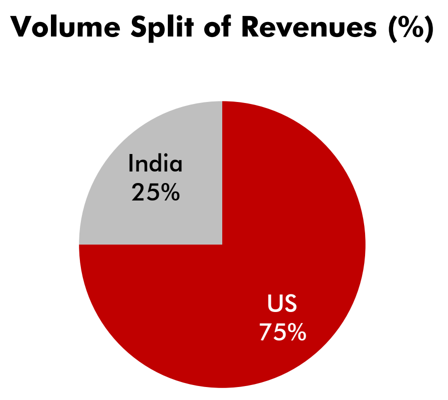
Exhibit 61: India's share in value of goods sold is 15%...



Source: Company, Ambit Capital research

Exhibit 62: ...but India has a larger share of volumes, indicating lower pricing vs US



Source: Company, Ambit Capital research

Exhibit 63: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
12/03/2019	Seed	135	Sequoia Capital, Patni Wealth Advisors
22/06/2021	Series A	450	Sequoia Capital, Jalaj Dani Family Office

Source: VCCEdge, Ambit Capital research

Design Cafe

Bringing personalization virtually

Design Cafe was founded in 2015 by Shezan Bhojani and Gita Ramanan. It offers online customised end-to-end interior design and decor solutions in a USD20bn market. It uses standardised modular furniture that is produced in its manufacturing unit in Bangalore. Design cafe claims to benefit all stakeholders by providing higher income to carpenters & designers through better throughput and more usable space for consumers. It also has physical experience centres in Bangalore that allows consumers to touch & feel the product and judge the quality.

Home Improvement

Quick Insight

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Current strategy/USP

- Aims to develop the entire ecosystem by offering more convenience and speed to consumers and allowing both designers and contractors to earn more.
- Allows designers to earn more by reducing the time taken to design through their own tool, thereby increasing throughput/designer. Carpenters earn more as a typical project would take 30 days to finish a house, but with Design Cafe they can finish a house in 7 days.
- Once the designs are ready, consumers can view them in 3D/VR. Experience centres are also built for consumers to look and feel the product. Actual product matches to extent of ~90% of original design shown on the app.
- Targeting the mass segment of consumers with homes costing between ₹ 6-20mn. Offer Wardrobes starting as low as ₹ 850/sq ft including designing.
- Offers delivery guarantee (~45 days on average) due to modular technology. Takes just 1-2 days to manufacture at factory, so there is scope to reduce delivery time going forward.
- Biggest differentiator is better product in terms of design, looks and more usable space compared to competitors in the market. Consumers are also given a 10-year warranty.
- The key is to get right designers and labourers. Acquisition of consumers is not a big problem now.

Key statistics and other highlights

- Current order booking is ₹150mn/month translating to ₹1,800mn/year. Ordering booking per month should by double by the end of 2021. Average order value is ₹0.6-0.7mn.
- Designers and contractors are paid a fixed cost/project. Margins are 40%+ currently. The typical sales cycle is 21 days and inventory cycle is 45 days. The company has >1,050 SKUs.
- Out of the total leads generated, ~52% end up meeting with the designers and ~16% of these get converted; overall conversion rate is ~8%.
- Most of the sales except in Mumbai are for new homes. In Mumbai, split of new vs old homes is equal. Top 10 cities contribute 80% of sales.
- Need to add more experience centers to tap into more markets. Customers are fine with making a 40 minute drive to the store.
- Focus of Asian Paints in this segment would be very low as contribution of home improvement business is minuscule with focus being on the paints segment (i.e. the largest segment).

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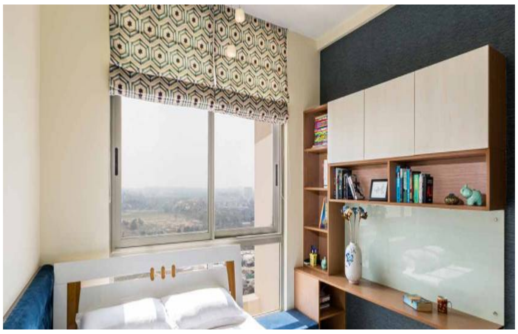
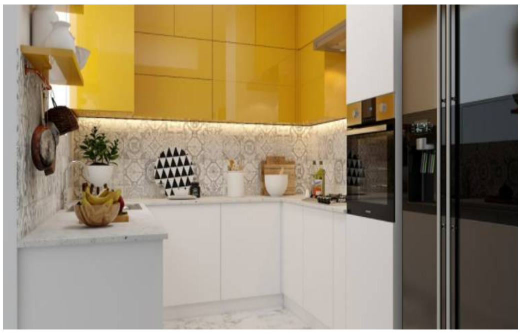
Exhibit 64: Recent projects executed by Design Cafe





Source: Company, Ambit Capital research

Exhibit 65: Funding details

Date	Funding Round	Amount (₹ mn)	Investors
20-Sep-21	Series B	1,660	WestBridge Capital, Fireside Ventures, Sixth Sense Ventures
26-May-20	Bridge Round	250	Fireside Ventures, WestBridge Capital
30-Nov-18	Series B	2,000	Fireside Ventures, WestBridge Capital
10-Jul-17	Series A	Undisclosed	Fireside Ventures, Sprout Capital Advisors, Apurva Salarpuria, Sidharth Pansari

Source: VCC Edge, Crunchbase, Ambit Capital research

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