

RATINGS

Business	★★★★★
Financial	★★★★☆
Valuation	★★★★☆
Management	★★★★☆



FIN2RESEARCH
Investment Advisor Pvt. Ltd.

zomato

Ranking 1 to 5, denoting lowest and 5 highest

Zomato Limited

Sector: E-commerce/Service

13 January, 2025

CMP: ₹236

Rating: BUY

Target: ₹300

Research Report

Key Info

Market cap (cr)	2,27,652
52W High	₹ 305
52W Low	₹ 122
No. of eq shares(cr)	965
Face Value	₹ 1
Nse Code	ZOMATO
Bse Code	543320
Free float (cr)	1,94,997

Source: Nse/Bse

Particulars	2023	2024
P/E	-43.87	471.09
P/B	2.19	8.10
EV/EBITDA	153.88	105.07
ROE (%)	-5.40%	1.76%
ROCE (%)	-5.27%	1.74%
D/E	0.00	0.00
BVPS	24.88	26.24
Dividend Yield (%)	0.00%	0.00%

Source: Company, Fin2research

Particulars	% of total share
DII	19.62%
FII	48.02%
Retail	26.29%
Others	6.07%
Total	100%

Source: Nse/Bse

1Y Price Chart



About: Zomato Limited stands as a prominent player in the online food service industry, recognized for its significant food order value. Its diverse portfolio encompasses food delivery, dining-out experiences, loyalty programs, and more.

By December 31, 2020, Zomato had expanded its presence to 23 countries, boasting 131,233 active restaurants for delivery, 161,637 engaged delivery partners, and an average of 10.7 million monthly food orders from its customer base.

Beyond food delivery, Zomato played a vital role in connecting diners with restaurants, enhancing the overall dining experience through its innovative solutions and user-friendly technology. Its continued focus on customer satisfaction and operational efficiency has positioned it as a key player in the global food service landscape.

Recent Developments:

- Zomato Ltd. reported a significant Q2 net profit increase of nearly five-fold to ₹1.76 billion (\$20.94 million), driven by Blinkit's expansion but falling short of analyst expectations due to higher expansion costs.
- Raised ₹8,500 crore via Qualified Institutional Placement (QIP) to enhance infrastructure and marketing for its quick commerce business.
- Included in the 30-stock Sensex index on December 23, 2024, attracting an estimated \$513 million in inflows, underscoring its market prominence.
- Projects 30% annual growth in its food delivery business over the next five years, supported by innovation and increased competition.
- Acquired Paytm's movie and event ticketing businesses for \$244.2 million to strengthen its position in online ticketing.
- Supported Magicpin's public listing plans for 2025, with Magicpin entering the quick commerce space under the magicNow brand.
- Received a ₹803.4 crore tax demand from the GST department for non-payment of delivery charge-related taxes, which it plans to contest.
- GST Council is considering reducing the GST rate on food delivery charges from 18% to 5%, potentially impacting pricing and margins.
- Launched 'Xtreme,' a hyperlocal package delivery service leveraging its delivery fleet for rapid deliveries.
- Developing 'District (by Zomato),' a new app to enhance dining-out experiences with features like restaurant bookings and event ticketing.
- These developments and initiatives highlight Zomato's focus on strategic growth, market expansion, innovation, and regulatory compliance.

Key Risks:

- Operational Complexity: Quick commerce demands exceptional logistics efficiency, inventory management, and a broader supply chain network, making it inherently riskier than traditional food delivery.
- High Burn Rate: The capital-intensive nature of quick commerce can strain profitability, especially as competitors may focus on leaner, more focused operations.
- Regulatory Scrutiny: The nascent quick commerce model in India is under close observation by regulators, which could lead to new policies affecting operational costs and pricing.
- Dependence on Urban Markets: The success of quick commerce is disproportionately tied to urban and metro markets, limiting its scalability in semi-urban or rural areas compared to peers focusing solely on food delivery.
- Cannibalization Risk: Expansion into non-food categories could dilute Zomato's core brand identity and resources, potentially affecting customer perception and market focus.

CMP: ₹236

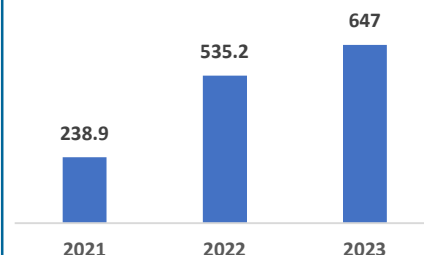
Rating: BUY

Target: ₹300

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- Zomato is one of the world's largest restaurant search and food delivery platforms, covering over 1,000 cities and serving 80 million monthly active users. In 2023, it fulfilled 647 million orders in India, with a total order value of ₹263.1 billion, supported by 210,000 restaurant partners and 326,000 delivery partners. As a market leader, Zomato dominates India's food delivery landscape.
- Company's gross order value grew 24% to ₹263.1 billion, with a 21% rise in orders (647 million) and a 16% increase in monthly transacting customers (17 million). Active delivery and restaurant partners also grew by 14% and 17%, respectively.
- ₹12.3 billion marketing spend boosted its customer base by 12% to 17 million and increased Zomato Gold members to 1.8 million.
- Company had successfully raised significant capital, including a \$250 million funding in 2021 and a \$12 billion IPO in July 2021.

Food Delivery Order (million)



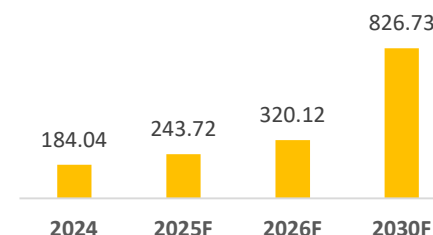
- Zomato has faced challenges due to past business decisions, such as unsustainable discount programs for dine-in restaurants, which led to 1,200 restaurants delisting from its platform. The heavy reliance on discounts to attract and retain customers has hindered profitability. Moreover, offering deep discounts has sometimes created a perception of lower-quality services among users.
- The meal delivery industry's loss-making model, exemplified by Zomato, raises concerns. Despite rapid growth and a broad consumer base, the industry's narrow profit margins make investors cautious.
- The abrupt exit of the company's co-founder Pankaj Chaddah in April 2020 triggered a leadership crisis. High-profile departures like this can disrupt strategic plans and create uncertainty among

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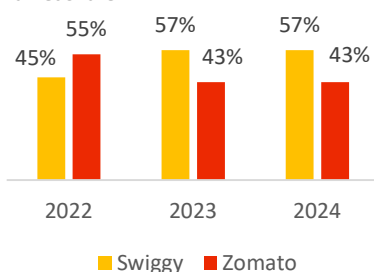
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- India's nutraceutical market, valued at \$26.87 billion in 2023, is projected to grow at a 13.5% CAGR from 2025 to 2030. Zomato can diversify and boost profitability by exploring this expanding sector, which now serves 150 million consumers, up from 12% to 25% of the population since 2016.
- The company can expand its client base, diversify income, and reduce reliance on single markets by entering new regions like China, while also enriching its menu with diverse cuisines.
- Company can also leverage emerging technologies like AI for personalized recommendations and drones for faster deliveries. With the AI market growing to \$184 billion in 2024 and the online food delivery market expanding at an 18.8% CAGR, these innovations can enhance services and capitalize on industry growth.

AI Global Market

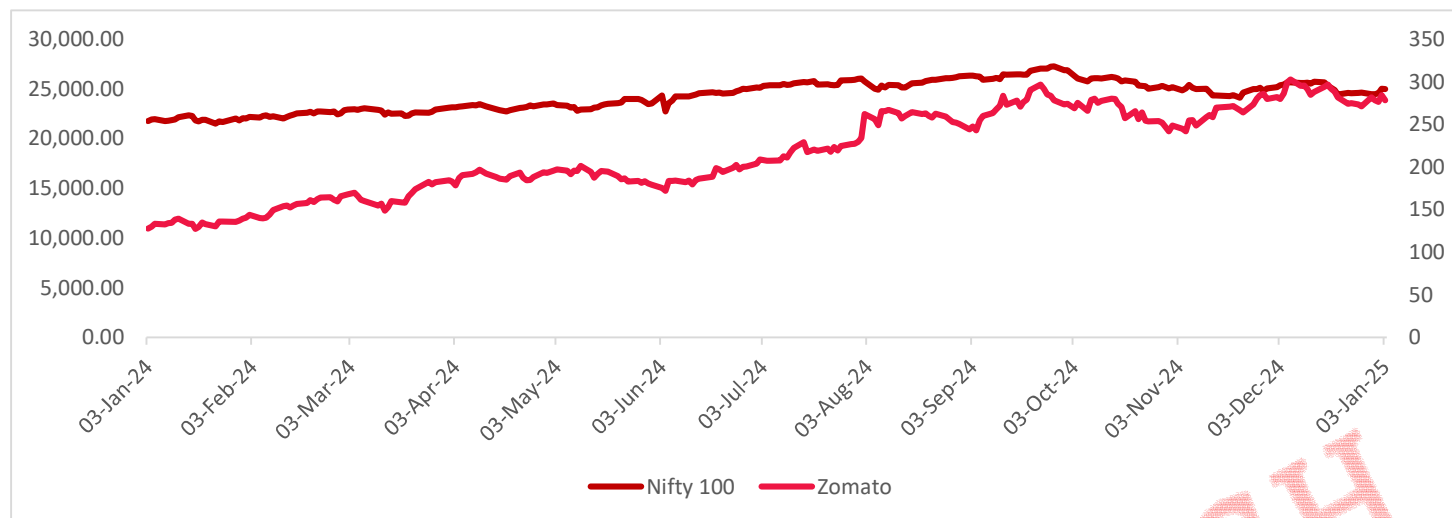


Market Share



- Rising inflation and fuel costs have increased Zomato's delivery expenses per order, further squeezing margins and deepening net losses.
- Security breaches in 2015 and 2017 exposed 17 million user records, harming company's reputation and leading to legal and financial liabilities. With increasingly sophisticated cyber threats, the risk of attacks remains high.
- Company faces intense competition from Swiggy, Uber Eats, and Foodpanda, leading to price wars, reduced profitability, and challenges in acquiring and retaining customers.
- It must navigate regulations on labor, food safety, and licensing, as changes can raise compliance costs and disrupt operations, impacting customer satisfaction. Violations could harm its reputation, emphasizing the need for proactive compliance strategies. Unpredictable social and political factors also influence the regulatory environment.

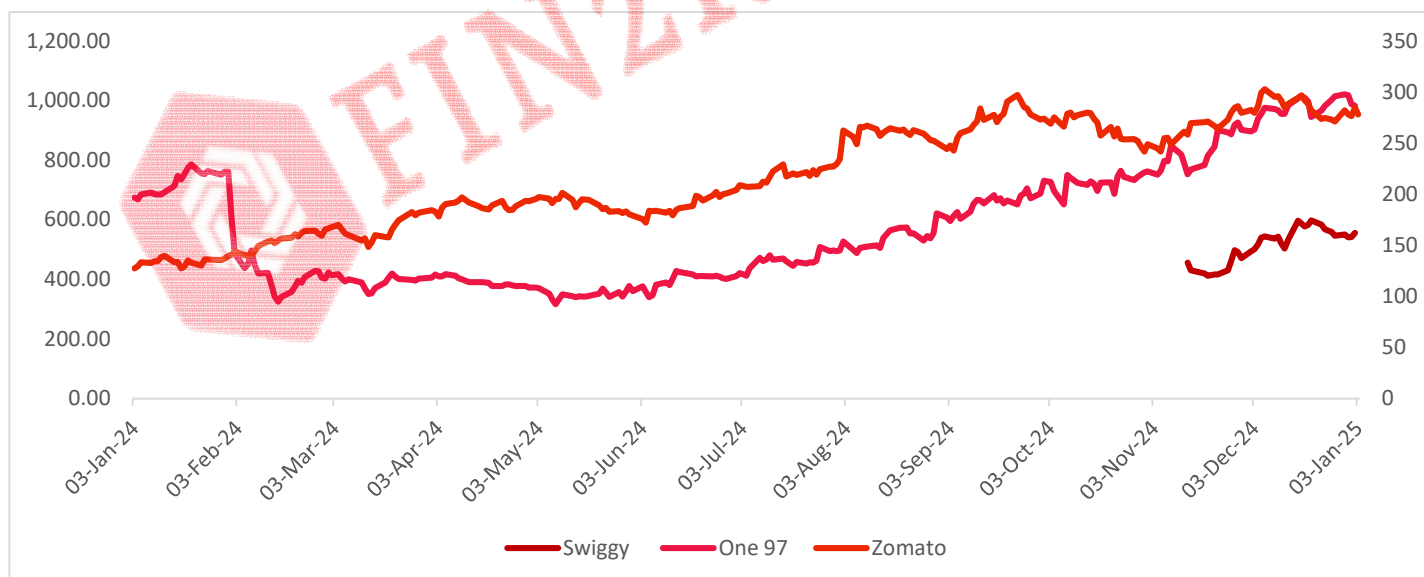
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Price Performance- CAGR%	1M	3M	6M	YTD	Year	5Y
Zomato	-0.61%	3.33%	33.37%	0.54%	117.95%	120.60%
Nifty 100	-1.36%	3.32%	21.20%	28.71%	47.36%	105.59%
Relative return	0.8%	0.0%	12.2%	-28.2%	70.6%	15.0%

Source: Company,Fin2research

Peer Stock Comparison



Company	CMP	Mar Cap	P/E	Sales	Debt	ROE %	ROCE %	EPS
Zomato	₹ 236	2,27,652	361.41	15,855.0	1159.00	1.12%	1.14%	0.84
Swiggy	₹ 475	1,06,516	-	11,247.4	1043.65	-	-24.39%	-
One 97	₹ 825	52,561	-	8,278.7	165.90	-9.07%	-8.50%	-10.72

Source: Company,Fin2research

Business Overview

- Zomato, an Indian food tech unicorn, specializes in restaurant search, discovery, and online food delivery services. Founded in 2008 by Deepinder Goyal and Pankaj Chaddah, the platform has gained widespread recognition across India and successfully expanded into numerous international markets.
- The Company operates in 10,000 cities across 24 countries, including India, the USA, Australia, Brazil, New Zealand, Singapore, Qatar, and other Middle Eastern regions.
- By 2012, Company had begun its international expansion to countries such as the United Kingdom, South Africa, Qatar, Sri Lanka, New Zealand, and Brazil. Earlier, in 2010, the company changed its name from "Foodiebay" to "Zomato" to avoid potential legal conflicts, as the last four letters of its original name coincided with "eBay."
- In 2015, It ventured into the food delivery business and later introduced Zomato Gold in India, a subscription service offering members complimentary food and drinks.
- Launched as a quick commerce marketplace, Blinkit specializes in on-demand delivery of a wide range of products across multiple categories within 15 minutes. Orders are placed through the Blinkit app and fulfilled via a network of stores strategically located within a 2-3 km radius of customers.
- The company also launched Hyperpure, an initiative that collaborates directly with farmers to enhance the quality of food produce and supply fresh ingredients to restaurants.
- They now identifies its business as being built on three major pillars: Delivery, Dining Out, and Sustainability.



Food Delivery Business

- Zomato operates a robust B2C technology platform that connects customers with an extensive network of local restaurants, providing a seamless and on-demand solution for discovering, ordering, and delivering food.
- Company also runs membership program called 'Zomato Gold' which provides customers with multiple benefits including free delivery on orders meeting certain criteria and exclusive offers from a number of restaurants on both delivery and dining-out.
- The platform allows users to explore curated menus, read detailed reviews and ratings, and effortlessly choose their preferred dishes. Once an order is placed, the partnered restaurant prepares the food, maintaining high standards of quality and hygiene.
- The delivery process is facilitated by company's efficient last-mile logistics network, comprising independent delivery partners who ensure prompt and reliable deliveries, often within minutes, directly to the customer's doorstep.
- The platform also features advanced tracking capabilities, enabling customers to monitor their orders in real-time, from preparation to dispatch and final delivery.
- By leveraging technology and data analytics, the company optimizes delivery routes to reduce wait times and enhance efficiency. The platform caters to a diverse range of cuisines and dietary preferences, addressing the needs of a wide customer base.
- Company has emerged as a leader in the food delivery industry, revolutionizing the dining experience for customers. It offers a reliable platform that benefits both restaurants and delivery partners.

New Initiatives in food delivery to address customer



Zomato Everyday

It offers home-style cooked meals at affordable prices in select locations across Delhi NCR, Bengaluru, and Mumbai.



Zomato Legends

Delivers from renowned restaurants across India to the doorstep. Available in 8 cities, featuring 80 legendary restaurants.



Food On Train

In partnership with IRCTC, offers restaurant food delivery to train seats with free cancellation, and service at 80+ stations



Large Order Fleet

Introduced a custom EV three-wheeler fleet to enhance large-order deliveries, catering to gatherings of up to 50 people.



Healthy

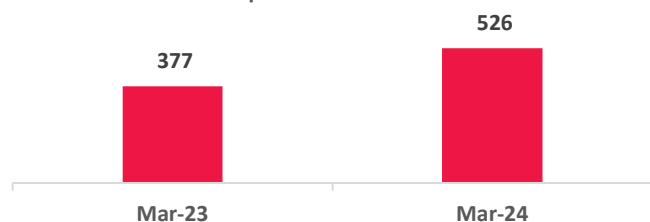
Enables health-conscious customers to order nutritionist-approved dishes tailored to preferences like high protein, low carbs.

Quick Commerce Business

Quick Commerce Orders (million)



Stores at the end of the period



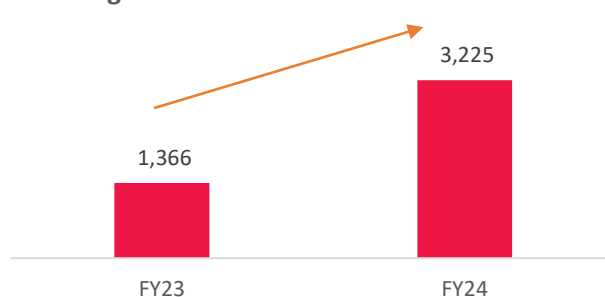
- Blinkit is a pioneering quick commerce marketplace designed to meet the evolving needs of consumers by providing on-demand delivery of a vast range of products within 15 minutes.
- The platform operates through a seamless ecosystem where customers place orders via the Blinkit app, which are then processed and fulfilled by a network of partner stores located within a 2-3 km radius of the customer.
- This hyperlocal model ensures not only speed but also efficiency in delivery, powered by a robust last-mile delivery fleet of independent partners.
- The platform offers a wide assortment of products across diverse categories such as daily essentials, groceries, electronics, beauty and personal care, home décor, toys, games, and general merchandise.
- These product offerings are thoughtfully curated and customized to reflect the preferences and requirements of the local neighborhoods it serves.
- Blinkit's strategic focus on hyperlocal customization allows it to cater to a wide demographic, enhancing customer satisfaction and loyalty.

Going-out

1. Dining Out

- Facilitates discovery, table reservations, and transactions for dining experiences at restaurants across India and the UAE.
- Customers can explore local dining options by reading reviews and ratings, and discover new places through curated restaurant collections.
- The platform also enables table reservations and provides exclusive offers for customers who pay their dining-out bills via the Zomato app.
- Restaurants can effectively promote themselves to a high-intent audience, achieving measurable returns on their marketing investments.
- To strengthen the dining-out ecosystem, innovative features were introduced, such as map view for easier navigation, curated dining experiences for personalized choices, and group booking options to cater to larger gatherings.
- Company also hosted the Zomato Gold Carnival, offering exclusive deals and discounts on dining-out experiences, which attracted strong customer interest and participation.
- The service is currently available in 40+ cities across India.

Going-out GOV



2. Ticketing

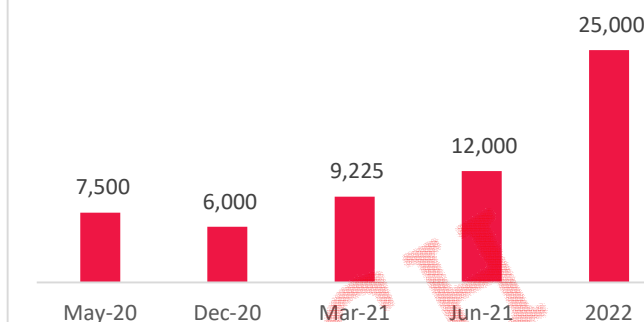
- Provides discovery and ticketing services for a variety of events, including food carnivals, music concerts, comedy shows, and other entertainment experiences.
- The ticketing feature is currently available in 13 cities across India, accessible via a dedicated 'Live' tab on the Zomato app for users in these locations.
- The primary focus is on curating a diverse and captivating lineup of events, encompassing both in-house productions and collaborations with third-party organizers. This strategy aims to enhance customer engagement by offering a rich and varied selection of experiences.
- In this domain, the focus is on developing a high-quality portfolio of events on the platform. Notable events hosted in FY24 include the Russell Peters India Tour, The Sneaker Convention, and Zomaland, the platform's flagship IP.



B2B Supplies

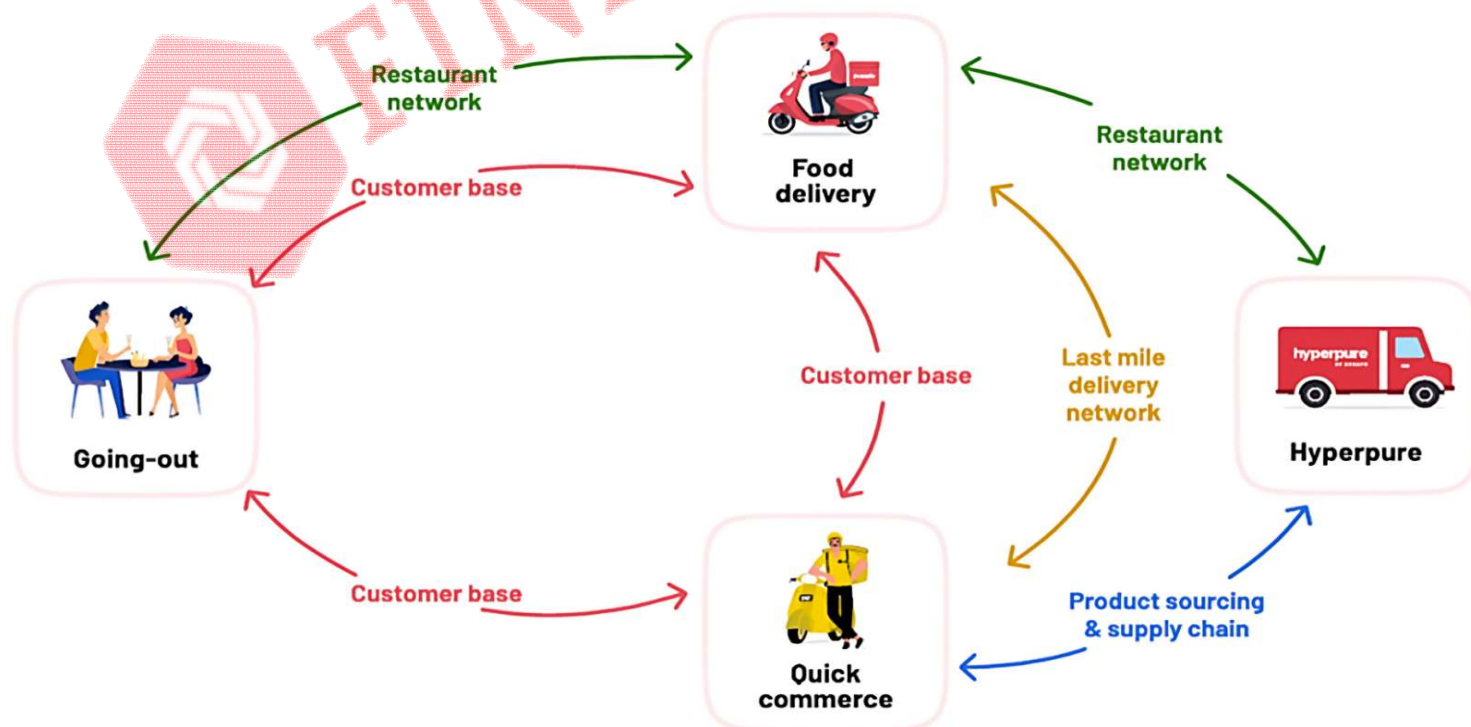
- Hyperpure is a B2B supply business that delivers high-quality food ingredients and other products to restaurants and other B2B clients.
- It addresses the challenges of sourcing in India's fragmented and unorganized restaurant supply market, where inconsistencies in product quality, availability, and yield are common.
- By offering an end-to-end B2B supply chain for food ingredients and related products, Hyperpure ensures reliable sourcing.
- The company operates on a 1P model, owning its inventory and directly sourcing products from farmer producer organizations, traders, and brands to supply to restaurants and other B2B buyers.
- Also expanded its product and service portfolio by introducing 4PL warehousing and supply chain solutions, offering comprehensive logistics management for restaurants, and establishing a manufacturing facility for value-added food products like sauces, spreads, and semi-finished perishables

Restaurants served by Hyperpure



Zomato's Integrated Business Ecosystem

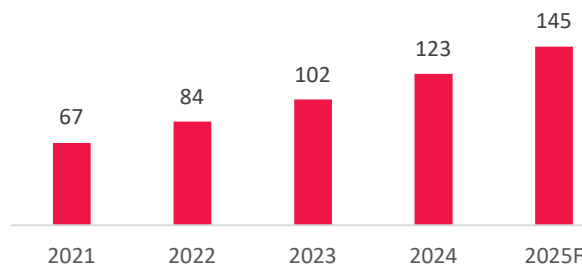
The company's business ecosystem is a fully integrated model that connects customers, restaurants, and delivery services to create a seamless and mutually beneficial network. It enhances dining experiences by enabling customers to discover and book restaurants while providing exclusive deals. Its robust food delivery network ensures quick and reliable service, helping restaurants expand their reach. Through Hyperpure, it supplies restaurants with high-quality ingredients, maintaining food standards and streamlining supply chains. Additionally, its quick commerce service delivers groceries and essentials rapidly, leveraging the same efficient delivery network. This interconnected system drives customer engagement, supports restaurant growth, and maximizes operational efficiency, making them a leader in the food and dining industry.



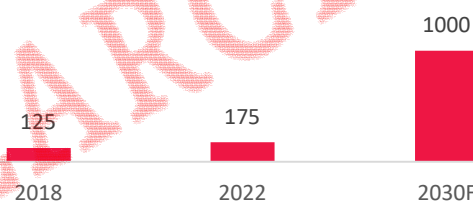
E-commerce Industry Outlook

- The Indian e-commerce market is projected to grow from \$123 billion in 2024 to \$292.3 billion by 2028, reflecting a CAGR of 18.7%.
- In FY23, the e-commerce industry in India showcased remarkable resilience, achieving a 26.2% increase in order volumes, largely driven by a 31.1% surge in demand from tier-1 cities, as work-from-office resumed post-pandemic.
- By 2030, India's e-commerce market is expected to reach \$325 billion, supported by 500 million online shoppers, growing internet penetration, and smartphone adoption, particularly in rural areas. Over 60% of demand will be driven by tier 2-4 towns.
- Smartphone usage is set to exceed 1.18 billion users by 2026, further accelerating digital transactions.
- Online retail penetration is expected to rise to 10.7% by 2024, compared to 4.7% in 2019.
- India's retail market is projected to expand from \$690 billion in 2021 to \$2 trillion by 2032, while the e-retail segment is forecasted to surpass \$160 billion by 2028. In 2023, the e-retail market was valued at \$57-\$60 billion, growing at an annual rate of \$8-\$12 billion since 2020.
- As of December 2023, India had 936.16 million internet subscribers, with 350 million mature online users actively engaging in transactions.
- India's digital economy is poised to grow exponentially, reaching \$1 trillion by 2030.
- In FY24, tech and e-commerce giants Google, Meta, Amazon, and Flipkart generated over ₹60,000 crore (\$7.19 billion) in advertising revenue, marking a 9% increase from ₹55,053 crore (\$6.6 billion) in FY23.

Indian E-commerce Market (US\$ Billion)



India's Internet Economy (US\$ Billion)

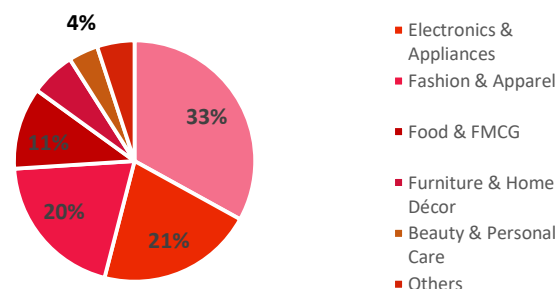


Source: Media Sources, Global Internet

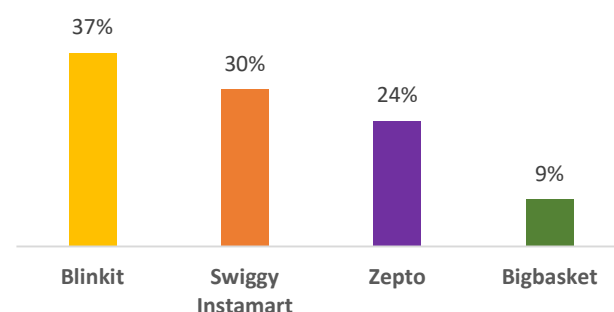
Accelerating E-commerce Growth in India

- India's e-commerce sector is poised for significant growth, with rural regions, particularly tier 2-4 towns, expected to contribute over 60% of demand by 2026.
- A compound annual growth rate (CAGR) of 22% in online shoppers highlights the transformative impact of affordable internet access and widespread smartphone adoption, making these areas critical to the sector's expansion.
- The quick commerce segment, currently valued at US\$ 700 million in 2023, is projected to grow eightfold to reach US\$ 5.5 billion by 2025.
- Furthermore, the broader Quick E-Commerce market is expected to reach a staggering US\$ 19.93 billion, driven by increasing internet penetration, consumer demand for faster deliveries, and changes in shopping behavior during the COVID-19 pandemic.
- India also has the potential to increase its share in the global B2C e-commerce market, which is projected to reach US\$ 8 trillion by 2030. With current e-commerce exports at US\$ 2 billion, there is substantial room for growth, particularly in high-demand categories like fashion, electronics, and home goods.
- Tapping into rural markets, evolving the quick commerce model, and focusing on expanding e-commerce exports can position India as a leader in the global e-commerce landscape. These trends reflect the sector's dynamism and immense potential for innovation and economic contribution.
- By 2030, India is on track to become the world's second-largest online consumer market, with an estimated 600 million shoppers.

Segments In E-commerce Retail



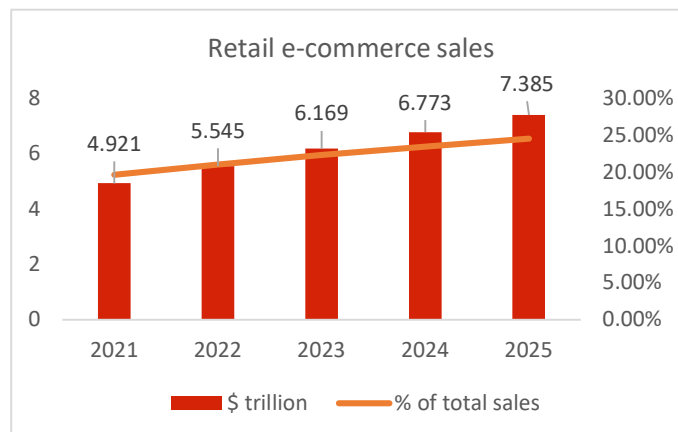
Quick Commerce Market Share



Source: Media Sources, Global Internet

Global Market for E-commerce

- E-commerce retailers have encountered challenges in recent years, including shifting consumer behaviors following the pandemic and economic uncertainty in markets such as the United States. Despite these difficulties, global e-commerce sales continue to grow.
- In 2024, U.S. retail e-commerce sales are projected to increase by 10.1%. China remains the global leader in e-commerce, with sales expected to surpass \$3,230 billion in the same year.
- The United Kingdom ranks as the third-largest e-commerce market globally, with sales forecasted to reach \$220 billion in 2024, representing an annual growth rate of 5.3%.
- In Latin America, retail e-commerce sales are expected to reach \$160 billion by 2025, with Brazil, Mexico, and Argentina contributing 67.06% of the region's market share in 2024.



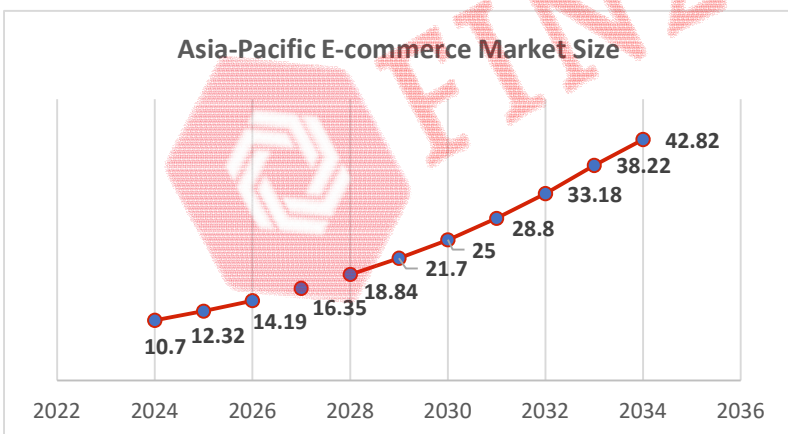
Top 10 Countries, Ranked by Retail Ecommerce Sales, 2024

billions and % change

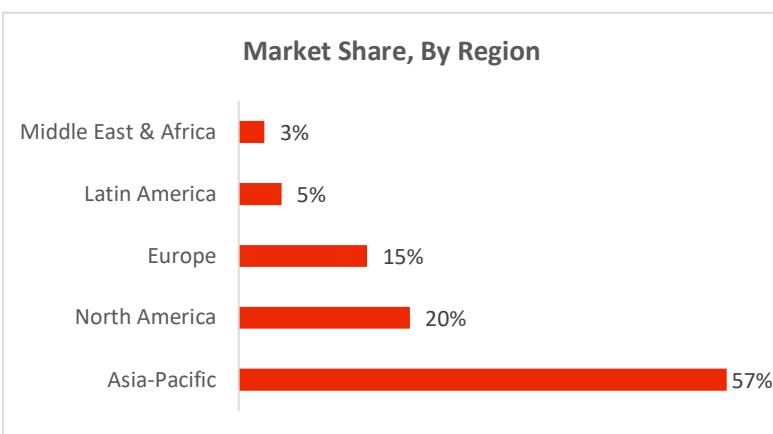
	Retail ecommerce sales	% change
1. China*	\$3,235.44	8.3%
2. US	\$1,251.76	10.1%
3. UK	\$220.55	5.3%
4. Japan	\$211.92	8.4%
5. South Korea	\$133.18	6.5%
6. India	\$114.39	13.9%
7. Germany	\$101.40	10.0%
8. Canada	\$87.90	9.5%
9. Russia	\$86.66	12.0%
10. France	\$85.71	5.8%

- Intense competition and growing interest from the finance community are driving significant investment and innovation in e-commerce.
- Companies are increasingly utilizing platforms like Amazon, eBay, and Facebook alongside their own websites to expand sales channels.
- Simplified checkout processes, supported by advanced payment solutions, are reducing cart abandonment rates and improving the online purchasing experience. E-tailers are also optimizing for voice search by adapting SEO and advertising strategies to meet the growing demand for voice-enabled discovery.
- The integration of AI-powered tools on websites is helping customers find products more efficiently, while combining online and offline sales channels enhances customer experiences through unified loyalty programs and voucher redemption options.
- Additionally, the adoption of third-party fulfillment centers, inspired by Amazon's success, is enabling faster delivery times and improving supply chain efficiency.

Source: Global Data



The Asia-Pacific region is projected to lead market growth, driven by increasing urbanization and investments in network infrastructure, particularly in India, China, and Japan



Urbanization remains a defining megatrend in the Asia-Pacific region, which is home to over 2.2 billion people, or 54% of the world's metropolitan population. More than 400 million 5G connections, representing over 14% of all mobile connections.

Quarter Highlights
Income Statement (Standalone)

Particulars	Q2FY25	Q1FY25	Q2FY24	YOY%	QOQ%
Revenue	2151.0	2048.0	1596.0	35%	5%
Cost of Goods Sold	0.0	0.0	1.0	-100%	
Gross Profit	2151.0	2048.0	1595.0	35%	5%
SG&A Expenses	1897.0	1831.0	1488.0	27%	4%
EBITDA	254.0	217.0	107.0	137%	17%
EBITDA Margin %	11.8%	10.6%	6.7%	76%	11%
D&A	22.0	19.0	17.0	16%	29%
EBIT	232.0	198.0	90.0	158%	17%
EBIT Margin %	10.8%	9.7%	5.6%	91%	12%
Interest	4.0	4.0	4.0		
EBT	228.0	194.0	86.0	165%	18%
Other Income	269.0	279.0	229.0	17%	-4%
Add, Exceptional Items	0.0	3.0	0.0		
Tax Expense	76.0	0.0	0.0		
Tax Rate %	33.3%				
PAT	421.0	470.0	315.0	34%	-10%

Income Statement (Consolidated)

Particulars	Q1FY25	Q4FY24	Q1FY24	YOY%	QOQ%
Revenue from Operations	4799.0	4206.0	2848.0	68.5%	14.1%
Cost of Goods Sold	1334.0	1099.0	674.0	97.9%	21.4%
Gross Profit	3465.0	3107.0	2174.0	59.4%	11.5%
Selling, General & Administration Expenses	3239.0	2930.0	2221.0	45.8%	10.5%
EBITDA	226.0	177.0	-47.0	-580.9%	27.7%
EBITDA Margin %	4.7%	4.2%	-1.7%	-385.4%	11.9%
D&A	180.0	149.0	128.0	40.6%	20.8%
EBIT	46.0	28.0	-175.0	-126.3%	64.3%
EBIT Margin %	1.0%	0.7%	-6.1%	-115.6%	44.0%
Interest	30.0	25.0	16.0		
EBT	16.0	3.0	-191.0	-108.4%	433.3%
Other Income	221.0	236.0	212.0	4.2%	-6.4%
Add, Exceptional Items					
Tax Expense	61.0	-14.0	-15.0	-506.7%	-535.7%
PAT	176.0	253.0	36.0	388.9%	-30.4%

Source: Financial Summary

Earnings Call Highlights



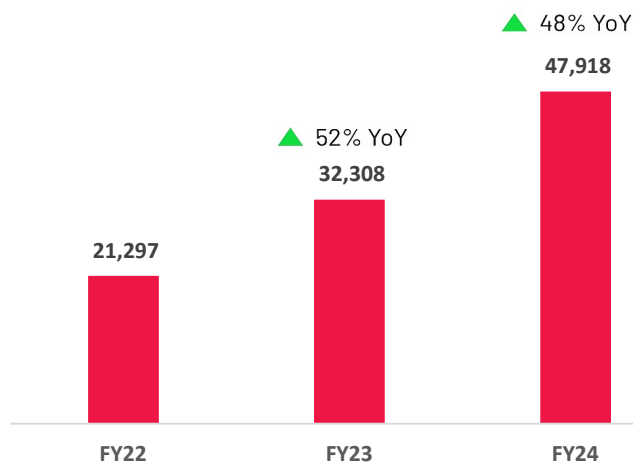
- **Revenue Growth:** Zomato's quick commerce segment witnessed remarkable growth, expanding at a rate of **120%-130% year-on-year (YoY)**. This growth is largely attributed to robust demand, coupled with significant capacity expansion in the segment.
- **Capital Expenditure:** The company allocated **₹214 crore** towards infrastructure development, which included the establishment of **152 new stores** and **7 new warehouses**. This capital expenditure is contributing to an increase in depreciation, reflecting ongoing investment in expansion.
- **Geographical Expansion:** Zomato's presence outside its core Delhi NCR region is gaining momentum, with the share of Delhi NCR in total business falling to **below 40%** from **47%**. The company has now emerged as the largest player in metros other than Chennai and Hyderabad, indicating successful penetration into new markets.
- **Average Order Values (AOVs):** AOVs across major cities, including non-metro regions, have remained stable at **₹660**, suggesting strong and consistent consumer demand across its diversified geographical footprint.
- **Dark Store Expansion:** Zomato has ambitious plans for its dark store network. By March 2025, the company targets operating **1,000 dark stores**, with further growth expected to reach **2,000 stores by December 2026**. These stores will be a combination of franchise and self-operated models, enabling efficient delivery capabilities.
- **SKU Growth:** Blinkit, Zomato's quick commerce arm, has expanded its product offerings significantly, adding over **20,000 SKUs**. The company has strategically diversified into new categories, such as beauty, electronics, and toys, to broaden its appeal to a wider customer base.
- **Profitability Goals:** Zomato is aiming for a **4-5% Adjusted EBITDA margin** in its quick commerce segment in the medium term. This target reflects the company's focus on achieving profitability while continuing to expand its market presence.
- **Dining and Ticketing Transition:** The company is diversifying its service offerings with the launch of the **"District" app**, which will provide users with dining-out options and entertainment ticketing services. Zomato also has plans to explore additional categories, further enhancing its value proposition.
- **Competitive Landscape:** Despite the entry of new competitors like Flipkart into the quick commerce space, Zomato has opted against aggressive discounting strategies. Instead, it is leveraging its **₹1 billion fundraise** to strengthen its balance sheet and bolster its position in the market.
- **Operational Efficiency:** Zomato's investments in its delivery infrastructure have paid off, as there are no significant signs of slowdown in its operations, even in the face of challenges like adverse weather conditions. This indicates strong operational resilience and efficiency.
- **Customer Behavior:** In non-metro markets, Zomato has observed that consumer spending patterns closely mirror those in metro cities. This dispels any concerns regarding lower Average Order Values (AOVs) outside of top-tier cities, demonstrating the company's ability to cater to a wide range of customer segments across diverse locations.

Source: Zomato Earning's Call Transcript

Adjusted Revenue



GOV (B2C Business)



Source: Zomato Quarterly Presentation

Income Statement (consolidated)

In ₹cr	year ending 31st March		
Particulars	FY22	FY23	FY24
Revenue	4,192	7,079	12,114
Operating Expenses	525	1,395	2,882
Gross Profit	3,668	5,684	9,232
SG&A Expenses	5,519	6,894	9,190
EBITDA	-1,851	-1,210	42
% EBITDA Margin	-44.1%	-17.1%	0.3%
D&A	1,633	1,465	1,659
EBIT	-3,484	-2,675	-1,617
Interest	12	49	72
Other Income	495	682	847
PBT, before exception	-3,001	-2,042	-842
Add, Exceptional	297	-	-
JV/Associates	0	-1	-
Taxes	2	-44	-60
PAT	-1,223	-971	351
Minority Interest	-14	-	-
Adjusted PAT	-1,209	-971	351

Cashflow Statement (consolidated)

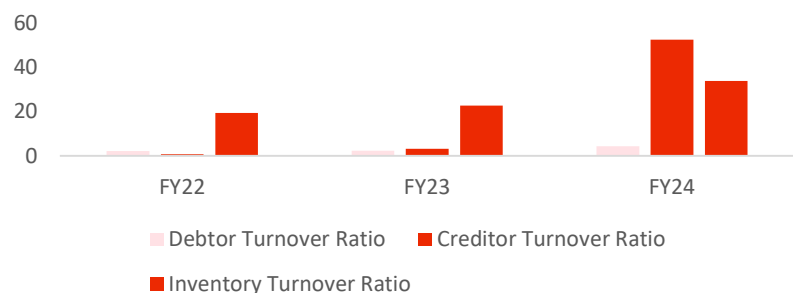
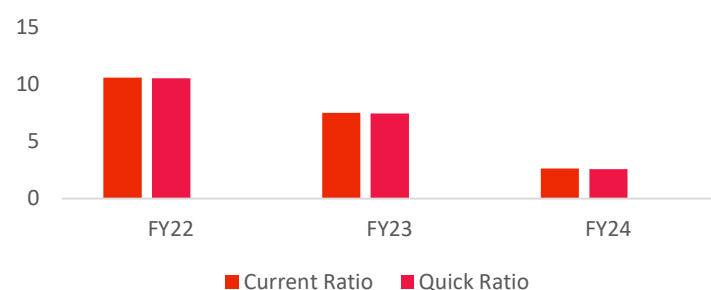
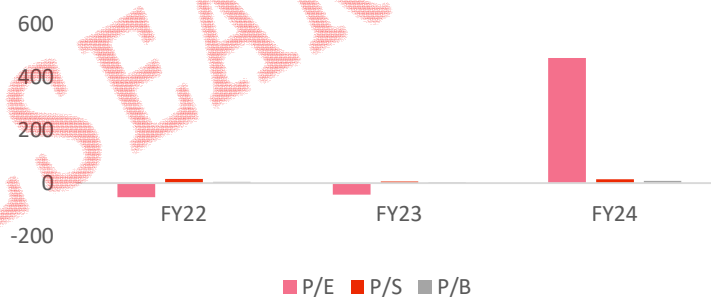
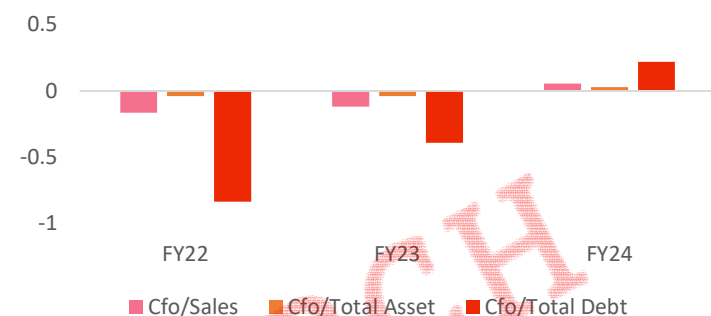
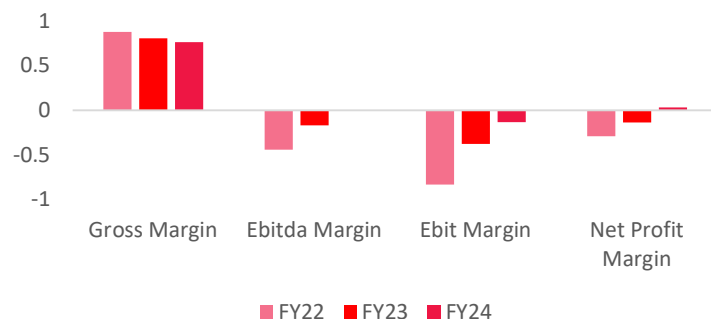
In ₹cr	year ending 31st March		
Particulars	FY21	FY22	FY23
CFO Before WC	3421	3478	4258
Change in WC	2205	1534	-2078
Tax	-533	-804	-913
Net CFO	5093	4207	1267
Net Capex	-468	-547	-586
Other CFI	-2127	-4325	3277
Net CFI	-2595	-4872	2691
Net Borrowings	-8	0	0
Dividends Paid	-1023	-1023	-1243
Other CFF	-45	-54	-70
Net CFF	-1076	-1078	-1313
Net change in CF	1422	-1742	2645

Balance Sheet (consolidated)

In ₹cr	year ending 31st March		
Particulars	FY22	FY23	FY24
P,P&E	51	209.0	287.0
Cash	1,576	1,017.0	731.0
Trade Recievables	160	457.0	794.0
Inventories	40	83.0	88.0
Intangible Assets	1,289	5,708.0	5,471.0
Investments	4,718	6,765.0	11,645.0
Loans Recievables	375	-	-
DTA (net)	67	116.0	221.0
Fixed Assets	1	427.0	690.0
Capital W-I-P	64	7.0	18.0
Other Assets	8,987	6,810.0	3,411.0
Total Assets	17,327	21,599.0	23,356.0
Common Equity	764	836.00	868.00
Other Equity	15,741	18,624.00	19,545.00
Minority Interest	-7	-7.00	-7.00
Total Sharholder's Eq	16,499	19,453.00	20,406.00
Debt	-	41.00	-
Leases	70	466.00	749.00
Trade Payables	429	679.00	886.00
DTL (net)	-	249.00	188.00
Provisions	84	370.00	451.00
Other liab	245	341.00	676.00
Total Liabilities	828	2,146.00	2,950.00
Total Equity & Liab	17,327	21,599.00	23,356.00

Source: Annual Report

Ratios	FY22	FY23	FY24
EPS (Basic)	-1.67	-1.20	0.41
Sales Growth	110%	69%	71%
Dividend Growth	0%	0%	0%
Gross Margin	87%	82%	81%
Ebitda Margin	-44%	-17%	0%
Ebit Margin	-83%	-38%	-13%
Net Profit Margin	-29%	-14%	3%
Dividend Payout	0%	0%	0%
Dividend Yield	0%	0%	0%
ROCE	-10%	-5%	2%
ROE	-18%	-10%	-5%
D/E	0.00	0.03	0.04
Interest Coverage Ratio	-290.33	-54.59	-22.46
Debtor Turnover Ratio	2.2	2.3	4.2
Creditor Turnover Ratio	0.7	3.1	52.4
Inventory Turnover Ratio	19.3	22.7	33.7
Fixed Asset Turnover	0.58	0.69	0.85
Debtor Days	167.02	157.69	86.85
Payable Days	498.38	117.24	6.97
Inventory Days	18.96	16.05	10.83
Cash Conversion Cycle	-312.39	56.50	90.71
Cfo/Sales	-0.17	-0.12	0.05
Cfo/Total Asset	-0.04	-0.04	0.03
Cfo/Total Debt	-0.84	-0.39	0.22
Ev/Ebitda	-5.76	-5.42	898.76
Ev/Ebit	-3.06	-2.45	-23.34
Ev/Ebt	-8.73	-6.46	129.72
P/E	-53.28	-43.87	471.09
P/S	15.36	6.02	13.65
P/B	3.90	2.19	8.10
Current Ratio	10.60	7.52	2.62
Quick Ratio	10.55	7.46	2.58
Cash Ratio	0.01	0.02	0.02



Source: Company, Fin2research

Company Board



Kaushik Dutta
Chairman

Mr. Kaushik Dutta is the Founder of TARI, an organization focused on enhancing business processes. He previously held a prominent position at PwC India, contributing to the firm's growth. With extensive experience in the business and consulting sectors, he brings valuable insights into governance and strategic planning. He is currently serving as the Chairman and Independent Director for various companies. His leadership expertise spans across industries, driving transformative business solutions.



Deepinder Goyal
MD & Founder

Mr. Deepinder Goyal is the Founder, Managing Director (MD), and CEO of Zomato, a leading global food delivery and restaurant discovery platform. He is known for his entrepreneurial vision and leadership in the growth of Zomato, revolutionizing the food delivery industry. Under his guidance, Zomato expanded internationally and diversified its offerings. Mr. Goyal is also serving as an Executive Director, contributing to Zomato's strategic direction and innovation. His leadership has made him a prominent figure in the tech and startup ecosystems.



Sanjeev Bikhchandani
Non-Executive Director

Mr. Sanjeev Bikhchandani is the founder of Info Edge, a prominent company known for its recruitment platform, Naukri.com. He has played a significant role in establishing and growing the online recruitment and education sectors in India. As a non-executive director, he contributes strategic insights and oversight to the company's operations. Bikhchandani is recognized for his entrepreneurial spirit and innovative approaches in the digital space. His leadership and vision continue to inspire many in the tech and business communities.



Sutapa Banerjee
Independent Director

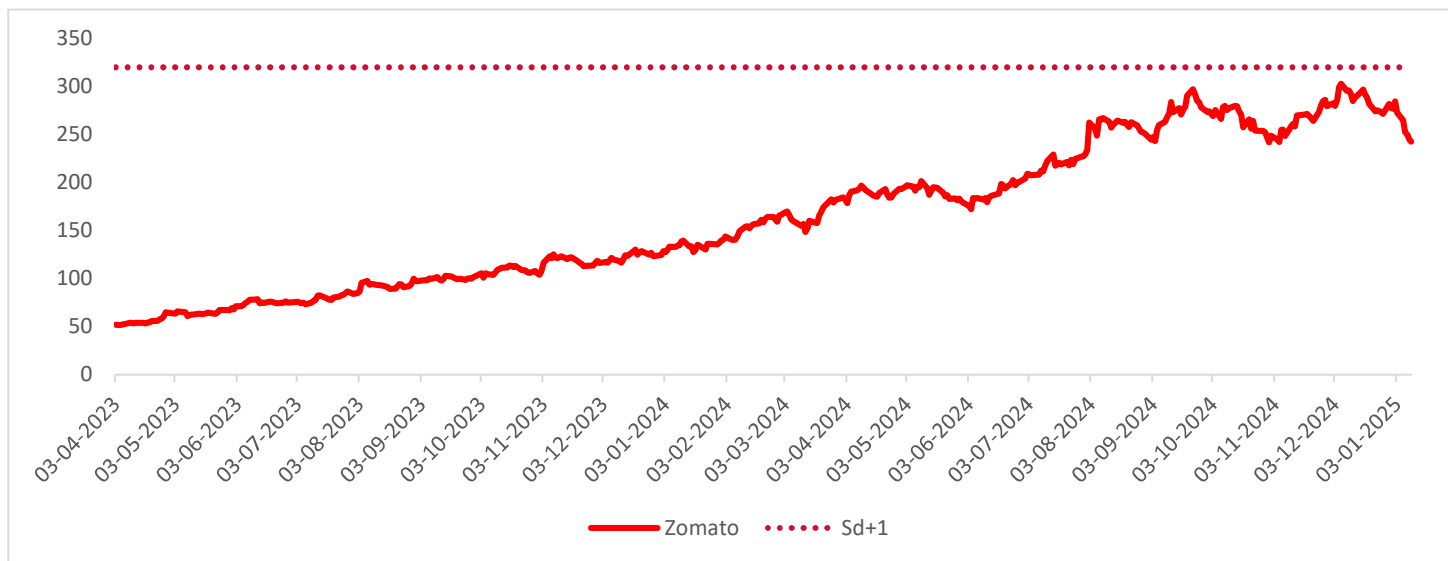
Ms. Sutapa Banerjee is an accomplished finance professional, known for her tenure as the CEO of Ambit Capital, where she demonstrated exceptional leadership in capital market services. Her experience in investment banking and financial services at ABN Amro further highlights her expertise in the industry. As an independent director, she brings valuable insights and strategic guidance to the board. Banerjee is recognized for her analytical skills and ability to navigate complex market dynamics. Her contributions continue to impact the financial sector positively.



Gunjan Tilakraj Soni
Independent Director
Source: Annual Report

Ms. Gunjan Tilakraj Soni is a dynamic leader with extensive experience across the e-commerce and consultancy sectors. Currently serving as the CEO of the Zalora Group, she brings innovation and strategic vision to one of Asia's leading online fashion platforms. As an independent director, she leverages her diverse experience to guide organizations toward sustainable success. A role model for aspiring leaders, Ms. Soni exemplifies excellence and dedication in every endeavor.

Valuation



- We anticipate strong growth for Zomato Ltd. driven by several factors. The company's foray into quick commerce through Blinkit and its focus on improving unit economics are expected to enhance profitability and operational efficiency. Additionally, the expanding food delivery market, driven by increasing urbanization, higher disposable incomes, and greater adoption of digital platforms, creates a favorable environment for Zomato's growth.
- It is also worth noting that Zomato's valuation remains attractive compared to its global peers in the food delivery industry. The company's recent achievement of EBITDA breakeven demonstrates its ability to transition toward sustainable profitability, further strengthening investor confidence. Its investments in technology, including AI-driven recommendations and route optimization, are expected to drive higher order frequencies and improve margins.
- Zomato's market position is strong, but competition from players like Swiggy and emerging quick commerce platforms could pose challenges. However, Zomato's strategic diversification and its ability to tap into Tier-2 and Tier-3 cities, where food delivery penetration remains low, position it well to capture future growth opportunities.
- While Zomato Ltd. has shown significant improvement in operational metrics, risks such as regulatory changes, competitive pressures, and inflationary impacts on food prices remain key concerns for investors. The company's focus on customer experience, technology, and profitability will be critical in mitigating these risks.
- As a result, we maintain a bullish outlook on Zomato Ltd. and recommend a 'Buy' rating with a target price of ₹300, based on our P/E valuation analysis and the company's growth potential. We also forecast a potential peak of ₹320 based on higher P/E multiples. However, it's important to recognize the limitations of P/E-based valuations, which rely on historical earnings and are influenced by market sentiment. Risks such as regulatory changes and competitive pressures could impact the stock's performance.

Source: Company, Fin2research

Disclaimer

*Source of swot analysis on page 2: <https://bstrategyhub.com/zomato-swot-analysis/>

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