

# Zomato

## ESOP charges play spoilsport

### Food delivery segment: Mild surprise in growth

Zomato's (ZOMATO IN) food business continued to report strong growth, ahead of industry averages. GOV/revenue grew 22.5% YoY/40.3% YoY in FY24. Expect momentum to continue with GOV/revenue CAGR of 18%/21% in FY24-26E, led by drivers such as: 1) increased frequency, 2) user growth, 3) ad revenue, and 4) higher platform fee. The management largely maintained its guidance of adjusted EBITDA breaching 4-5% near term, which per our assessment could move to 4.4% in FY26E. But based on higher ESOP inclusion, we cut FY26E EBITDA estimates for the food delivery segment 10% – ESOP charges may continue even beyond FY25 and may remain high (~INR 6bn in FY25E), versus our expectations of a sharp cut in ESOP expenses. This in turn may hit food delivery valuation by 10% (contribution to consolidated EV down to 46% from 58%).

### Blinkit turns bigger

Blinkit's GOV/revenue surged 93.3% YoY/116.4% YoY in FY24, as user-led growth was at 72.9% YoY. Further, take rates improved 200bps YoY to 18.5%, led by: 1) a change in product mix, 2) ad revenue, and 3) delivery charges. ZOMATO has guided to double its store count to >1,000 by end-FY25, which alone may drive potential GOV growth of 65% YoY in FY25E. Also, increased penetration in select cities (Hyderabad, Bengaluru, Kolkata, and Mumbai) and growth in existing cities may lead to system-wide GOV growth of 190% YoY for Blinkit in FY25E. Despite Blinkit operating at a larger scale, ZOMATO expects adjusted EBITDA, as a percentage of GOV, to be at break-even, near term, which potentially may move up to 4-5% on steady state over the medium term, similar to the food business. The aforesaid factors may have a big positive impact on Blinkit's valuation, which could move up 60% to INR 940bn (42% contribution to consolidated EV), per our assessment. We trim our EV/sales multiple for Blinkit to 5.5x (8x earlier), due to low near-term visibility on profitability. Improved profitability of Blinkit coupled with market share gain (moving towards <50%) may aid future upgrades.

### Valuations: Maintain Buy with a higher TP of INR 280

We continue to favor ZOMATO on 1) its strong moat in the food business, which may continue to post an adjusted EBITDA CAGR of 47% in FY24-26E, and 2) superior execution for Blinkit (market leadership), helped by better customer experience versus peers (on-time delivery, better product assortments). We up our consolidated revenue estimates by 22%/33% for FY25E/26E, led by better growth for Blinkit/Hyperpure. But our FY25E/26E consolidated earnings upgrade is mere 7%/3%, on higher ESOP charges and lower EBITDA for Blinkit (latter's focus is expansion). Maintain BUY with a higher Sep '25E SoTP-TP of INR 280 (from INR 250).

YE March (INR mn)	Q4FY24	Elara E	Diff (%)	Q3FY24	QoQ (%)
Revenue	35,620	32,132	10.9	32,880	8.3
EBITDA	860	643	33.8	510	68.6
Net Profit	1,750	1,373	27.5	1,380	26.8
EPS (INR)	0.2	0.2	27.5	0.2	26.8
EBITDA Margin	2.4	2.0		1.6	
Net Margin	4.9	4.3		4.2	

### Key Financials

YE March	Revenue (INR mn)	YoY (%)	EBITDA (INR mn)	EBITDA margin (%)	Adj PAT (INR mn)	YoY (%)	Fully DEPS (INR)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY24	121,140	71.1	420	0.3	3,510	(136.1)	0.4	1.8	(10.8)	487.5	3,779.2
FY25E	203,755	68.2	9,188	4.5	11,707	233.5	1.3	5.6	6.6	146.1	171.7
FY26E	307,914	51.1	24,393	7.9	24,164	106.4	2.7	10.6	31.8	70.8	63.6
FY27E	468,460	52.1	40,744	8.7	38,788	60.5	4.4	15.0	112.3	44.1	37.0

Note: Pricing as on 13 May 2024; Source: Company, Elara Securities Estimate

## Rating: Buy

Target Price: INR 280

Upside: 44%

CMP: INR 194 (as on 13 May 2024)

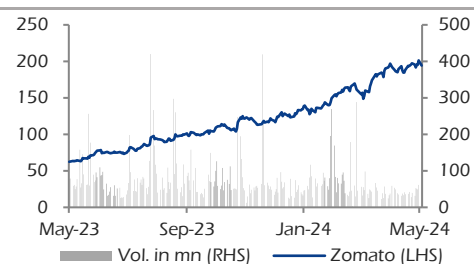
### Key data\*

	ZOMATO IN/ ZOMT.BO
Bloomberg/Reuters Code	ZOMATO IN/ ZOMT.BO
Current/Dil. Shares O/S (mn)	8,579/8,364
Mkt Cap (INR bn/USD mn)	1,715/20,538
Daily Volume (3M NSE Avg)	55,276,673
Face Value (INR)	1

1 USD = INR 83.5

Note: \*as on 13 May 2024; Source: Bloomberg

### Price & Volume



Source: Bloomberg

Shareholding (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Promoter	0.0	0.0	0.0	0.0
Institutional Investors	64.4	67.8	70.4	70.4
Other Investors	28.3	25.1	22.4	22.0
General Public	7.3	7.1	7.3	7.7

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	1.7	13.7	20.7
Zomato	25.6	59.0	210.4

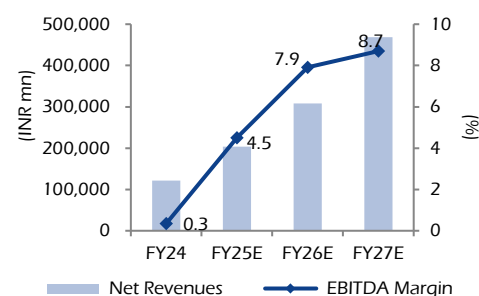
Source: Bloomberg

## Financials (YE March)

Income Statement (INR mn)	FY24	FY25E	FY26E	FY27E
Net Revenues	121,140	203,755	307,914	468,460
<b>EBITDA</b>	<b>420</b>	<b>9,188</b>	<b>24,393</b>	<b>40,744</b>
Add:- Non operating Income	8,470	9,653	10,302	12,349
OPBIDTA	8,890	18,842	34,695	53,094
Less :- Depreciation & Amortization	5,260	5,886	6,454	7,024
<b>EBIT</b>	<b>3,630</b>	<b>12,956</b>	<b>28,241</b>	<b>46,070</b>
Less:- Interest Expenses	720	899	1,177	1,386
<b>PBT</b>	<b>2,910</b>	<b>12,057</b>	<b>27,065</b>	<b>44,684</b>
Less :- Taxes	(600)	350	2,901	5,896
<b>Adjusted PAT</b>	<b>3,510</b>	<b>11,707</b>	<b>24,164</b>	<b>38,788</b>
<b>Reported PAT</b>	<b>3,510</b>	<b>11,707</b>	<b>24,164</b>	<b>38,788</b>
Balance Sheet (INR mn)	FY24	FY25E	FY26E	FY27E
Share Capital	8,680	8,680	8,680	8,680
Reserves	195,380	207,087	231,251	270,039
Trade Payables	8,860	15,033	22,719	34,564
Other liabilities	20,640	28,549	38,490	49,926
<b>Total Equity &amp; Liabilities</b>	<b>233,560</b>	<b>259,350</b>	<b>301,140</b>	<b>363,209</b>
Fixed Assets	10,410	13,524	15,570	17,346
Investments	116,450	116,450	116,450	116,450
Inventories	880	1,480	2,237	3,403
Trade Receivables	7,940	13,355	20,182	30,705
Cash & other bank balances	7,310	17,346	43,932	87,833
Other assets	90,570	97,195	102,768	107,472
<b>Total Assets</b>	<b>233,560</b>	<b>259,350</b>	<b>301,140</b>	<b>363,209</b>
Cash Flow Statement (INR mn)	FY24	FY25E	FY26E	FY27E
Operating Cash Flow	6,460	14,588	28,611	41,934
Less:- Capex	(2,150)	(4,000)	(3,500)	(3,000)
Free Cash Flow	4,310	10,588	25,111	38,934
Investing Cash Flow	(3,470)	(3,653)	(847)	3,352
Financing Cash Flow	(2,070)	(899)	(1,177)	(1,385)
Net change in Cash	920	10,036	26,587	43,901
Opening Cash	2,181	3,090	13,126	39,712
Closing Cash	3,090	13,126	39,712	83,614
Ratio Analysis	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)				
Revenue Growth	71.1	68.2	51.1	52.1
EBITDA Growth	(103.5)	2,087.7	165.5	67.0
PAT Growth	(136.1)	233.5	106.4	60.5
EBITDA Margin	0.3	4.5	7.9	8.7
PAT Margin	2.9	5.7	7.8	8.3
Return & Liquidity Ratios				
Net Debt/Equity (x)	(0.0)	(0.1)	(0.2)	(0.3)
ROE (%)	1.8	5.6	10.6	15.0
ROCE (%)	(10.8)	6.6	31.8	112.3
Per Share data & Valuation Ratios				
Diluted EPS (INR/Share)	0.4	1.3	2.7	4.4
EPS Growth (%)	(136.1)	233.5	106.4	60.5
DPS (INR/Share)				
P/E Ratio (x)	487.5	146.1	70.8	44.1
EV/EBITDA (x)	3,779.2	171.7	63.6	37.0
EV/Sales (x)	13.1	7.7	5.0	3.2
BVPS (INR)	23.1	24.5	27.2	31.6
Price/Book (x)	8.4	7.9	7.1	6.1

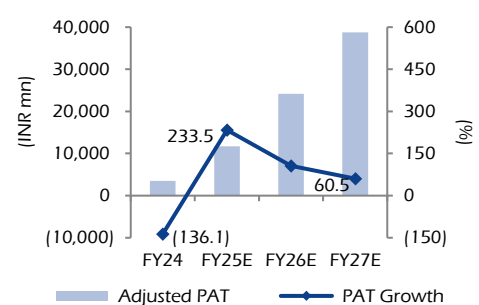
Note: Pricing as on 13 May 2024; Source: Company, Elara Securities Estimate

## Revenue growth and margin trend



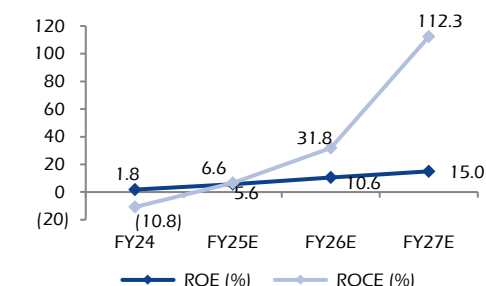
Source: Company, Elara Securities Estimate

## Adjusted profit growth trend



Source: Company, Elara Securities Estimate

## Return ratios



Source: Company, Elara Securities Estimate

**Q4 consolidated revenue up 73% YoY to INR 35.6bn**

ZOMATO posted a consolidated revenue growth of 73% YoY and 8% QoQ to INR 35,620mn. In FY24, revenue grew 71.1% YoY to INR 121,140mn. Food delivery revenue grew 2.1% QoQ and 48.3% YoY to INR 17,390mn. Hyperpure revenue grew 10.7% QoQ and 99% YoY to INR 9,510mn. Blinkit's (quick commerce) revenue was INR 7,690mn, up 19.4% QoQ and 111.8% YoY.

EBITDA stood at INR 860mn versus a loss of INR 2,249mn in Q4FY23 and EBITDA of INR 510mn in Q3FY24, driven by strong revenue growth, though COGS rose 11% QoQ and 97% YoY. Employee costs were also higher (up 13.7% QoQ and 42% YoY) as were other expenses (up 5.8% QoQ and 30% YoY). In FY24, EBITDA stood at INR 420mn as against an EBITDA loss of INR 12,103mn.

ZOMATO posted a net profit of INR 1,750mn in Q4, led by higher other income (up 37.8% YoY) and reversal of taxes amounting to INR 140mn. However, D&A expenses were up 4.6% YoY and finance cost was higher (up 26.6% YoY). In FY24, net profit stood at INR 3,510mn as against a net loss of INR 9,710mn in FY23.

**Food delivery: GOV up 28% YoY to INR 84.4bn in Q4**

GOV of the food business fell 0.6% QoQ but was up 28.1% YoY to INR 84.4bn in Q4. Take rates improved 53bps QoQ and 280bps YoY to 20.6%. In FY24, GOV of the food business grew by 22.5% YoY to INR 322bn, with take rates improving 250bps YoY to 19.7%. Contribution margin (as a percentage of GOV) grew 42bps QoQ and 170bps YoY to 7.5%, whereas adjusted EBITDA margin (as a percentage of GOV) grew 29bps QoQ and 210bps YoY to 3.3%. In FY24, adjusted EBITDA margin (as a percentage of GOV) stood at 2.8% as against break-even EBITDA margin in FY23. Average monthly transacting customers grew 1.1% QoQ and 14.5% YoY, respectively, to 19mn in Q4. Average monthly active restaurant partners stood at 270,000 (up 6.3% QoQ and 25.6% YoY). And average monthly active delivery partners were 418,000 (down 0.2% QoQ but up 32.3% YoY).

**Blinkit – GOV up 97% YoY to INR 40.3bn in Q4**

Blinkit's GOV grew 13.7% QoQ and 96.6% YoY to INR 40.3bn in Q4. Take rates grew 91bps QoQ and rose 140bps YoY to 19.1%. In FY24, Blinkit's GOV rose by 93.3% YoY to INR 125bn with take rate growing by 200bps YoY to 18.5%. Contribution profit stood at INR 1,580mn compared with a contribution profit of INR 860mn in Q3FY24 and a loss of INR 560mn in Q4FY24. Adjusted EBITDA loss was INR 370mn compared with a loss of INR 890mn in Q3FY24 and a loss of INR 2,030mn in Q4FY23. In FY24, adjusted EBITDA loss stood at INR 3.8bn as against an EBITDA loss of INR 10.2bn in FY23. The number of orders for Blinkit grew 17% QoQ and 66.6% YoY to

65.3mn. AOV declined 2.8% QoQ but grew 18.2% YoY to INR 617. Average monthly transacting customers stood at 6.4mn (up 18.5% QoQ and 64.1% YoY) in Q4. Dark stores as at end-Q4 were 526 (up 16.6% QoQ and 39.5% YoY).

**Hyperpure – Revenue up 99% YoY to INR 9.5bn in Q4**

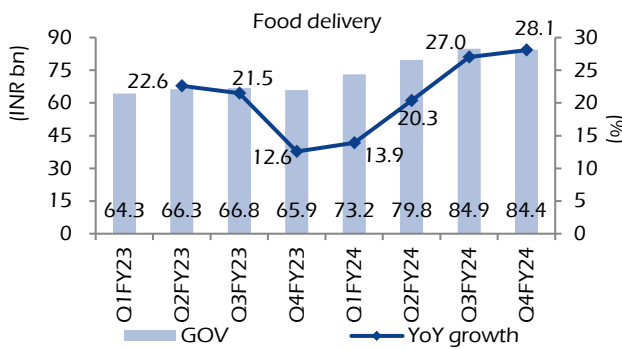
Hyperpure revenue grew by 10.7% QoQ and 99% YoY to INR 9.5bn in Q4, with adjusted EBITDA loss at INR 230mn in Q4FY24 as against a loss of INR 450mn in Q4FY23. In FY24, Hyperpure's revenue increased by 111% YoY to INR 31.7bn with adjusted EBITDA loss at INR 1.3bn as against an adjusted EBITDA loss of INR 1.9bn in FY23.

**Q4FY24 Conference Call – Highlights**

- Time to break-even for a new store opened under Blinkit's ambit may not increase meaningfully. Blinkit is targeting to open many stores in the top-four cities. Delhi NCR may continue to remain the largest market. Excluding Delhi NCR, other markets are underpenetrated. Hence, ZOMATO is seeking to double store count in the next 12 months.
- ZOMATO is focused on operating quick commerce supply chain more efficiently.
- The attempt is to reinvest into the business and improve the data aspect.
- For Hyperpure, positive growth in EBITDA margin may continue. While margin growth may continue, ZOMATO is focused on driving overall growth.
- Expect average throughput per store to increase for Blinkit in the near future.
- ZOMATO will focus on expanding *Zomato Every Day*, gradually, over time.
- ZOMATO is not focusing on breaking even on the adjusted EBITDA level for Blinkit. The goal is to grow and expand the business.
- Innovation and capturing consumers are ZOMATO's twin strategies.
- The NCR market saw growth as regards quick commerce because of product market fit and the quality of service. Expect similar expansion in Bengaluru and Mumbai.
- The focus is to build a value service for Blinkit, for which customers are ready to pay and not discounting service, which may hamper the premium service offered.
- Increase in Blinkit's contribution is a function of negative impact from new stores and positive impact from the older stores' profitability.
- Expect an uptick in Blinkit's take rate to continue led, by commissions and advertising revenues.

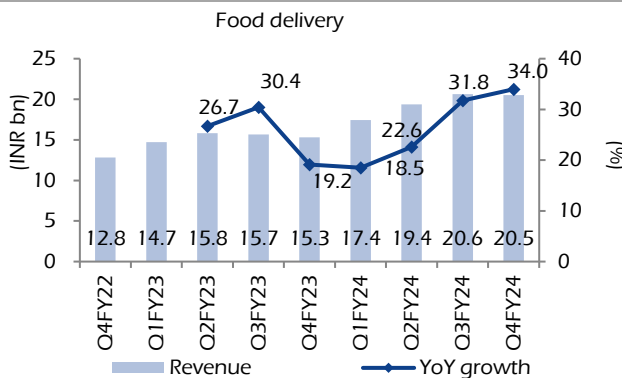
- In the medium term, Blinkit’s MTUs may cross food delivery MTUs (no specific timeline though).
- As regards employee cost, ESOP cost, as a percentage of adjusted revenue, pared meaningfully and ZOMATO expects this to continue.
- Even if throughput per store pares post the opening of new Blinkit stores, this would improve the overall customer experience, adding consumers within a location.
- Expect advertising revenue to increase for Blinkit, thus aiding economy of scale.

**Exhibit 1: Food delivery – GOV up 28.1% YoY in Q4**



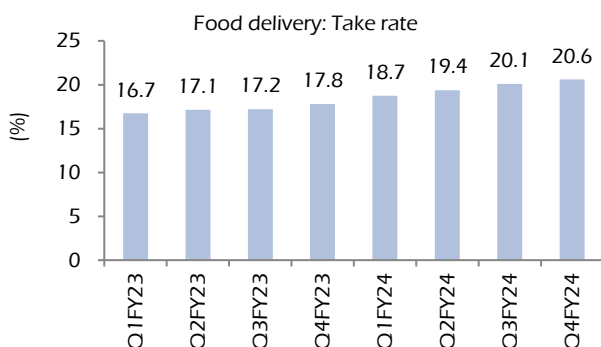
Source: Company, Elara Securities Research

**Exhibit 2: Food delivery – Q4 adjusted revenue up 34% YoY**



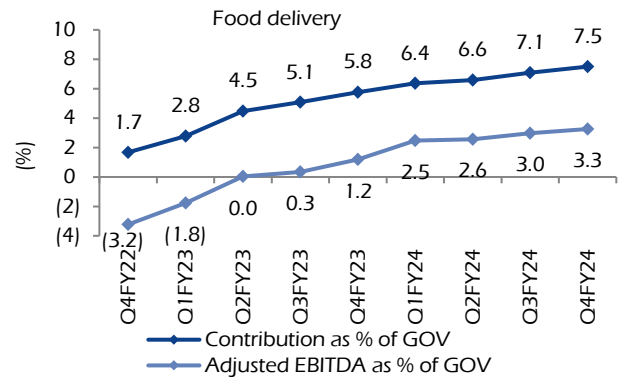
Source: Company, Elara Securities Research

**Exhibit 3: Food delivery – Take rate up 280bps YoY to 20.6% in Q4**



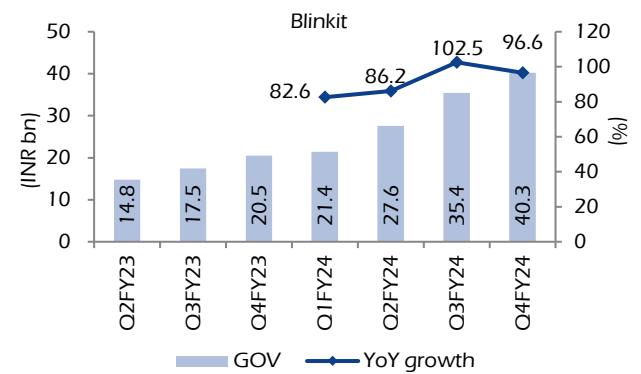
Source: Company, Elara Securities Research

**Exhibit 4: Contribution and adjusted EBITDA, as percentage of GOV, at 7.5% and 3.3% in Q4**



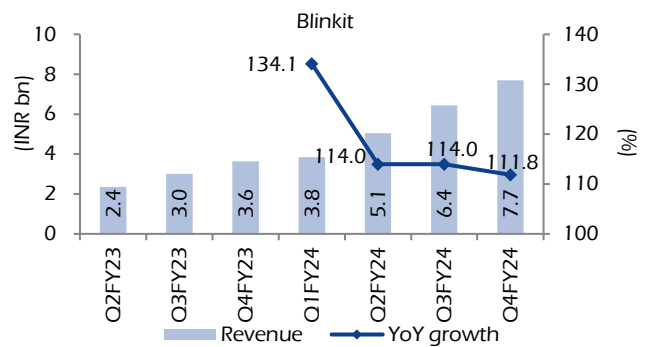
Source: Company, Elara Securities Research

**Exhibit 5: Blinkit – GOV up 96.6% YoY in Q4**



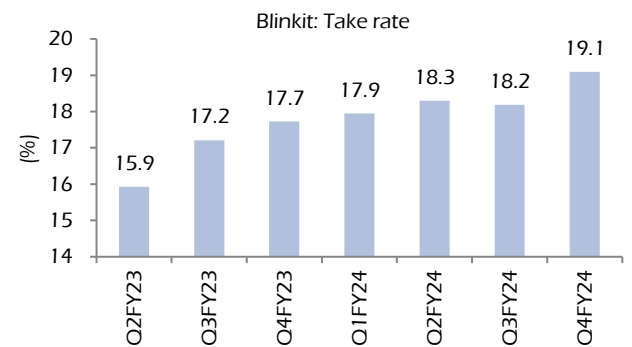
Source: Company, Elara Securities Research

**Exhibit 6: Blinkit – Revenue up 111.8% YoY in Q4**



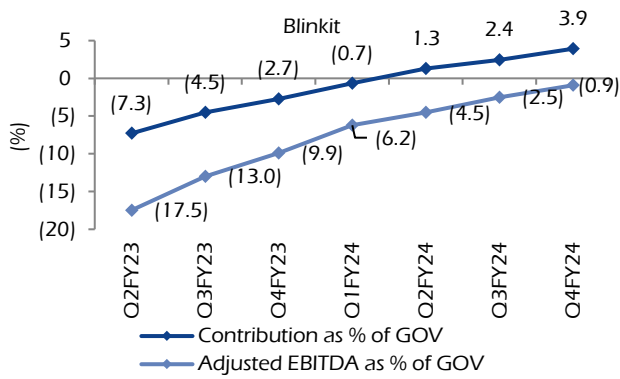
Source: Company, Elara Securities Research

**Exhibit 7: Blinkit – Take rate up 140bps YoY to 19.1% in Q4**



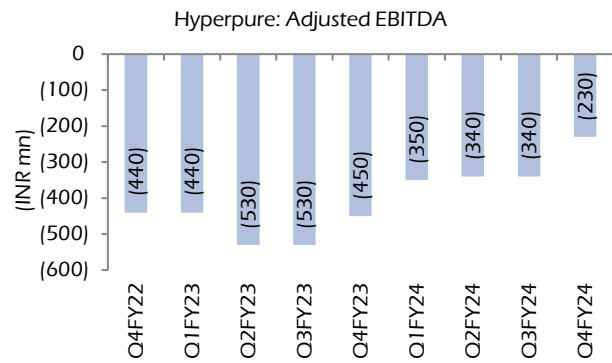
Source: Company, Elara Securities Research

**Exhibit 8: Contribution and adjusted EBITDA, as percentage of GOV, at 3.9% and -0.9% in Q4**



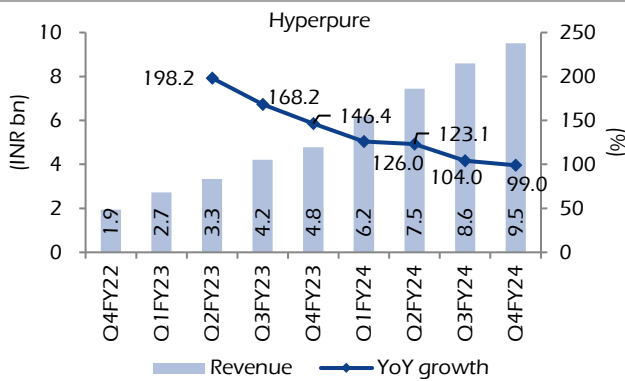
Source: Company, Elara Securities Research

**Exhibit 10: Hyperpure – Adjusted EBITDA loss declined QoQ to INR 230mn in Q4**



Source: Company, Elara Securities Research

**Exhibit 9: Hyperpure – Revenue up 99% YoY in Q4**



Source: Company, Elara Securities Research

**Exhibit 11: Operating metrics**

ZOMATO	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)
<b>Food delivery business</b>					
GOV (INR bn)	84.4	84.9	(0.6)	65.9	28.1
Adjusted revenue (INR bn)	20.5	20.6	(0.6)	15.3	34.0
Take rate (basis revenue ex. delivery revenue)	20.6	20.1	50 bp	17.8	280 bp
Contribution (INR bn)	6.3	6.0	5.3	3.8	66.6
Contribution as percentage of GOV (%)	7.5	7.1	40 bp	5.8	170 bp
Adjusted EBITDA (INR bn)	2.8	2.5	9.1	0.8	252.6
Adjusted EBITDA (as percentage of GOV, %)	3.3	3.0	30 bp	1.2	210 bp
Average monthly transacting customers (mn)	19.0	18.8	1.1	16.6	14.5
Average monthly active food delivery restaurant partners ('000)	270	254	6.3	215	25.6
Average monthly active delivery partners ('000)	418	419	(0.2)	316	32.3
<b>Blinkit</b>					
GOV (INR bn)	40.3	35.4	13.7	20.5	96.6
Revenue (INR bn)	7.7	6.4	19.4	3.6	111.8
Take rate (%)	19.1	18.2	90bp	17.7	140 bp
Contribution (INR bn)	1.6	0.9	83.7	(0.6)	NA
Contribution as percentage of GOV (%)	3.9	2.4	150 bp	(2.7)	NA
Adjusted EBITDA (INR bn)	(0.4)	(0.9)	NA	(2.0)	NA
Adjusted EBITDA (as percentage of GOV, %)	(0.9)	(2.5)	NA	(9.9)	NA
Orders (mn)	65.3	55.8	17.0	39.2	66.6
AOV (INR)	617.0	635.0	(2.8)	522.0	18.2
Average monthly transacting customers (mn)	6.4	5.4	18.5	3.9	64.1
Average GOV per day, per dark store (INR '000)	920.0	889.0	3.5	625.0	47.2
Dark stores at the end of the period	526	451	16.6	377	39.5
<b>Hyperpure</b>					
Revenue (INR bn)	9.5	8.6	10.7	4.8	99.0
Adjusted EBITDA (INR bn)	(0.2)	(0.3)	NA	(0.5)	NA

Source: Company, Elara Securities Research

**Exhibit 12: SoTP valuations**

(INR mn)	Sep-26E
<b>Food Delivery</b>	
EBITDA (including ESOPs)	18,696
EV/EBITDA (x)	55
EV	1,028,305
EV/share (INR)	117
Contribution to total EV (%)	46
<b>Blinkit</b>	
Sales	171,177
EV/Sales (x)	6
EV	941,471
EV/share (INR)	107
Contribution to total EV (%)	42
<b>Hyperpure</b>	
Sales	112,162
EV/Sales (x)	3
EV	280,405
EV/share (INR)	32
Contribution to total EV (%)	12
<b>Total EV</b>	<b>2,250,181</b>
Cash	205,572
Debt	0
<b>Equity Value</b>	<b>2,455,754</b>
Total no. of shares (mn)	8,820
<b>TP (INR)</b>	<b>280</b>
CMP (INR)	194
<b>Upside</b>	<b>44%</b>

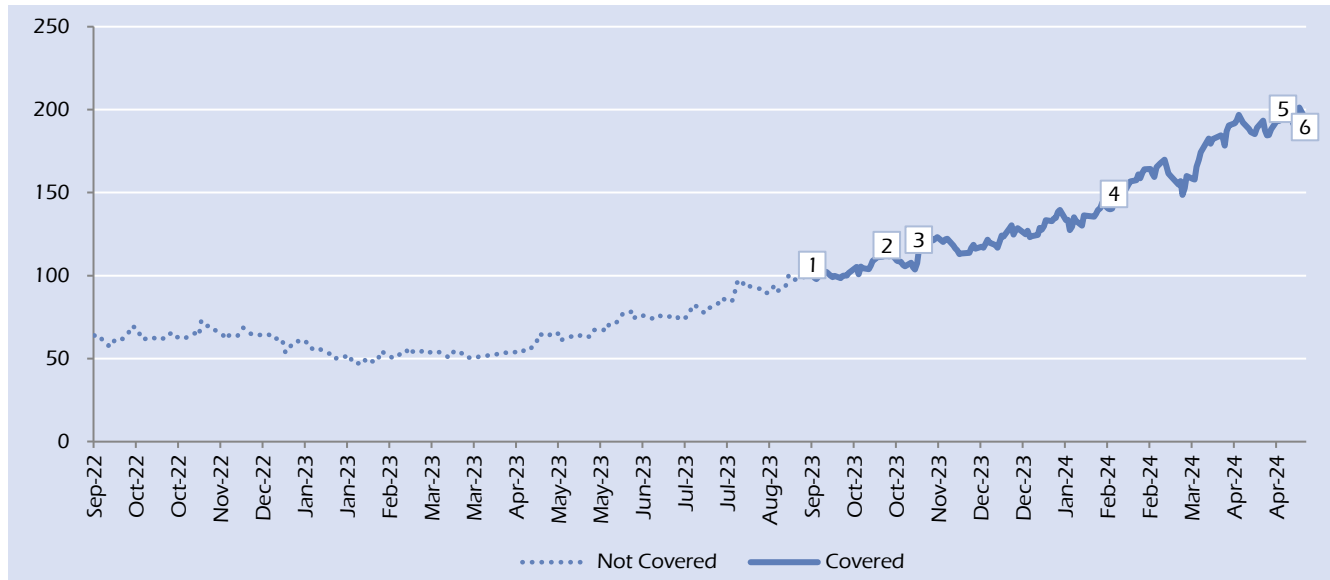
Source: Elara Securities Estimate

**Exhibit 13: Change in estimates**

(INR mn)	New		Old		Change (%)		New FY27E
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	
Revenue	203,755	307,914	167,024	230,845	22.0	33.4	468,460
EBITDA	9,188	24,393	8,995	24,002	2.1	1.6	40,744
Net profit	11,707	24,164	10,931	23,382	7.1	3.3	38,788
EPS (INR)	1.3	2.7	1.2	2.7	7.1	3.3	4.4
<b>TP (INR)</b>		<b>280</b>		<b>250</b>		<b>12</b>	

Source: Elara Securities Estimate

## Coverage History



	Date	Rating	Target Price	Closing Price
1	12-Sept-2023	Buy	INR 130	INR 99
2	18-Oct-2023	Buy	INR 140	INR 113
3	3-Nov-2023	Buy	INR 150	INR 117
4	8-Feb-2024	Accumulate	INR 165	INR 144
5	2-May-2024	Buy	INR 250	INR 195
6	13-May-2024	Buy	INR 280	INR 194

## Guide to Research Rating

<b>BUY</b>	Absolute Return >+20%
<b>ACCUMULATE</b>	Absolute Return +5% to +20%
<b>REDUCE</b>	Absolute Return -5% to +5%
<b>SELL</b>	Absolute Return < -5%

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