

Gold program accelerates food delivery GOV growth

Zomato's sequential GOV expansion in food delivery (+9% QoQ vs. JMFe of +4%) as well as Blinkit (+29% QoQ vs. JMFe of +17%) businesses in 2QFY24 surprised us positively. Another positive surprise was the near-doubling of the company's Gold membership program from 2mn to 3.8mn, in a matter of just one quarter, amidst muted growth trends in the underlying industry and intensified competitive intensity. In fact, Gold subscribers now contribute c.40% to Zomato's food delivery GOV vs. 33%/19% in 1QFY24/4QFY23. These developments augur well for the business, as subscriptions typically have a positive impact on a) customer stickiness and 2) ordering frequencies. Here, we highlight that Gold orders presently have a significant dilutive impact on contribution margin, which led to slowing down of sequential adj. EBITDA margin expansion in the food delivery business in 2Q, indicating a deliberate trade-off by the management. During the quarter, Blinkit exceeded expectations on sequential GOV growth but also turned contribution margin break-even and narrowed adj. EBITDA loss %. The company continues to guide for adj. EBITDA break-even in the business by 1QFY25, which we believe is achievable. Basis the results and strong GOV growth outlook in key businesses, we expect the stock to remain buoyant despite sharp recent up-moves.

- Gold program accelerates Food delivery GOV growth:** Food Delivery GOV grew 9% QoQ (+20% YoY) to INR 79.8bn, well ahead of JMFe of +4.2% QoQ. We estimate order volume grew c.9% QoQ, aided by a sharp jump in MTUs to 18.4mn from 17.5mn in 1Q, while ordering frequency improved 3% QoQ. Growth was primarily driven by strong 'Gold' adoption. The programme contributed 40%+ to GOV in 2Q vs. 33% in 1Q, with subscribers almost doubling in one quarter. The management expects GOV growth of ~25-30% YoY (moderate to high single digit QoQ growth) in 3Q, partly aided by the Cricket World Cup. We raise GOV estimates by 4-7% over FY24-26E assuming growing 'Gold' adoption leads to higher MTUs as well as order frequency.
- Growing Gold share and salary hikes slowed margin expansion in food delivery:** Adj. EBITDA margin as % of GOV improved from 2.5% in 1Q to 2.6% in 2Q, but was below JMFe of 2.8%. Key factors slowing the expansion were 1) the dilutive impact of Gold orders, which meant that contribution margin expanded only 20bps QoQ to 6.6% (vs. JMFe of 6.8%) despite the fact that reported take rate improved 70bps QoQ and 2) fixed expenses grew 13% QoQ (mainly due to salary hikes in July). We believe there is sufficient scope for expansion of take rate by 60-80bps from 19.4% in 2Q driven by a mix of restaurant commissions (as % of net sales value), b) ad income from restaurants, and c) platform/membership subscription fees. This should be one of the key drivers of margin expansion hereon apart from operating leverage. We moderate our adj. EBITDA margin forecasts by 20-50bps over FY24-26E to factor in increased Gold order share in GOV.
- Blinkit's GOV grows 29%QoQ, business now contribution positive:** Blinkit's GOV in 2Q stood at 27.6bn (+29% QoQ, +86% YoY), a beat on JMFe of 17% QoQ. The beat was on account of better-than-expected MTUs as well as AOVs. AOV continued to increase sequentially, from INR 582 in 1QFY24 to INR 607 in 2Q. The management attributed the

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	155
Upside/(Downside)	33.0%
Previous Price Target	115
Change	34.8%

Key Data – ZOMATO IN

Current Market Price	INR117
Market cap (bn)	INR1,002.4/US\$12.0
Free Float	98.2%
Shares in issue (mn)	8,710.9
Diluted share (mn)	8,651.4
3-mon avg daily val (mn)	INR8,742.6/US\$105.0
52-week range	120/44
Sensex/Nifty	64,364/19,231
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	10.6	83.3	87.3
Relative*	13.4	73.9	77.4

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	41,924	70,794	1,20,367	1,72,512	2,12,894
Sales Growth (%)	110.3	68.9	70.0	43.3	23.4
EBITDA	-18,508	-40,441	534	14,494	23,700
EBITDA Margin (%)	-44.1	-57.1	0.4	8.4	11.1
Adjusted Net Profit	-15,064	-38,046	2,400	12,747	20,888
Diluted EPS (INR)	-2.1	-4.6	0.3	1.5	2.4
Diluted EPS Growth (%)	0.0	0.0	0.0	427.4	63.9
ROIC (%)	-75.3	-76.3	-7.4	8.8	18.4
ROE (%)	-12.2	-21.2	1.2	6.1	9.1
P/E (x)	-56.2	-25.3	421.7	80.0	48.8
P/B (x)	5.1	4.9	5.0	4.7	4.2
EV/EBITDA (x)	-48.3	-22.3	1,677.1	60.5	35.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 03/Nov/2023

AOV increase to assortment and GOV mix moving in favour of high average selling price categories (such as electronics, toys, books, beauty products, home décor, festive needs, among others). Having mentioned that AOVs are likely to remain volatile in the near to medium term due to seasonal factors. Basis early trends, the management expects another quarter of very strong sequential growth in 3Q. This will be partly aided by ~100 net new store additions in FY24, 28 of which were added in 2Q. Take-rate improvement in Blinkit continued in 2Q albeit it was lower than our estimate. Take rate now stands at 18.3% vs. 17.9% in 1QFY24. Blinkit turned contribution margin positive in 2Q, with a margin of +1.3% vs. a loss of 0.6% in 1Q. The contribution improvement was aided by strong store level operating leverage as well as take-rate expansion. Lastly, adj. EBITDA as % of GOV stood at -4.5% vs. -6.2% in 1Q, a 170 bps sequential improvement, ahead of JMFe of -4.7%. We believe take-rate expansion, store operating leverage and corporate level operating leverage are key levers for near term margin expansion to break-even levels in Blinkit.

- **TAM as well as prospective profit pools for Blinkit could be much wider than in food delivery:** Blinkit has been seeing steady adoption since its acquisition 5 quarters back. In fact, in cities where Blinkit has an overlapping presence with Zomato's food delivery business, the former's GOV was 47% of the latter's GOV in those cities in 2QFY24 vs. 31% in 2QFY23. This is in line with our expectation that Quick Commerce platforms could have a realistic TAM that is significantly bigger than Food Delivery as these businesses compete largely with the unorganised mom-and-pop stores (convenience stores) and offer the 'wow' factor in terms of convenience and instant gratification. Therefore, even with a limited city presence, we expect these businesses to continue to grow at an exponential rate on the back of under-penetration and expanding use cases (from just grocery to other e-commerce categories such as electronics, stationery, BPC, etc.). Continued improvement in Blinkit's MTUs (from around 1.5mn in Jan'22 to 4.7mn in Sep-Q) despite scaling down of dark stores (from around 450 in Jan'22 to 411 in Sep-Q) and limited customer incentives (INR 1-2 per order vs. INR 6-7 per order in food delivery) suggests growing acceptance of the business model by consumers. In fact, average throughput per store was ~1,200 orders per day in 2QFY24, a 2x+ increase from <600 orders in 1QFY23. These trends have been well supported by continued industry consolidation to primarily three players now from 7-8 players a year back. As Blinkit continues to scale up and its path to profitability is much clearer, we believe market should start attributing value to this business as well.
- **Hyperpure continues to see strong growth momentum with narrowing losses:** Revenue grew 20.7% QoQ (+123% YoY) to INR 7.45bn – beat on JMFe by 3.7%. Growth was driven by increase in supplies to restaurants as well as higher supplies to Blinkit. Adj. EBITDA margin for this business stood at -4.6% (-5.7% in 1QFY24). Margin improvement in the business was driven by better gross margin (9.5% in Sep-Q versus 8.9% in Jun-Q) and operating leverage.
- **Going-out and others:** Going-out GOV stood at INR 6.82bn in 2Q vs. INR 6.16 in 1Q. Revenue grew 20% (6% YoY) QoQ to INR 520mn. Adj. EBITDA loss stood at INR 40mn vs. INR 10mn last quarter.
- **Maintain 'BUY' with a revised DCF driven TP of INR 155:** With food delivery EBITDA margin gradually moving towards steady state levels and Blinkit business turning contribution level profitable, we now use a lower WACC assumption of 12.0% vs. 13.0% earlier. Simultaneously, we roll-forward our DCF-based valuations to Mar'25 (Sep'24 earlier). Both these factors together lead to a revision in our TP to INR 155 vs. INR 115 earlier. Zomato continues to be one of our preferred picks in the listed Internet space as we believe it is well positioned to benefit from robust industry tailwinds for the hyperlocal delivery businesses. Its balance sheet also remains strong with net cash of INR 118bn as of Sep'23. Maintain 'BUY'.

Exhibit 1. Consolidated key financials

	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	Comments
Food delivery GOV (INR mn)	64,300	66,310	66,800	65,690	2,63,100	73,180	79,800	<ul style="list-style-type: none"> Food Delivery Gross order value (GOV) grew 9% sequentially (+20% YoY) to INR 79.8bn, strong beat on JMFe of 4% QoQ growth. Sequential growth was mainly driven by strong order volumes, growth of c.9%.
Change (YoY)	42%	22.6%	21.5%	12.3%	23.5%	13.8%	20.3%	
Quick Commerce GOV (INR mn)	11,720	14,820	17,490	20,460	64,490	21,400	27,600	
Change(QoQ)		26%	18%	17%		5%	29%	
Cons. revenue (INR mn)	14,139	16,613	19,482	20,560	70,794	24,160	28,480	<ul style="list-style-type: none"> Blinkit GOV stood at INR 27.6bn, +29% QoQ – a beat on JMFe of c.17% QoQ – mainly due to strong order volumes.
Change (YoY)	67%	62%	75%	70%	69%	71%	71%	
Total operating expense	17,212	19,727	23,144	22,814	82,897	24,640	28,950	
Operating profit (EBITDA)	-3,073	-3,114	-3,662	-2,254	-12,103	-480	-470	
EBITDA margin	-21.7%	-18.7%	-18.8%	-11.0%	-17.1%	-2.0%	-1.7%	<ul style="list-style-type: none"> Consol. revenue grew 15.6% QoQ to INR 28.5bn, a c.5% beat on JMFe.
Adj. EBITDA Margin	-10.6%	-11.6%	-13.6%	-8.5%	-11.1%	0.5%	1.4%	
Depreciation & amortization	416	1,067	1,548	1,338	4,369	1,300	1,280	
EBIT	-3,489	-4,181	-5,210	-3,592	-16,472	-1,780	-1,750	<ul style="list-style-type: none"> Contribution margin in Food Delivery business improved from 6.4% in 1QFY24 to 6.6% in 2QFY24, below JMFe of 6.8%. Miss was due to higher than expected investments towards the Gold program.
EBIT margin	-24.7%	-25.2%	-26.7%	-17.5%	-23.3%	-7.4%	-6.1%	
Net other income	1,632	1,576	1,573	1,547	6,328	1,630	1,960	
Exceptionals	0	0	0	1	1	0	0	
Profit before tax	-1,857	-2,605	-3,637	-2,044	-10,143	-150	210	<ul style="list-style-type: none"> Reported EBITDA margin stood at -1.7% in 2QFY24 versus -2%.
Income tax expense	0	-97	-171	-168	-436	-170	-150	
Minority Interest	-3	0	0	0	-3	0	0	
Reported PAT	-1,854	-2,508	-3,466	-1,876	-9,704	20	360	<ul style="list-style-type: none"> Adj. net profit (ex-minority and exceptional) in consolidated business stood at INR 360mn versus of INR 20mn in 1QFY24 due to better than expected other income.
Change (YoY)	NA	NA	NA	NA	NA	NA	NA	
Adjusted PAT	-1,854	-2,508	-3,466	-1,877	-9,705	20	360	
Change (YoY)	NA	NA	NA	NA	NA	NA	NA	
Adjusted diluted EPS	-0.24	-0.31	-0.41	-0.22	-1.18	0.00	0.04	
Change (YoY)	NA	NA	NA	NA	NA	NA	NA	

Source: Company, JM Financial

Exhibit 2. Key performance metrics – Food Delivery segment

Food Delivery	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
GOV (INR mn)	45,400	54,100	55,000	58,500	64,300	66,310	66,800	65,690	73,180	79,800
Change (YoY)	315%	158%	85%	77%	42%	23%	21%	12%	14%	20%
Adjusted Revenue (INR mn)	10,330	12,471	11,975	12,846	14,705	15,814	15,655	15,295	17,420	19,250
Change (YoY)	195%	115%	50%	70%	42%	27%	31%	19%	18%	22%
Take rate(%)	22.8%	23.1%	21.8%	22.0%	22.9%	23.8%	23.4%	23.3%	23.8%	24.1%
Reported Revenue (INR mn)	7,174	8,513	8,895	9,564	10,744	11,357	11,507	11,725	13,720	15,460
Change (YoY)				81%	50%	33%	29%	23%	28%	36%
Take rate(%)	15.8%	15.7%	16.2%	16.3%	16.7%	17.1%	17.2%	17.8%	18.7%	19.4%
MTU (mn)	12.3	15.5	15.3	15.7	16.7	17.5	17.4	16.6	17.5	18.4
Change (YoY)	310%	158%	82%	171%	36%	13%	14%	6%	5%	5%
Avg. monthly ordering frequency* (x)	2.96x	2.89x	3.07x	3.19x	3.24x	3.16x	3.05x	3.20x	3.33x	3.45x
Change (YoY)	-8%	-2%	6%	7%	9%	9%	-0.6%	0.3%	2.9%	9.3%
Order volumes* (mn)	109	134	141	150	162	166	159	159	175	190
Change (YoY)	279%	153%	93%	-3%	48%	23%	13%	6%	8%	15%
AOV* (INR)	415	403	390	389	396	400	419	412	418	419
Change (YoY)	10%	2%	-4%	-2%	-5%	-1%	7%	6%	6%	5%
Contribution Profit as % of GOV	2.8%	1.2%	1.7%	1.1%	2.8%	4.5%	5.1%	5.8%	6.4%	6.6%
Adjusted EBITDA (as a % of GOV)	-2.9%	-4.2%	-4.0%	-3.2%	-1.8%	0.0%	0.3%	1.2%	2.5%	2.6%

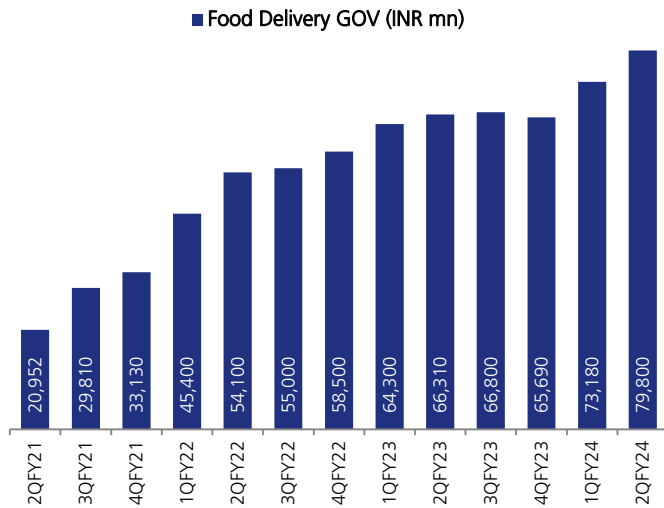
Source: Company, JM Financial. * indicates JMFL estimates

Exhibit 3. Key performance metric – Quick Commerce segment

Quick Commerce	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
GOV (INR mn)	11,720	14,820	17,490	20,460	21,400	27,600
Change (YoY)					83%	86%
Adjusted Revenue (INR mn)	1,640	2,360	3,008	3,625	3,840	5050
Change (YoY)					134%	114%
Take rate(%)	14.0%	15.9%	17.2%	17.7%	17.9%	18.3%
MTU (mn)	2.2	2.6	3.1	3.9	3.9	4.7
Change (YoY)					77%	81%
Avg. monthly ordering frequency (x)	3.36x	3.35x	3.40x	3.35x	3.15x	3.23x
Change (YoY)					-6%	-4%
Order volumes (mn)	22.2	26.1	31.6	39.2	36.8	45.5
AOV (INR)	528	568	553	522	582	607
Change (YoY)					10%	7%
Contribution margin (as a % of GOV)	-17.3%	-7.3%	-4.5%	-2.7%	-0.7%	1.3%
Adjusted EBITDA (as a % of GOV)	-27.8%	-17.5%	-13.0%	-9.9%	-6.2%	-4.5%

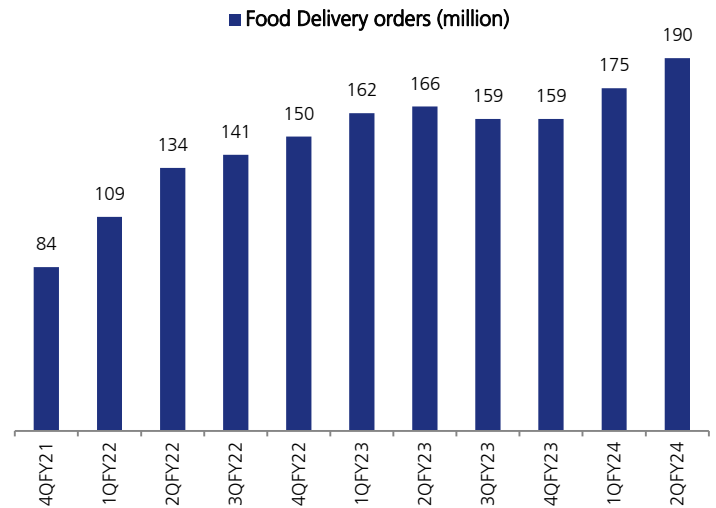
Source: Company, JM Financial

Exhibit 4. Food Delivery GOV trend



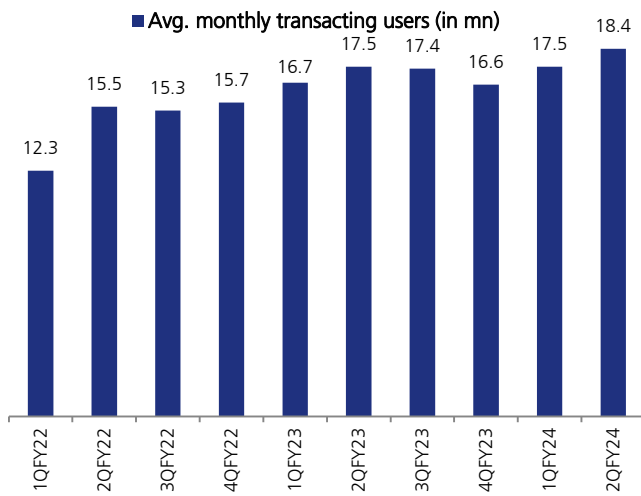
Source: Company, JM Financial

Exhibit 5. Food Delivery order volume trend



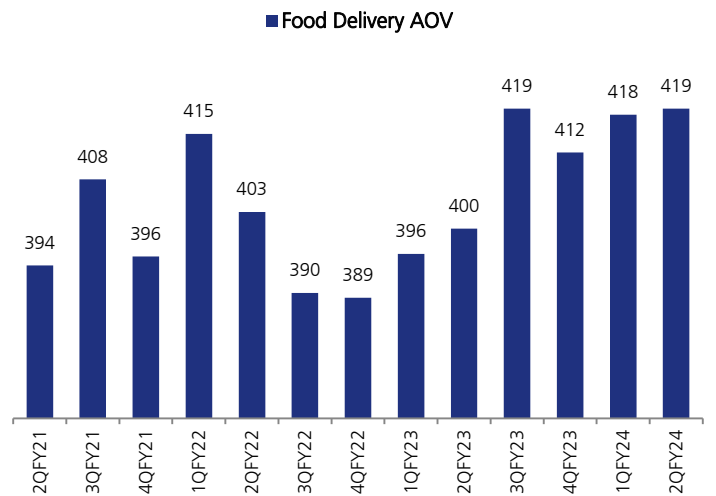
Source: Company, JM Financial.

Exhibit 6. Food Delivery: Avg. monthly transacting user trend



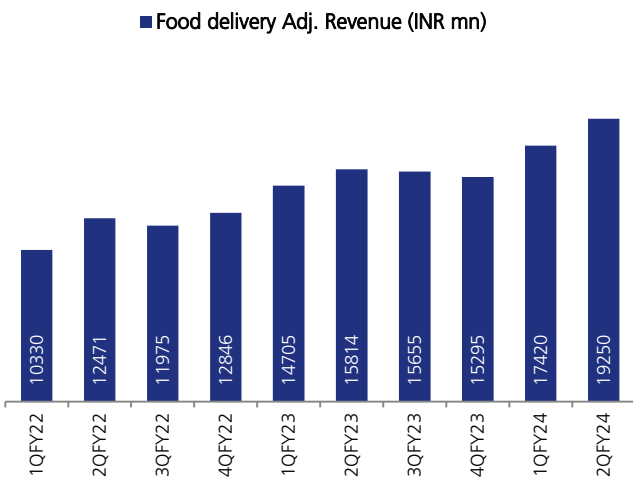
Source: Company, JM Financial

Exhibit 7. Food Delivery: Avg. order value



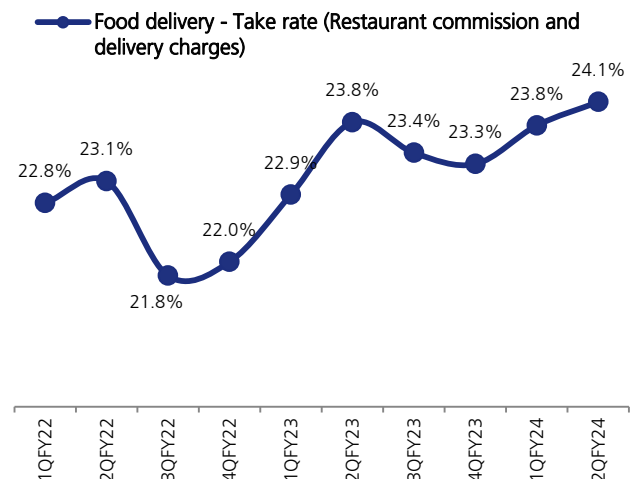
Source: Company, JM Financial estimates

Exhibit 8. Food Delivery Adjusted revenue trend



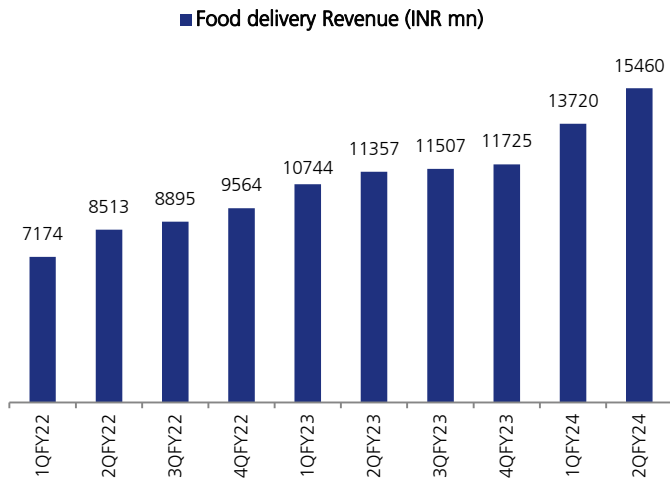
Source: Company, JM Financial. Note: Adjusted revenue = Revenue from operations + Customer delivery charges in case of Food Delivery.

Exhibit 9. Food Delivery take rate (including delivery charges)



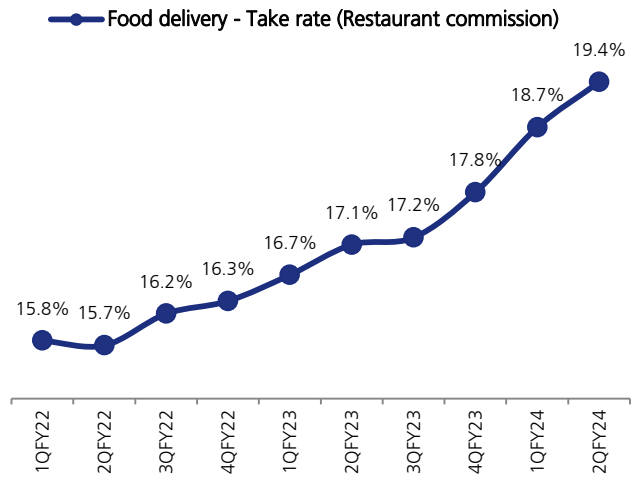
Source: Company, JM Financial

Exhibit 10. Food Delivery revenue trend



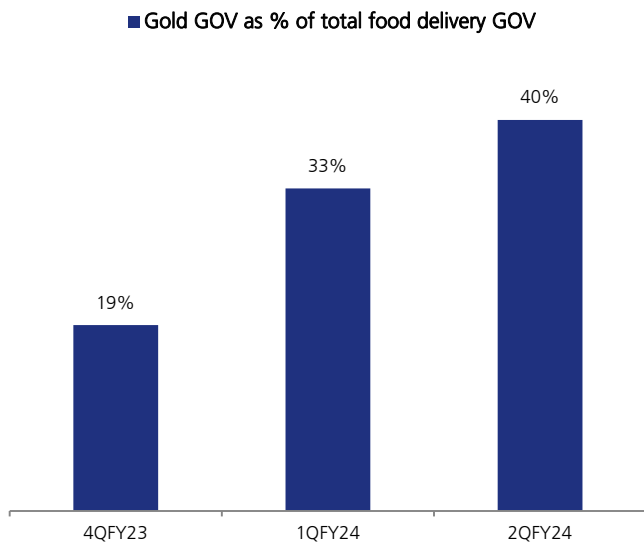
Source: Company, JM Financial

Exhibit 11. Food Delivery take rate (excluding delivery charges)



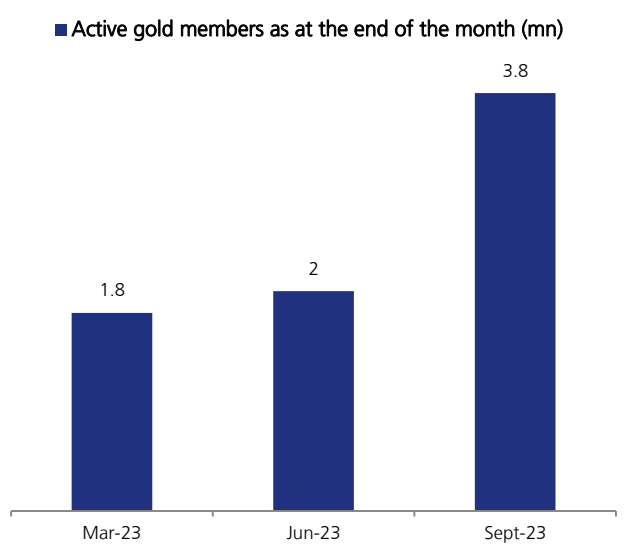
Source: Company, JM Financial

Exhibit 12. Gold GOV as % of total food delivery GOV



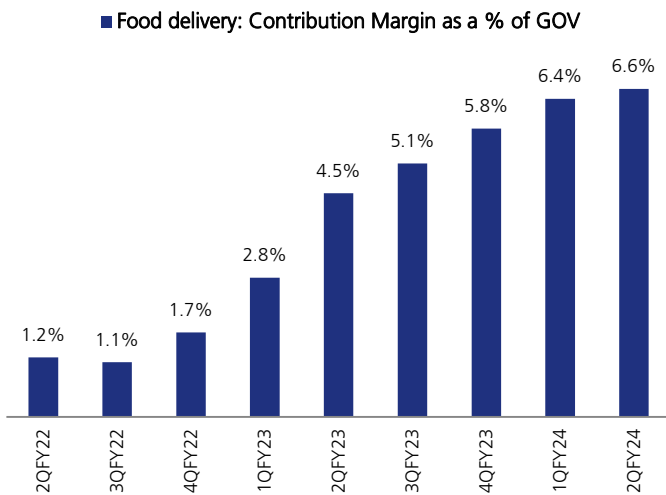
Source: Company, JM Financial

Exhibit 13. Active gold members



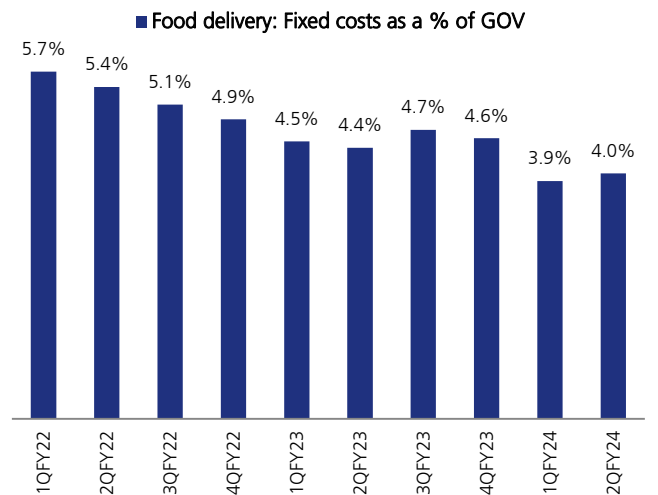
Source: Company, JM Financial

Exhibit 14. Food Delivery: Contribution margin as % of GOV



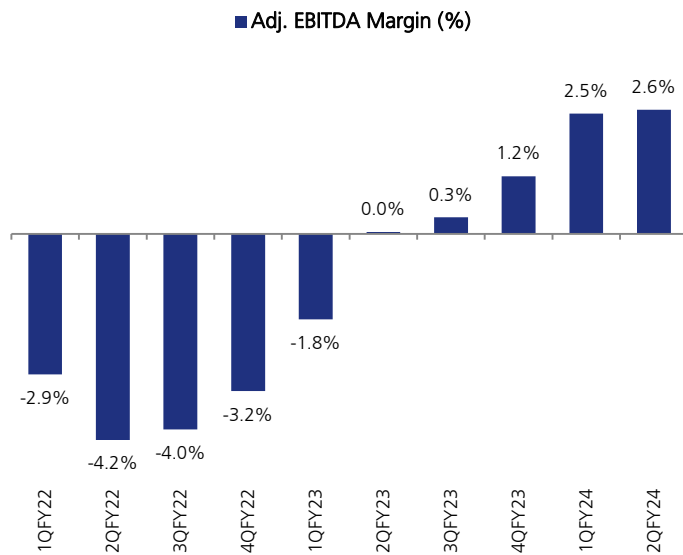
Source: Company, JM Financial.

Exhibit 15. Food Delivery: Fixed cost as a % of GOV



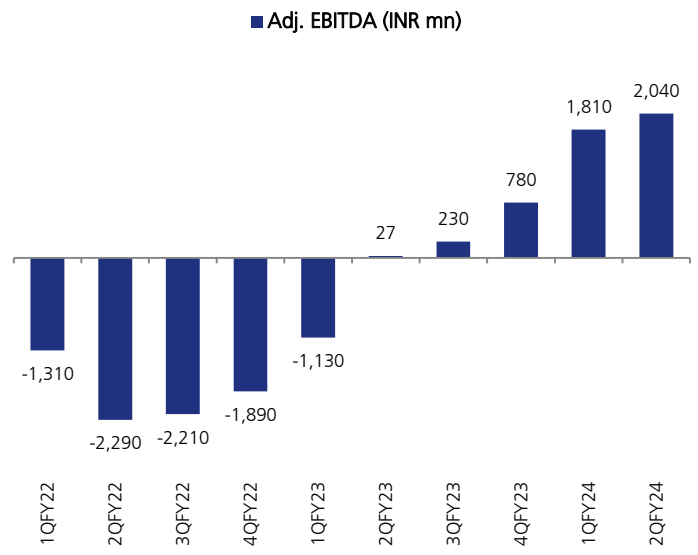
Source: Company, JM Financial. Fixed costs = Food delivery operating expenses minus food delivery related variable expenses.

Exhibit 16. Food Delivery adjusted EBITDA margin



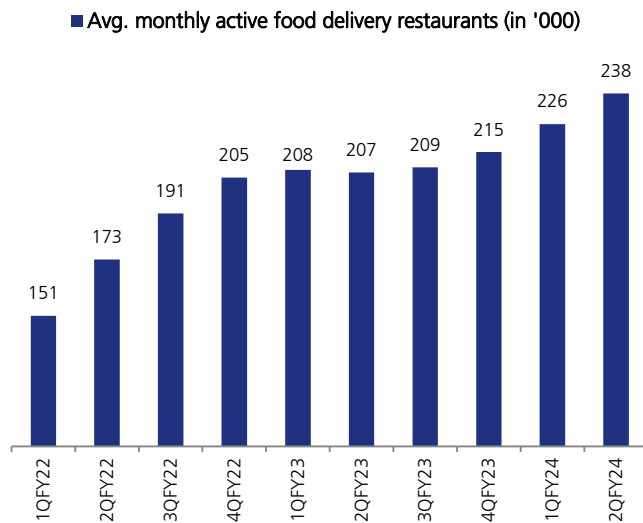
Source: Company, JM Financial

Exhibit 17. Food Delivery adjusted EBITDA



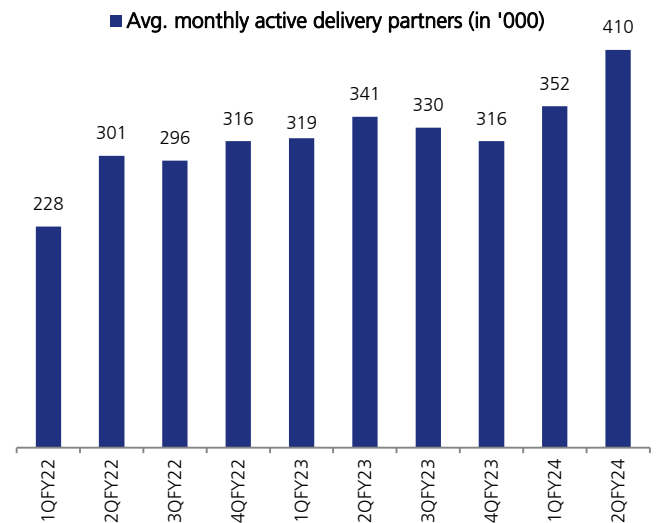
Source: Company, JM Financial

Exhibit 18. Food Delivery: Avg. monthly active delivery restaurants



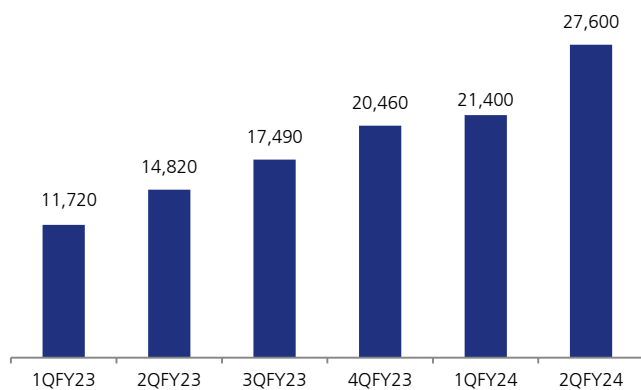
Source: Company, JM Financial

Exhibit 19. Food Delivery: Avg. monthly active delivery partners



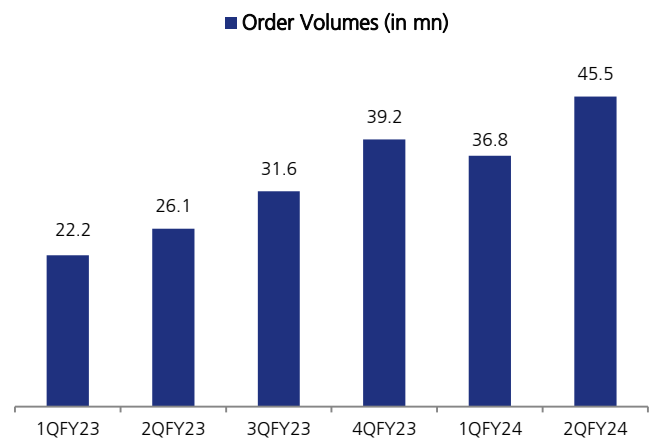
Source: Company, JM Financial

Exhibit 20. Blinkit: GOV trend (INR mn)



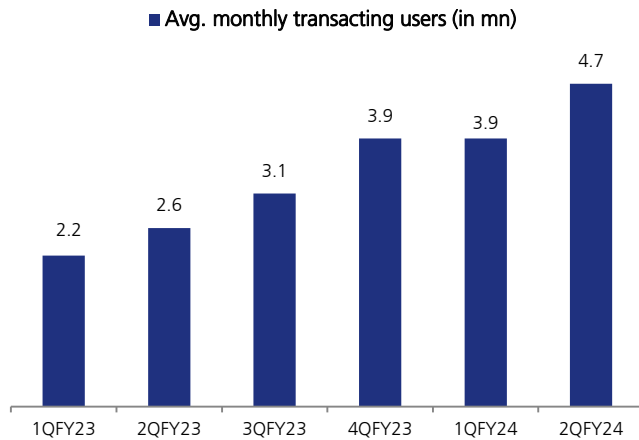
Source: Company, JM Financial

Exhibit 21. Blinkit order volume trend



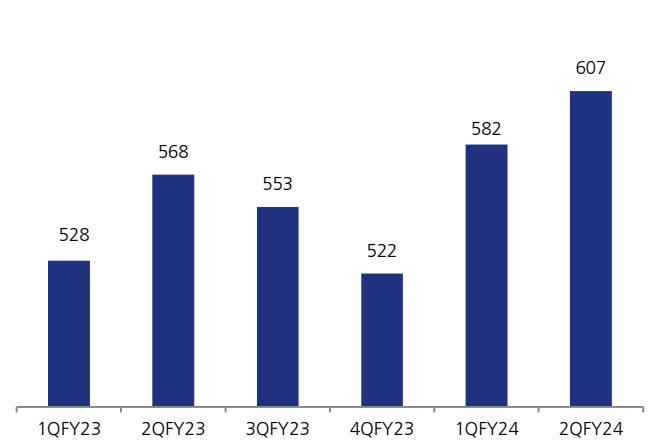
Source: Company, JM Financial

Exhibit 22. Blinkit: Avg. monthly transacting user trend



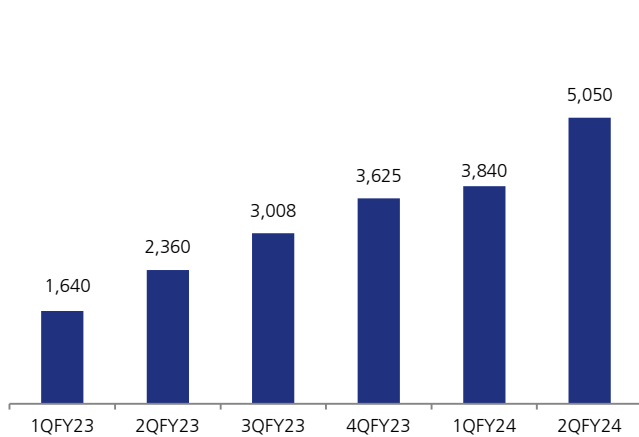
Source: Company, JM Financial

Exhibit 23. Blinkit: Avg. order value (AOV, INR)



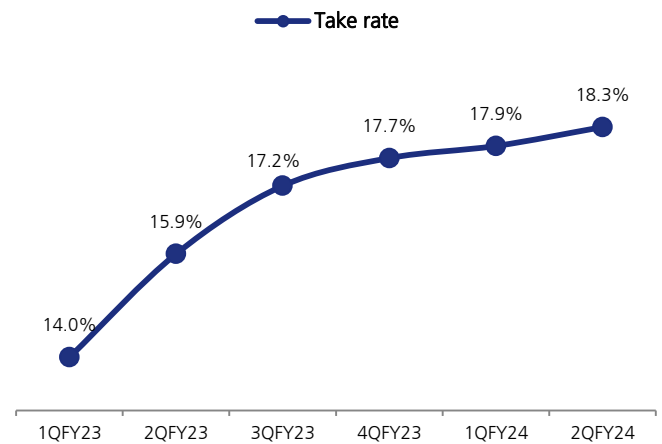
Source: Company, JM Financial

Exhibit 24. Blinkit revenue trend (INR mn)



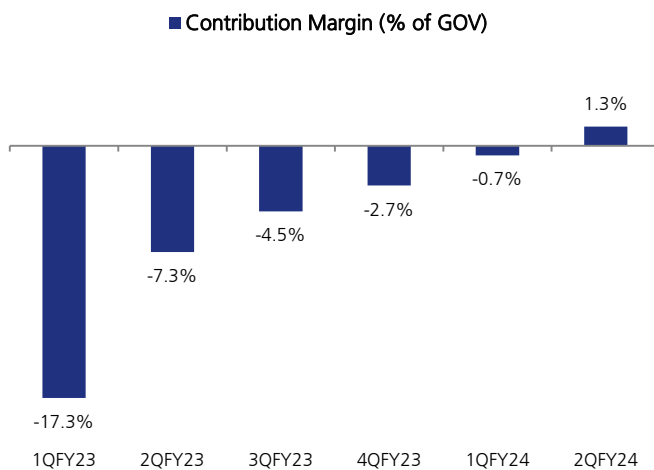
Source: Company, JM Financial

Exhibit 25. Blinkit take rate trend



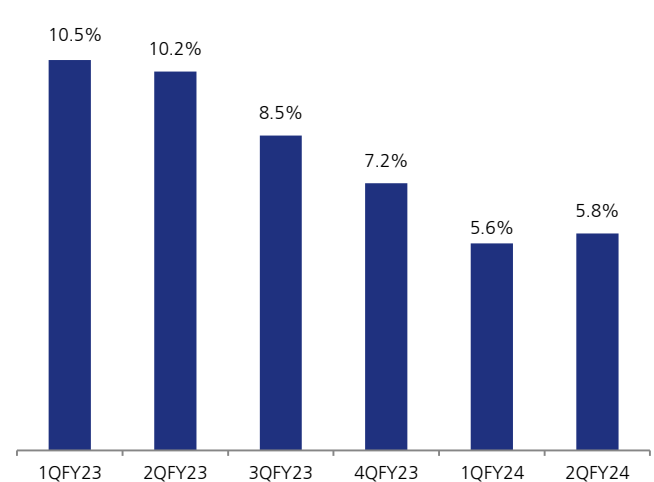
Source: Company, JM Financial

Exhibit 26. Blinkit: Contribution Margin as % of GOV



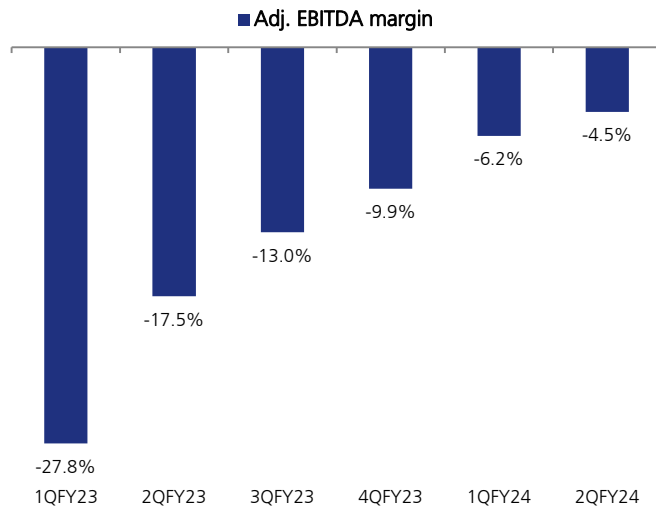
Source: Company, JM Financial

Exhibit 27. Blinkit: Fixed cost as a % of GOV



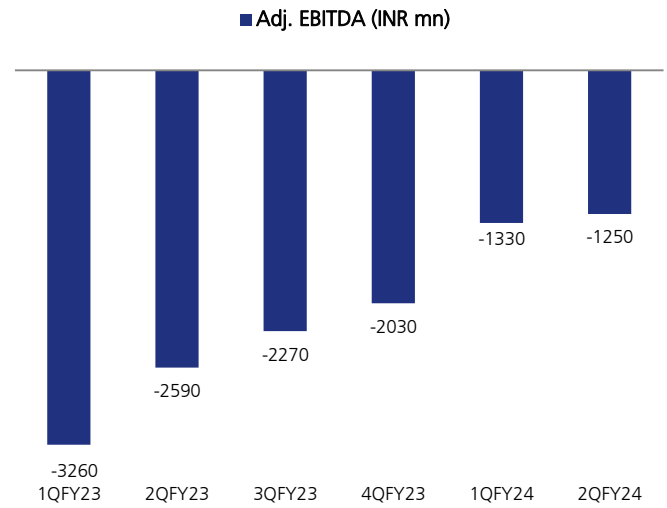
Source: Company, JM Financial

Exhibit 28. Blinkit adjusted EBITDA margin



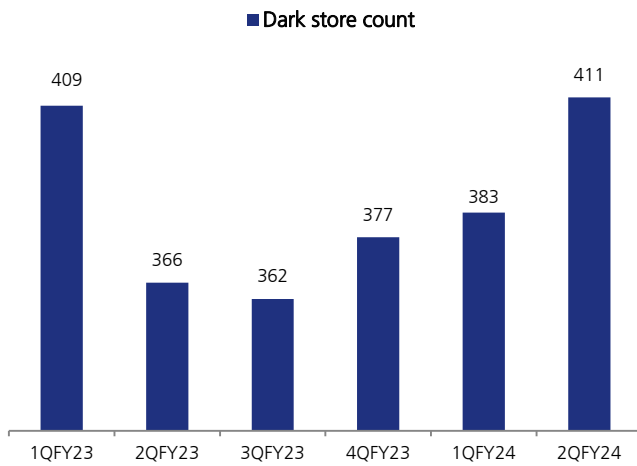
Source: Company, JM Financial

Exhibit 29. Blinkit adjusted EBITDA



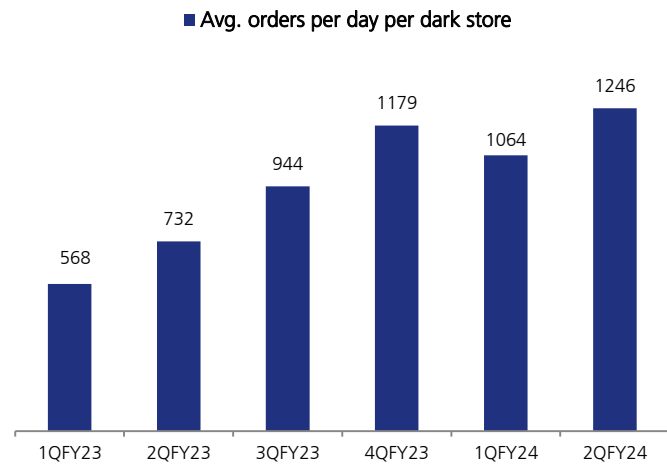
Source: Company, JM Financial

Exhibit 30. Blinkit: No. of dark stores



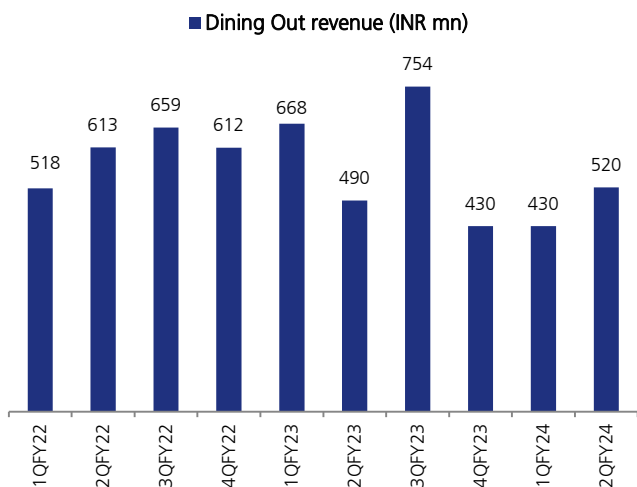
Source: Company, JM Financial

Exhibit 31. Blinkit: Orders per day per store



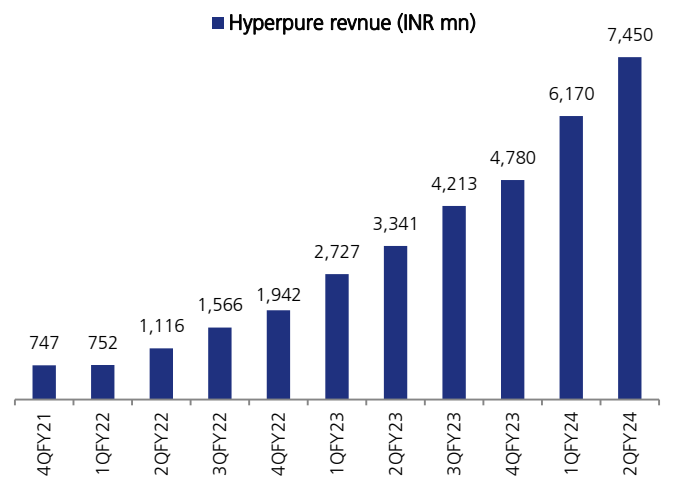
Source: Company, JM Financial

Exhibit 32. Dining out revenue trend



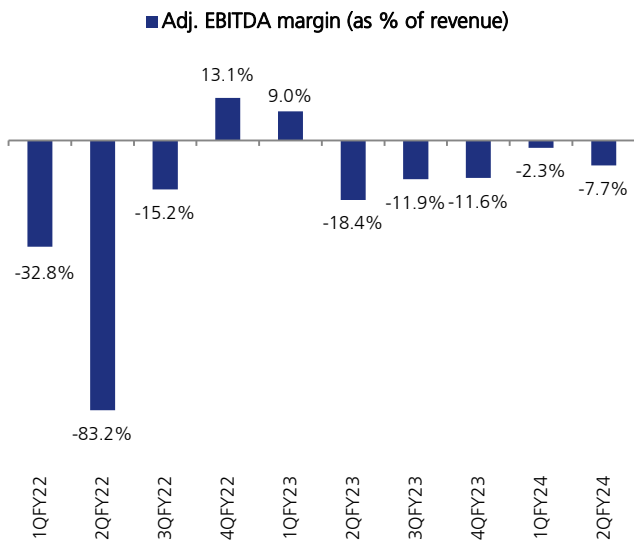
Source: Company, JM Financial

Exhibit 33. Hyperpure revenue trend



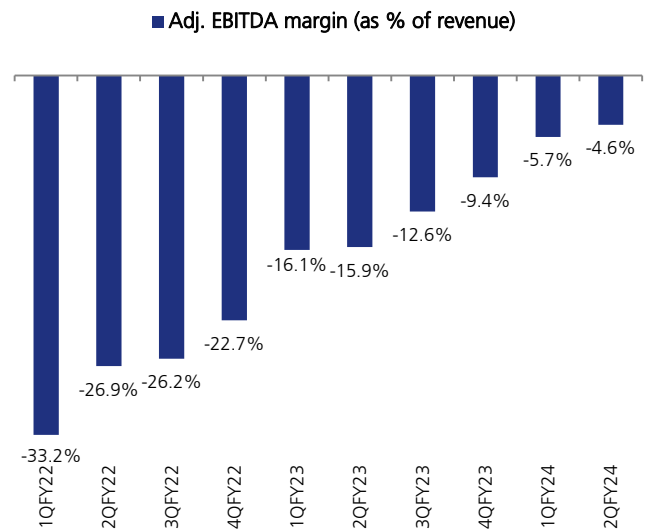
Source: Company, JM Financial

Exhibit 34. Dining Out: Adj. EBITDA margin



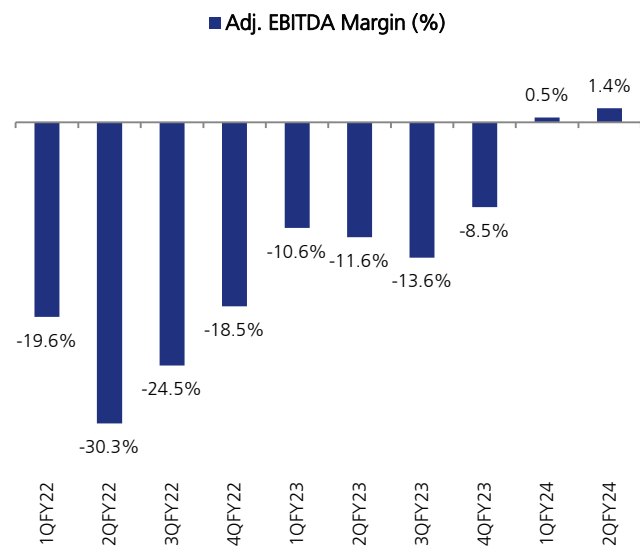
Source: Company, JM Financial

Exhibit 35. Hyperpure: Adj. EBITDA margin



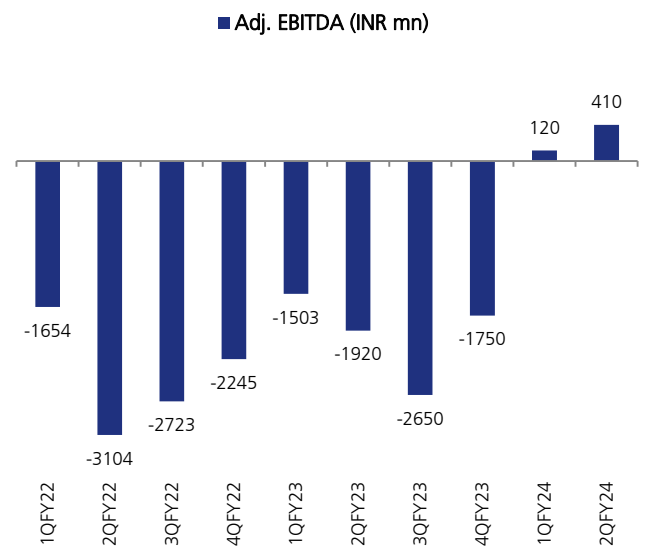
Source: Company, JM Financial

Exhibit 36. Group adjusted EBITDA margin trend



Source: Company, JM Financial

Exhibit 37. Group adjusted EBITDA



Source: Company, JM Financial.

Exhibit 38. Key operating metrics and financial assumptions

Mar YE (INR bn)	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E	FY33E	FY38E
Food Delivery									
Orders (million)	535	647	761	903	1,039	1,188	1,362	2,457	3,586
AOV (INR)	398	407	422	437	452	468	484	575	683
GOV (INR bn)	213	263	321	394	470	556	660	1,413	2,450
Revenue (INR bn)	34	45	63	80	95	113	134	287	497
Take rate (%)	16.0%	17.2%	19.5%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%
Contribution Profit (INR per order)	6.6	18.5	28.4	32.7	34.1	35.6	37.1	45.1	54.2
% of AOV	1.7%	4.5%	6.7%	7.5%	7.5%	7.6%	7.7%	7.8%	7.9%
Adj. EBITDA (INR bn)	-7.7	-0.1	8.8	15.4	20.0	25.0	30.9	71.4	122.9
% of GOV	-3.6%	0.0%	2.7%	3.9%	4.3%	4.5%	4.7%	5.0%	5.0%
Blinkit									
Orders (million)		97	213	331	418	508	599	1,145	1,764
AOV (INR)		545	593	605	617	635	654	785	955
GOV (INR bn)		46	126	200	258	323	392	899	1,685
Revenue (INR bn)		8	24	42	57	73	90	220	421
Take rate (%)		17.5%	19.1%	21.0%	22.0%	22.5%	23.0%	24.5%	25.0%
Contribution Profit (INR per order)		(25.1)	12.5	34.0	40.3	43.1	46.5	63.4	77.7
% of AOV		-4.6%	2.1%	5.6%	6.5%	6.8%	7.1%	8.1%	8.1%
Adj. EBITDA (INR bn)		-5.6	-4.2	2.3	5.6	8.4	12.1	42.8	86.5
% of GOV		-12.2%	-3.3%	1.2%	2.2%	2.6%	3.1%	4.8%	5.1%
Hyperpure									
Revenue	5.4	15.1	31.3	47.0	56.4	66.5	76.5	137.2	209.2
Adj. EBITDA (INR bn)	-1.4	-2.0	-1.4	-1.4	-1.1	-0.7	-0.1	3.2	7.7
Dining Out and Others									
Revenue	2.4	2.3	2.3	3.4	4.3	5.2	6.1	11.1	18.1
Adj. EBITDA (INR bn)	-0.7	-0.2	-0.3	-0.2	-0.1	0.1	0.2	1.6	4.3
Group									
Revenue	41.9	70.8	120.4	172.5	212.9	257.2	306.8	655.1	1,145.8
Adj. EBITDA (INR bn)	-9.7	-7.8	3.0	16.1	24.4	32.9	43.2	119.0	221.3
Adj. EBITDA margin	-23.2%	-11.1%	2.5%	9.3%	11.5%	12.8%	14.1%	18.2%	19.3%
EBITDA (INR bn)	-18.5	-12.1	0.5	14.5	23.7	32.6	43.4	121.5	227.1
EBITDA margin	-44.1%	-17.1%	0.4%	8.4%	11.1%	12.7%	14.2%	18.5%	19.8%

Exhibit 39. DCF Assumptions

Mar YE (INR bn)	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E	FY33E	FY38E
Cash flow analysis									
EBIT - post tax	(11.2)	(10.0)	(0.5)	9.8	16.4	23.1	31.3	89.5	167.3
Depreciation & amortization	1.5	4.4	5.5	5.5	5.5	5.5	5.6	7.0	10.0
Capital expenditure	0.5	2.5	1.7	1.6	1.3	1.4	1.5	3.0	4.4
Change in working capital	2.7	(0.8)	(2.0)	(0.3)	1.7	0.5	2.2	1.7	4.2
Free cash flow to firm	(7.5)	(9.0)	1.3	13.3	22.2	27.7	37.5	95.2	177.0
DCF: 1-yr fwd	-	-	-	-	19.8	22.1	26.7	38.4	40.5
Discount factor at WACC	0.71	0.80	0.89	1.00	1.12	1.25	1.41	2.48	4.37

Source: JM Financial

Exhibit 40. Valuation Methodology for Zomato

WACC	12.00%
Revenue CAGR (FY23-28)	24%
Revenue CAGR (FY28-33)	16%
Revenue CAGR (FY33-38)	12%
EBITDA CAGR (FY28-33)	22%
EBITDA CAGR (FY33-38)	13%
Tax Rate	25.2%
FCFF CAGR (2025-2038F)	22%
NPV of cash flow (2024-2038F)	4.43,767
Perpetual growth (%)	6.0%
Implied Exit FCF multiple (X)	16.7x
Terminal value (INR mn)	7,16,132
Enterprise value (INR mn)	11,59,900
Terminal value as % of Enterprise Value	62%
Net debt (INR mn, Sep'24E)	-1,70,212
Minority Interest (INR mn, Sep'24E)	-66
Equity value (INR mn)	13,30,178
Number of shares outstanding (diluted, million)	8,711
Equity value per share (INR)	155

Source: JM Financial

Exhibit 41. Sensitivity of Equity Value to WACC and Terminal Growth Rate

Sensitivity of Equity Value to WACC and Terminal growth rate

		Terminal Growth Rate				
		5.0%	5.5%	6.0%	6.5%	7.0%
WACC	10.50%	184	195	209	226	248
	11.00%	168	177	187	200	216
	11.50%	154	161	170	180	192
	12.00%	143	148	155	163	172
	12.50%	133	137	143	149	157
	13.00%	124	128	132	137	143
	13.50%	116	119	123	127	132

Source: JM Financial

Maintain BUY; TP revised to INR 155

Exhibit 42. What has changed in our forecasts and assumptions?

Numbers are in INR mn	Old			New			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Food delivery GOV	3,07,491	3,69,518	4,41,468	3,21,411	3,94,495	4,69,996	4.5%	6.8%	6.5%
Quick Commerce GOV	1,06,644	1,64,863	2,17,398	1,26,021	1,99,983	2,58,148	18.2%	21.3%	18.7%
Consolidated revenue	1,13,751	1,61,352	1,97,794	1,20,367	1,72,512	2,12,894	5.8%	6.9%	7.6%
Revenue growth rate (YoY)	60.7%	41.8%	22.6%	70.0%	43.3%	23.4%	935bp	148bp	82bp
EBITDA margin	1.1%	10.6%	12.8%	0.4%	8.4%	11.1%	-69bp	-218bp	-169bp
EBIT margin	-3.7%	7.2%	10.1%	-4.1%	5.2%	8.6%	-43bp	-196bp	-150bp
PAT	2,092	14,505	21,936	2,400	12,747	20,888	14.7%	-12.1%	-4.8%
EPS (INR)	0.24	1.69	2.56	0.28	1.46	2.40	13.8%	-13.4%	-6.2%

Source: Company, JM Financial

Key Risks

- Key upside risks** to our price target are: (1) Sharp rise in transacting users driven by growing share of working age digitally native millennial/GenZ population; (2) Better-than-expected AOV growth; (3) Synergy benefits from rapid expansion of Hyperpure and dining-out businesses and (4) Significant value accretion from organic/inorganic expansion in adjacent verticals.
- Key downside risks** are: (1) Slower-than-expected tech penetration in India; (2) Sharp increase in competitive intensity; (3) Continued stakeholder conflicts such as allegations of unfair trade practices from food services industry bodies such as NRAI, amongst others (4) Technology failures and data breaches (5) Regulatory risks: Uncertainty around the likely implications for tech-platforms such as Zomato if the new labour laws are implemented in India. (6) Organic/inorganic investments fail to deliver.

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	41,924	70,794	1,20,367	1,72,512	2,12,894	
Sales Growth	110.3%	68.9%	70.0%	43.3%	23.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	41,924	70,794	1,20,367	1,72,512	2,12,894	
Cost of Goods Sold/Op. Exp	0	0	0	0	0	
Personnel Cost	16,331	14,650	15,969	16,767	17,773	
Other Expenses	44,101	96,585	1,03,865	1,41,251	1,71,421	
EBITDA	-18,508	-40,441	534	14,494	23,700	
EBITDA Margin	-44.1%	-57.1%	0.4%	8.4%	11.1%	
EBITDA Growth	0.0%	0.0%	0.0%	2,616.0%	63.5%	
Depn. & Amort.	1,503	4,369	5,450	5,495	5,485	
EBIT	-20,011	-44,810	-4,916	8,999	18,215	
Other Income	4,829	6,328	6,997	8,043	9,709	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	-15,182	-38,482	2,080	17,042	27,925	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	-15,182	-38,482	2,080	17,042	27,925	
Taxes	20	-436	-320	4,295	7,037	
Extraordinary Inc./Loss(-)	-2,974	-1	0	0	0	
Assoc. Profit/Min. Int.(-)	-138	-6	0	0	0	
Reported Net Profit	-12,090	-38,045	2,400	12,747	20,888	
Adjusted Net Profit	-15,064	-38,046	2,400	12,747	20,888	
Net Margin	-35.9%	-53.7%	2.0%	7.4%	9.8%	
Diluted Share Cap. (mn)	7,237.7	8,232.7	8,651.4	8,710.9	8,710.9	
Diluted EPS (INR)	-2.1	-4.6	0.3	1.5	2.4	
Diluted EPS Growth	0.0%	0.0%	0.0%	427.4%	63.9%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	1,65,055	1,94,598	2,01,502	2,18,338	2,42,874	
Share Capital	7,643	8,364	8,364	8,400	8,400	
Reserves & Surplus	1,57,412	1,86,234	1,93,138	2,09,938	2,34,474	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-66	-66	-66	-66	-66	
Total Loans	0	404	404	404	404	
Def. Tax Liab. / Assets (-)	-670	-1,161	-1,974	-2,760	-3,406	
Total - Equity & Liab.	1,64,319	1,93,775	1,99,866	2,15,916	2,39,805	
Net Fixed Assets	13,407	59,231	57,155	55,180	53,084	
Gross Fixed Assets	1,393	3,628	5,302	6,952	8,283	
Intangible Assets	12,892	57,071	54,071	51,271	48,751	
Less: Depn. & Amort.	884	1,543	2,293	3,118	4,026	
Capital WIP	6	75	75	75	75	
Investments	1,21,703	1,15,956	1,15,956	1,15,956	1,15,956	
Current Assets	37,490	39,639	50,182	73,722	1,02,981	
Inventories	397	827	1,660	2,050	2,378	
Sundry Debtors	1,599	4,569	5,918	9,112	9,436	
Cash & Bank Balances	3,923	2,181	8,588	26,900	54,660	
Loans & Advances	0	0	0	0	0	
Other Current Assets	31,571	32,062	34,015	35,660	36,507	
Current Liab. & Prov.	8,281	21,051	23,391	28,941	32,215	
Current Liabilities	4,994	14,003	16,657	19,980	21,583	
Provisions & Others	3,287	7,048	6,734	8,961	10,633	
Net Current Assets	29,209	18,588	26,791	44,781	70,766	
Total - Assets	1,64,319	1,93,775	1,99,902	2,15,916	2,39,805	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	-12,205	-10,146	2,080	17,042	27,925	
Depn. & Amort.	1,503	4,369	5,450	5,495	5,485	
Net Interest Exp. / Inc. (-)	-3,849	-4,840	-6,997	-8,043	-9,709	
Inc (-) / Dec in WCAP.	2,483	-1,759	-3,720	-2,194	-392	
Others	5,330	4,244	4,503	4,053	3,648	
Taxes Paid	-192	-308	-493	-5,081	-7,683	
Operating Cash Flow	-6,930	-8,440	824	11,272	19,272	
Capex	-572	-1,014	-1,674	-1,649	-1,332	
Free Cash Flow	-7,502	-9,454	-850	9,623	17,941	
Inc (-) / Dec in Investments	-53,668	8,794	0	0	0	
Others	-25,138	-3,207	7,722	8,857	10,578	
Investing Cash Flow	-79,378	4,573	6,048	7,208	9,246	
Inc / Dec (-) in Capital	90,000	38	36	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-216	-884	225	646	110	
Others	-2,286	-428	-725	-814	-869	
Financing Cash Flow	87,498	-1,274	-464	-168	-759	
Inc / Dec (-) in Cash	1,190	-5,141	6,407	18,312	27,760	
Opening Cash Balance	2,733	7,322	2,181	8,588	26,900	
Closing Cash Balance	3,923	2,181	8,588	26,900	54,660	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin		-35.9%	-53.7%	2.0%	7.4%	9.8%
Asset Turnover (x)		0.3	0.4	0.6	0.8	0.9
Leverage Factor (x)		1.0	1.0	1.0	1.0	1.0
RoE		-12.2%	-21.2%	1.2%	6.1%	9.1%

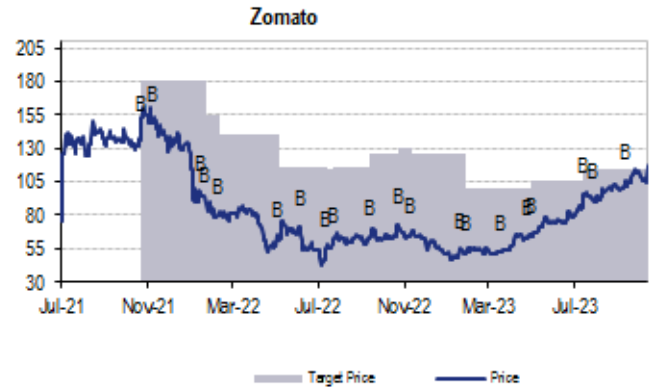
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)		22.8	23.6	23.3	25.1	27.9
ROIC		-75.3%	-76.3%	-7.4%	8.8%	18.4%
ROE		-12.2%	-21.2%	1.2%	6.1%	9.1%
Net Debt/Equity (x)		-0.8	-0.6	-0.6	-0.7	-0.7
P/E (x)		-56.2	-25.3	421.7	80.0	48.8
P/B (x)		5.1	4.9	5.0	4.7	4.2
EV/EBITDA (x)		-48.3	-22.3	1,677.1	60.5	35.8
EV/Sales (x)		21.3	12.7	7.4	5.1	4.0
Debtor days		14	24	18	19	16
Inventory days		3	4	5	4	4
Creditor days		26	22	28	27	26

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Nov-21	Buy	180	
29-Nov-21	Buy	180	0.0
3-Feb-22	Buy	180	0.0
11-Feb-22	Buy	155	-13.9
2-Mar-22	Buy	140	-9.7
25-May-22	Buy	115	-17.7
26-Jun-22	Buy	115	0.0
2-Aug-22	Buy	115	-0.4
11-Aug-22	Buy	115	0.6
4-Oct-22	Buy	125	8.6
12-Nov-22	Buy	130	3.7
30-Nov-22	Buy	126	-3.2
10-Feb-23	Buy	126	0.0
16-Feb-23	Buy	100	-20.3
6-Apr-23	Buy	100	-0.5
17-May-23	Buy	100	0.0
21-May-23	Buy	105	5.6
4-Aug-23	Buy	115	8.8
17-Aug-23	Buy	115	0.0
3-Oct-23	Buy	115	0.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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