

# Blinkit continues to drive outperformance

Information Technology ▶ Result Update ▶ May 14, 2024

**TARGET PRICE (Rs): 230**

**Zomato posted steady operational results, with revenue ahead of our estimates whereas the margin miss was on account of higher than expected ESOP costs (for the Blinkit leadership team). Food delivery GOV grew 28.5% YoY to Rs84.4bn (-0.6% QoQ), with Blinkit GOV up 13.7% QoQ/96.8% YoY to Rs40.3bn. Blinkit achieved operational EBITDA break-even in Mar-2024. Management guided to Blinkit remaining closer to break-even levels at adjusted EBITDA for the next few quarters, considering the aggressive store expansion plan (~2x in 12M). Most of the store expansion should happen in the top-8 cities, where Management sees significant scope for growth as Company is still largely underpenetrated. We have mostly retained FY26E EPS, but lowered FY25E EPS by ~20%, factoring in the slower profitability for Blinkit on the aggressive store addition plan and higher ESOP costs. We maintain BUY and TP of Rs230/sh on SOTP basis, valuing food delivery at Rs121/sh (DCF basis), Blinkit at Rs93/sh (DCF basis), and cash & other investments at Rs17/sh (BV).**

### Zomato: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	41,924	70,792	1,21,140	1,72,573	2,33,795
EBITDA	(18,508)	(12,105)	420	11,924	29,299
Adj. PAT	(15,061)	(9,716)	3,510	15,414	31,378
Adj. EPS (Rs)	(1.7)	(1.1)	0.4	1.7	3.4
EBITDA margin (%)	(44.1)	(17.1)	0.3	6.9	12.5
EBITDA growth (%)	NM	NM	NM	2,738.9	145.7
Adj. EPS growth (%)	NM	NM	NM	339.1	116.0
RoE (%)	(12.2)	(5.4)	1.8	7.3	13.3
RoIC (%)	(131.5)	(41.1)	(9.7)	10.5	39.0
P/E (x)	(117.4)	(182.6)	505.5	115.1	56.5
EV/EBITDA (x)	(89.2)	(137.3)	3,933.9	137.2	54.6
P/B (x)	10.7	9.1	8.7	8.1	7.1
FCFF yield (%)	(0.5)	(0.6)	0.3	0.9	2.1

Source: Company, Emkay Research

### Results Summary

Zomato reported revenue growth of 8.3% QoQ to Rs35.6bn, slightly ahead of our estimate of Rs34.8bn. All segments reported sequential growth, with food delivery/Hyperpure/ Quick Commerce/Going Out growing 2%/11%/19%/27%. Food delivery GOV declined 0.6% QoQ/grew 28.5% YoY. Average MTU grew 1.1% QoQ to 19mn. Blinkit GOV grew 13.7% QoQ to Rs40.3bn, and saw breakeven on adj. EBITDA basis for the first time, in Mar-24. Overall adjusted revenue grew 6.2% QoQ to Rs38.7bn. Contribution margin for food delivery improved further to 7.5% from 7.1% in Q3. Blinkit's contribution margin improved to 3.9% in Q4 from 2.4% in Q3. Adjusted EBITDAM as a % of GOV improved to 3.3% (from 3% in Q3), whereas Blinkit's adjusted EBITDAM improved to -0.9% (from -2.5% in Q3). Overall adjusted EBITDAM improved to 5% from 3.4% in Q3.

**What we liked:** Strong growth, coupled with adjusted breakeven for Mar-24 for Blinkit.

**What we did not like:** Slower expansion in Blinkit margin, higher ESOP costs.

### Earnings Call KTAs

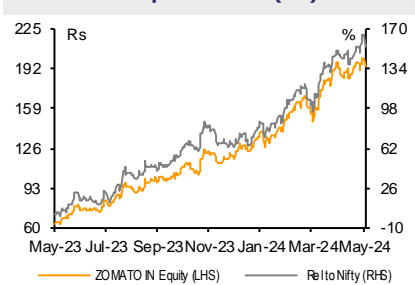
i) Total ESOP charge for Q4 was Rs1.61bn vs Rs1.22bn QoQ. Management expects ESOP charge to increase further in FY25 due to grant of ESOPs to the Blinkit leadership team and senior employees. ii) Company proposed to create an additional ESOP pool of 2% of outstanding share capital on a fully diluted basis which Management expects would suffice for the next 5-6 years. iii) Revenue growth in Q4 was driven by robust growth in both, food delivery and quick commerce. iv) Adj EBITDAM (food delivery) improved by 210bps YoY, driven by: a) higher AOV, b) improvement in take rate and ad monetization, c) introduction of platform fee, and d) cost efficiencies, which were more than compensated for the lower customer delivery fee on account of free delivery benefit on Gold orders. v) In FY24, Food delivery ATU grew 10% YoY. vi) Company added 75 net new dark stores for Blinkit in Q4 (80% of new stores are in the top-8 cities). Company expects adding another 100 stores in Q1FY25 and reaching a store-count of ~1,000 by Mar-25. vii) With the planned store addition in FY25, Management expects adj. EBITDA (QC) to hover at around zero for the next few quarters. In steady state, it expects 4-5% adj. EBITDAM (as a % of GOV). viii) Though Blinkit is present in 26 cities, it focuses on expanding in the top-8 cities in India. Other cities are catching-up, but Delhi NCR (the largest market) is growing at 7% QoQ, driven by addition of new stores and growth in demand from existing stores. Bengaluru is the second-largest market with less than 30% of Delhi NCR's GOV. Avg. GOV of the next 6 cities is ~Rs1.93bn, with 32 stores. It plans to grow its presence in Bengaluru and other large cities which will lead to ~4x increase in GOV. ix) Blinkit take rate increased 1% QoQ on the back of increase in commission, advertisement, assortment mix, and delivery charges.

Target Price – 12M	Mar-25
<b>Change in TP (%)</b>	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	18.4
CMP (13-May-24) (Rs)	194.3

Stock Data	Ticker
52-week High (Rs)	207
52-week Low (Rs)	62
Shares outstanding (mn)	8,827.0
Market-cap (Rs bn)	1,715
Market-cap (USD mn)	20,533
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	55
ADTV-3M (Rs mn)	9,413.0
ADTV-3M (USD mn)	112.7
Free float (%)	48.0
Nifty-50	22,104
INR/USD	83.5
<b>Shareholding, Mar-24</b>	
Promoters (%)	-
FPIs/MFs (%)	55.1/15.3

Price Performance				
(%)	1M	3M	12M	
Absolute	1.1	25.6	210.4	
Rel. to Nifty	3.0	23.5	157.2	

### 1-Year share price trend (Rs)



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**Exhibit 1: Quarterly snapshot**

Rs mn	Q4 FY24	Q3 FY24	QoQ (%)	Q4 FY23	YoY (%)
Food delivery GOV	84,390	84,860	(0.6)	65,690	28.5
Blinkit GOV	40,270	35,420	13.7	20,460	96.8
Net sales	35,620	32,880	8.3	20,560	73.2
Operating expenses	34,760	32,370	7.4	22,814	52.4
EBITDA	860	510	69	(2,254)	(138)
Margins (%)	2	2	90	(11)	1,340
Depreciation	1400	1280		1338	
EBIT	(540)	(770)	(30)	(3,592)	(85)
Margins (%)	(2)	(2)	80	(17)	1,600
Interest Paid	200	180		158	
Other income	2350	2190		1705	
Non-recurring items	0	0		1	
Pre-tax profit	1,610	1,240	30	(2,044)	(179)
Tax provided	-140	-140		-168	
Profit after tax	1,750	1,380		(1,876)	
Minority	-	-		6	
Emkay Net profit	1,750	1,380	27	(1,882)	(193)
EPS (Rs)	0.2	0.2	25.0	(0.2)	(187.0)

Source: Company, Emkay Research

**Exhibit 2: Actuals vs estimates**

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	35,620	34,767	34,855	2.5%	2.2%	Revenue growth came ahead of estimates due to Blinkit outperformance.
EBIT	(540)	40	(191)	NM	NM	Margins were below our estimates due to higher ESOP costs
EBIT margin	-1.5%	0.1%	-0.5%	-160 bps	-100 bps	
PAT	1,750	1,876	1,945	-6.7%	-10.0%	PAT missed estimates due to operating performance miss, partly negated by higher other income and tax reversals.

Source: Company, Bloomberg, Emkay Research

**Exhibit 3: Changes in estimates**

Rs mn	FY25E			FY26E		
	Old	New	Change	Old	New	Change
Net sales	1,70,963	1,72,573	0.9%	2,26,513	2,33,795	3.2%
- YoY growth	42.1%	42.5%		32.5%	35.5%	
EBIT	10,888	6,078	-44.2%	25,048	23,199	-7.4%
EBIT margin (%)	6.4	3.5		11.1	9.9	
Net profit	19,209	15,414	-19.8%	31,625	31,378	-0.8%
EPS (Rs)	2.1	1.7	-19.8%	3.5	3.4	-0.8%

Source: Company, Emkay Research

**Exhibit 4: SoTP-based valuation**

Particular	Methodology	Rs bn	Rs per share
Valuation of food delivery business (incl Hyperpure and Going out)	DCF	1,106	121
Valuation of Quick commerce	DCF	849	93
Valuation of cash and other investments	Book value	154	17
<b>Total equity value (Rs bn)</b>		<b>2,109</b>	<b>231</b>
<b>Target price</b>			<b>230</b>

Source: Company, Emkay Research

## Zomato: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>41,924</b>	<b>70,792</b>	<b>1,21,140</b>	<b>1,72,573</b>	<b>2,33,795</b>
Revenue growth (%)	110.3	68.9	71.1	42.5	35.5
<b>EBITDA</b>	<b>(18,508)</b>	<b>(12,105)</b>	<b>420</b>	<b>11,924</b>	<b>29,299</b>
EBITDA growth (%)	0.0	0.0	0.0	2,738.9	145.7
Depreciation & Amortization	1,503	4,369	5,260	5,845	6,101
<b>EBIT</b>	<b>(20,011)</b>	<b>(16,474)</b>	<b>(4,840)</b>	<b>6,078</b>	<b>23,199</b>
EBIT growth (%)	0.0	0.0	0.0	0.0	281.7
Other operating income	0	0	0	0	0
Other income	4,949	6,815	8,470	9,774	10,905
Financial expense	120	487	720	919	1,074
<b>PBT</b>	<b>(15,182)</b>	<b>(10,146)</b>	<b>2,910</b>	<b>14,933</b>	<b>33,030</b>
Extraordinary items	2,974	1	0	0	0
Taxes	20	(436)	(600)	(481)	1,651
Minority interest	138	(3)	0	0	0
Income from JV/Associates	3	(3)	0	0	0
<b>Reported PAT</b>	<b>(12,087)</b>	<b>(9,715)</b>	<b>3,510</b>	<b>15,414</b>	<b>31,378</b>
PAT growth (%)	0.0	0.0	0.0	339.1	103.6
<b>Adjusted PAT</b>	<b>(15,061)</b>	<b>(9,716)</b>	<b>3,510</b>	<b>15,414</b>	<b>31,378</b>
<b>Diluted EPS (Rs)</b>	<b>(1.7)</b>	<b>(1.1)</b>	<b>0.4</b>	<b>1.7</b>	<b>3.4</b>
Diluted EPS growth (%)	0.0	0.0	0.0	339.1	116.0
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
EBITDA margin (%)	(44.1)	(17.1)	0.3	6.9	12.5
EBIT margin (%)	(47.7)	(23.3)	(4.0)	3.5	9.9
Effective tax rate (%)	(0.1)	4.3	(20.6)	(3.2)	5.0
<b>NOPLAT (pre-IndAS)</b>	<b>(20,037)</b>	<b>(15,766)</b>	<b>(5,838)</b>	<b>6,274</b>	<b>22,039</b>
Shares outstanding (mn)	7,871.9	8,553.5	8,604.4	8,604.4	8,604.4

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	(15,182)	(10,146)	2,910	14,933	33,030
Others (non-cash items)	5,961	3,771	3,420	2,721	896
Taxes paid	(192)	(308)	(1,050)	481	(1,651)
Change in NWC	2,483	(1,759)	1,180	(3,308)	663
<b>Operating cash flow</b>	<b>(6,930)</b>	<b>(8,442)</b>	<b>6,460</b>	<b>14,827</b>	<b>32,938</b>
Capital expenditure	(572)	(1,014)	(2,020)	(1,224)	(1,572)
Acquisition of business	(209)	(607)	0	0	0
Interest & dividend income	1,126	4,904	6,180	9,124	10,205
<b>Investing cash flow</b>	<b>(79,378)</b>	<b>4,573</b>	<b>(3,470)</b>	<b>3,900</b>	<b>(2,367)</b>
Equity raised/(repaid)	90,000	40	230	0	0
Debt raised/(repaid)	(13)	(231)	(400)	0	0
Payment of lease liabilities	(298)	(1,055)	(1,960)	0	0
Interest paid	(7)	(93)	(20)	0	0
Dividend paid (incl tax)	0	0	0	0	0
Others	(2,184)	65	80	(6,000)	(5,000)
<b>Financing cash flow</b>	<b>87,498</b>	<b>(1,274)</b>	<b>(2,070)</b>	<b>(6,000)</b>	<b>(5,000)</b>
Net chg in Cash	1,190	(5,143)	920	12,728	25,570
OCF	(6,930)	(8,442)	6,460	14,827	32,938
Adj. OCF (w/o NWC chg.)	(4,447)	(10,201)	7,640	11,519	33,601
FCFF	(7,502)	(9,456)	4,440	13,603	31,366
FCFE	(6,496)	(5,039)	9,900	21,808	40,497
OCF/EBITDA (%)	37.4	69.7	1,538.1	124.4	112.4
FCFE/PAT (%)	53.7	51.9	282.1	141.5	129.1
<b>FCFF/NOPLAT (%)</b>	<b>37.4</b>	<b>60.0</b>	<b>(76.1)</b>	<b>216.8</b>	<b>142.3</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	7,643	8,364	8,680	8,680	8,680
Reserves & Surplus	1,57,412	1,86,234	1,95,450	2,10,864	2,42,242
<b>Net worth</b>	<b>1,65,055</b>	<b>1,94,598</b>	<b>2,04,130</b>	<b>2,19,544</b>	<b>2,50,922</b>
Minority interests	(66)	(66)	(70)	(70)	(70)
Deferred tax liability (net)	0	0	0	0	0
<b>Total debt</b>	<b>0</b>	<b>404</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities &amp; equity</b>	<b>1,64,989</b>	<b>1,94,936</b>	<b>2,04,060</b>	<b>2,19,474</b>	<b>2,50,852</b>
Net tangible fixed assets	509	2,085	2,870	3,198	3,594
Net intangible assets	799	9,905	7,540	5,491	3,440
Net ROU assets	642	4,272	6,900	7,380	7,706
Capital WIP	6	75	179	1	1
Goodwill	12,093	47,166	47,170	47,170	50,601
Investments [JV/Associates]	30,860	22,796	21,624	21,624	21,624
<b>Cash &amp; equivalents</b>	<b>1,17,504</b>	<b>1,12,041</b>	<b>1,21,982</b>	<b>1,38,710</b>	<b>1,75,280</b>
Current assets (ex-cash)	10,857	17,647	25,294	32,795	39,911
Current Liab. & Prov.	8,281	21,051	29,500	36,893	47,872
<b>NWC (ex-cash)</b>	<b>2,576</b>	<b>(3,404)</b>	<b>(4,206)</b>	<b>(4,098)</b>	<b>(7,962)</b>
<b>Total assets</b>	<b>1,64,989</b>	<b>1,94,936</b>	<b>2,04,060</b>	<b>2,19,474</b>	<b>2,50,852</b>
Net debt	(1,17,504)	(1,11,637)	(1,21,982)	(1,38,710)	(1,75,280)
Capital employed	1,64,989	1,94,936	2,04,060	2,19,474	2,50,852
<b>Invested capital</b>	<b>16,619</b>	<b>60,024</b>	<b>60,274</b>	<b>59,139</b>	<b>53,947</b>
BVPS (Rs)	18.1	21.3	22.4	24.0	27.5
Net Debt/Equity (x)	(0.7)	(0.6)	(0.6)	(0.6)	(0.7)
Net Debt/EBITDA (x)	6.3	9.2	(290.4)	(11.6)	(6.0)
Interest coverage (x)	0.0	(0.1)	0.2	0.1	0.0
<b>RoCE (%)</b>	<b>(12.2)</b>	<b>(5.4)</b>	<b>1.8</b>	<b>7.5</b>	<b>14.5</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	(117.4)	(182.6)	505.5	115.1	56.5
P/CE(x)	0.0	0.0	202.3	83.5	47.3
P/B (x)	10.7	9.1	8.7	8.1	7.1
EV/Sales (x)	39.4	23.5	13.6	9.5	6.8
EV/EBITDA (x)	(89.2)	(137.3)	3,933.9	137.2	54.6
EV/EBIT(x)	0.0	0.0	0.0	252.2	64.5
EV/IC (x)	85.0	25.8	25.7	25.9	27.7
FCFF yield (%)	(0.5)	(0.6)	0.3	0.9	2.1
FCFE yield (%)	(0.4)	(0.3)	0.6	1.3	2.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	(35.9)	(13.7)	2.9	8.9	13.4
Total asset turnover (x)	0.3	0.4	0.6	0.8	1.0
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
<b>RoE (%)</b>	<b>(12.2)</b>	<b>(5.4)</b>	<b>1.8</b>	<b>7.3</b>	<b>13.3</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	(47.8)	(22.3)	(4.8)	3.6	9.4
IC turnover (x)	2.8	1.8	2.0	2.9	4.1
<b>RoIC (%)</b>	<b>(131.5)</b>	<b>(41.1)</b>	<b>(9.7)</b>	<b>10.5</b>	<b>39.0</b>
<b>Operating metrics</b>					
Core NWC days	22.4	(17.6)	(12.7)	(8.7)	(12.4)
<b>Total NWC days</b>	<b>22.4</b>	<b>(17.6)</b>	<b>(12.7)</b>	<b>(8.7)</b>	<b>(12.4)</b>
Fixed asset turnover	2.1	1.5	1.6	2.2	2.9
Opex-to-revenue (%)	131.6	97.4	75.9	67.5	59.7

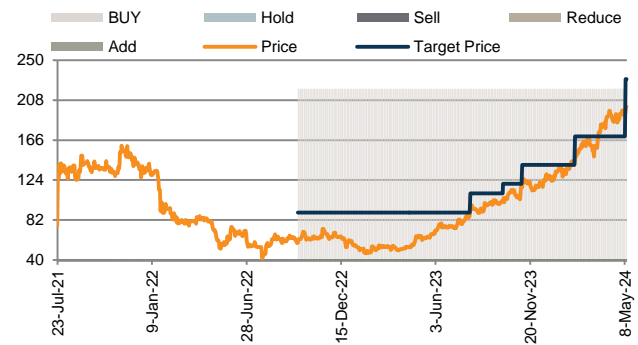
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-May-24	195	230	Buy	Dipeshkumar Mehta
31-Mar-24	182	170	Buy	Dipeshkumar Mehta
01-Mar-24	167	170	Buy	Dipeshkumar Mehta
08-Feb-24	144	170	Buy	Dipeshkumar Mehta
31-Dec-23	124	140	Buy	Dipeshkumar Mehta
30-Nov-23	119	140	Buy	Dipeshkumar Mehta
29-Nov-23	117	140	Buy	Dipeshkumar Mehta
05-Nov-23	117	140	Buy	Dipeshkumar Mehta
02-Oct-23	102	120	Buy	Dipeshkumar Mehta
04-Aug-23	95	110	Buy	Dipeshkumar Mehta
02-Jul-23	75	90	Buy	Dipeshkumar Mehta
20-May-23	65	90	Buy	Dipeshkumar Mehta
01-Apr-23	51	90	Buy	Dipeshkumar Mehta
10-Feb-23	53	90	Buy	Dipeshkumar Mehta
02-Jan-23	60	90	Buy	Dipeshkumar Mehta
11-Nov-22	73	90	Buy	Dipeshkumar Mehta
04-Oct-22	64	90	Buy	Dipeshkumar Mehta
28-Sep-22	58	90	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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