

Retail Equity Research Zomato Ltd.

Internet & Catalogue Retail

BSE CODE: 543320

NSE CODE: ZOMATO

Bloomberg CODE: ZOMATO:IN

SENSEX: 73,664

BUY

12 Months Investment Period Rating as per Large Cap

CMP Rs. 195 TARGET Rs. 220 RETURN 13% ↑
(Closing: 16-05-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Stellar growth ahead for Zomato

Zomato Ltd is a leading food delivery aggregator in India, with a presence in 23 other countries.

- In Q4FY24, revenue surged 73.3% YoY to reach Rs 3,562 crore, driven by robust performance across key segments.
- EBITDA stood at Rs 86 crore, propelled by a rise in topline, introduction of platform fees, higher average order values and effective cost management.
- Zomato expects strong growth in its food delivery and quick commerce businesses. Rising customer base, higher order frequency, expanding network of delivery partners, addition of new stores, untapped opportunities and operational leverage augur well for Zomato's prospects. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs 220 based on 8x FY26E price/sales.

Strong growth across key segments

In Q4FY24, Zomato's revenue surged 73.3% YoY to reach Rs 3,562 crore, owing to strong performance across key segments. The India food ordering and delivery segment saw a 48.4% YoY increase to Rs 1,739 crore, driven by a 14.5% growth in the customer base to 19.0 million and a rise in order frequency. The Hyperpure business experienced a remarkable 99.0% YoY growth, standing at Rs 951 crore, owing to a large B2B opportunity and a higher share of value-added products. The quick commerce business grew 111.8% YoY to reach Rs 769 crore, fuelled by 64.1% YoY increase in average monthly transacting customers, totalling 6.4 million and the store count rising to 526. The going-out business expanded 132.5% YoY to Rs 93 crore, led by growth in the dining out segment, while other segments cumulatively grew 233.3% YoY to stand at Rs 10 crore.

Positive EBITDA margin persists

In Q4FY24, Zomato reported an EBITDA of Rs 86 crore (vs. a loss of Rs 225 crore in Q4FY23). The company achieved a margin of 2.4%, driven by a significant increase in revenue, improved average order values and take rates, charging platform fee and cost management. As a result, reported profit after tax (PAT) rose to Rs 175 crore (vs. a loss of Rs 188 crore in Q4FY23), mainly due to an increase in other incomes.

Concall highlights

- Zomato expects a slight slowdown in revenue growth due to the base effect amid robust and substantial growth. It also expects its EBITDA margin to improve.
- Zomato plans to add 475 new Blinkit stores in FY25, taking the total store count to 1,000 by March 2025.
- The gross order value in the food delivery business is projected to grow over 20.0% YoY, while quick commerce is likely to witness a YoY growth of over 60.0%.

Valuation

Zomato has successfully scaled its operations, driven by growth across all segments and improved profitability. The company expects its food delivery business to display a strong performance, owing to scale improvements, growing customer base, increased order frequency and operational efficiency. The quick commerce business is expected to thrive, owing to the addition of new stores. With rising customer base, increasing delivery partners and significant untapped market potential, Zomato is poised for continued success. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs 220 based on 8x FY26E price/sales.

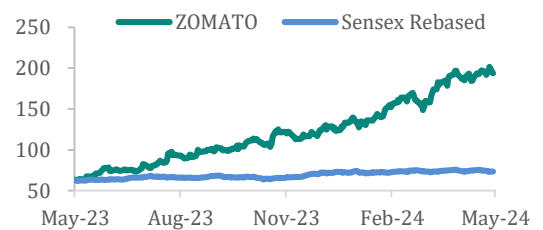
Company Data

Market Cap (cr)	Rs. 172,303
Enterprise Value (cr)	Rs. 172,303
Outstanding Shares (cr)	875.0
Free Float	72.0%
Dividend Yield	0.0%
52 week high	Rs. 207
52 week low	Rs. 62
6m average volume (lacs)	646.9
Beta	1.0
Face value	Rs. 1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	0.0	0.0	0.0
FII's	54.7	54.9	55.1
MFs/Insti	14.9	17.1	16.9
Public	27.0	27.0	27.2
Others	3.4	1.0	0.9
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	23.2%	53.5%	199.6%
Absolute Sensex	1.8%	12.6%	17.9%
Relative Return*	21.4%	40.9%	181.7%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	12,114	17,565	23,538
Growth (%)	71.1	45.0	34.0
EBITDA	1	1,076	2,577
EBITDA Margin (%)	0.0	6.1	10.9
Adj. PAT	351	1,159	2,444
Growth (%)	n.m.	230.2	110.9
Adj. EPS	0.4	1.4	2.9
Growth (%)	n.m.	230.2	110.9
P/E	444.8	141.8	67.2
P/B	7.8	7.8	7.0
EV/EBITDA	n.m.	156.1	65.0
ROE (%)	1.7	5.4	10.2
D/E	0.0	0.0	0.0

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	3,562	2,056	73.3	3,288	8.3	12,114	7,079	71.1
EBITDA	86	(225)	<i>n.m.</i>	51	<i>68.6</i>	42	(1,210)	<i>n.m.</i>
EBITDA margins	2.4	(11.0)	<i>n.m.</i>	1.6	80bps	0.3	(17.1)	<i>n.m.</i>
Depreciation	140	134	4.6	128	9.4	526	437	20.4
EBIT	(54)	(359)	<i>n.m.</i>	(77)	<i>n.m.</i>	(484)	(1,647)	<i>n.m.</i>
Interest	20	16	24.2	18	11.1	72	49	46.9
Other Income	235	171	37.4	219	7.3	847	682	24.2
Exceptional Items	-	-	-	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-	-	(1)	<i>n.m.</i>
PBT	161	(204)	<i>n.m.</i>	124	<i>29.8</i>	291	(1,015)	<i>n.m.</i>
Tax	(14)	(16)	<i>n.m.</i>	(14)	<i>n.m.</i>	(60)	(44)	<i>n.m.</i>
Reported PAT	175	(188)	<i>n.m.</i>	138	<i>(60.1)</i>	351	(971)	<i>n.m.</i>
Minority Interest	-	-	-	-	-	-	-	-
PAT att. to shareholders	175	(188)	<i>n.m.</i>	138	<i>26.8</i>	351	(971)	<i>n.m.</i>
Adjustments	-	-	-	-	-	-	-	-
Adj. PAT	175	(188)	<i>n.m.</i>	138	<i>26.8</i>	351	(971)	<i>n.m.</i>
No. of shares	875.0	815.7	7.3	857.0	2.1	877.5	809.2	8.4
Adj. EPS (Rs.)	0.2	(0.2)	<i>n.m.</i>	0.2	<i>24.2</i>	0.4	(1.2)	<i>n.m.</i>

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	16,413	20,844	17,565	23,538	7	12.9
EBITDA	1,282	2,626	1,076	2,577	(16.1)	(1.9)
Margins (%)	7.8	12.6	6.1	10.9	(170bps)	(170bps)
Adj. PAT	1,358	2,470	1,159	2,444	(14.7)	(1)
Adj. EPS	1.6	2.9	1.4	2.9	(16.3)	(2.9)

Segment results

Adjusted Revenue	Q4FY24	Q4FY23	YoY Growth %	Q3FY24	QoQ Growth %
India food ordering and delivery	1,739	1,172	48.4	1,704	2.1
Hyperpure	951	478	99.0	859	10.7
Quick commerce business	769	363	111.8	644	19.4
Going Out	93	40	132.5	73	27.4
All other segments (residual)	10	3	233.3	8	25.0
Total	3,562	2,056	73.3	3,288	8.3
Segment results					
India food ordering and delivery	281	81	246.9	258	8.9
Hyperpure	-16	-40	(60.0)	-27	(40.7)
Quick commerce business	2	-179	<i>n.m.</i>	-56	<i>n.m.</i>
Going Out	-10	-1	900.0	2	<i>n.m.</i>
All other segments (residual)	-10	-3	233.3	-4	150.0
Segment Results	247	-142	<i>n.m.</i>	173	42.8

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	4,192	7,079	12,114	17,565	23,538
% change	110.3	68.9	71.1	45.0	34.0
EBITDA	(1,851)	(1,196)	1	1,076	2,577
% change	296.2	(35.4)	n.m.	n.m.	139.5
Depreciation	150	451	485	594	642
EBIT	(2,001)	(1,647)	(484)	482	1,936
Interest	12	49	72	79	89
Other Income	793	681	847	1,142	1,412
PBT	(1,221)	(1,015)	291	1,545	3,259
% change	49.7	(16.8)	(128.7)	431.0	110.9
Tax	2	44	60	386	815
Tax Rate (%)	(0.2)	(4.3)	20.6	25.0	25.0
Reported PAT	(1,223)	(971)	351	1,159	2,444
PAT att. to common shareholders	(1,209)	(971)	351	1,159	2,444
Adjustments	(297)	-	-	-	-
Adj PAT	(1,506)	(971)	351	1,159	2,444
% change	208.6	(35.5)	n.m.	230.2	110.9
No. of shares (cr)	723.8	809.2	877.5	877.5	877.5
Adj EPS (Rs.)	(1.7)	(1.2)	0.4	1.4	2.9
% change	10.6	(28.1)	n.m.	230.2	110.9
DPS (Rs.)	-	-	-	-	-

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	(1,072)	(520)	836	1,753	3,086
Non-cash adj.	301	(7)	(48)	(1,085)	(2,366)
Changes in W.C	78	(317)	(142)	(5)	218
C.F. Operation	(693)	(844)	646	664	937
Capital exp.	(57)	(101)	(202)	(351)	(530)
Change in inv.	(7,597)	179	4,073	(64)	(67)
Other invest.CF	(283)	379	(4,218)	79	89
C.F - Investment	(7,938)	457	(347)	(337)	(507)
Issue of equity	9,000	4	23	-	-
Issue/repay debt	(1)	(23)	(40)	59	32
Dividends paid	-	-	-	-	-
Other finance.CF	(249)	(108)	(190)	-	-
C.F - Finance	8,750	(127)	(207)	59	32
Chg. in cash	119	(514)	92	386	462
Closing cash	1,576	1,017	731	1,117	1,579

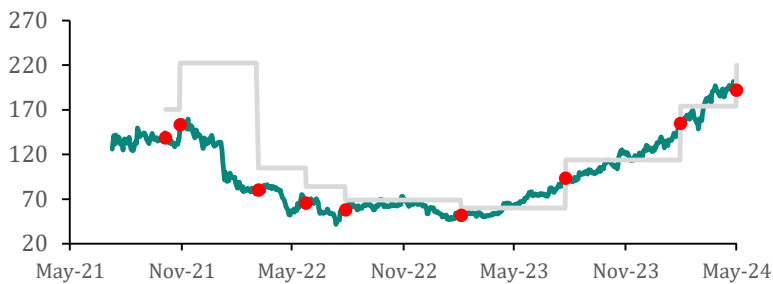
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,576	1,017	731	1,117	1,579
Accounts Receivable	160	457	794	1,142	1,412
Inventories	40	83	88	124	191
Other Cur. Assets	5,770	9,274	3,845	3,933	4,040
Investments	3,086	2,280	10,365	11,402	13,682
Gross Fixed Assets	1,393	3,628	3,830	4,181	4,711
Net Fixed Assets	115	636	977	929	982
CWIP	1	7	18	20	22
Intangible Assets	1,289	5,708	5,471	5,275	5,108
Def. Tax (Net)	-	-	-	-	-
Other Assets	5,291	2,137	1,067	1,104	1,144
Total Assets	17,327	21,599	23,356	25,045	28,159
Current Liabilities	712	1,406	2,083	2,537	3,158
Provisions	65	94	88	106	121
Debt Funds	51	392	588	647	679
Other Liabilities	0	254	191	191	191
Equity Capital	764	836	868	868	868
Reserves & Surplus	15,741	18,624	19,545	20,704	23,148
Shareholder's Fund	16,506	19,460	20,413	21,572	24,016
Minority Interest	(7)	(7)	(7)	(7)	(7)
Total Liabilities	17,327	21,599	23,356	25,045	28,159
BVPS (Rs.)	23	24	23	25	27

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	(44.1)	(16.9)	0.0	6.1	10.9
EBIT margin (%)	(47.7)	(23.3)	(4.0)	2.7	8.2
Net profit mgn.(%)	(28.8)	(13.7)	2.9	6.6	10.4
ROE (%)	(7.4)	(5.0)	1.7	5.4	10.2
ROCE (%)	(12.1)	(8.3)	(2.3)	2.2	7.8
W.C & Liquidity					
Receivables (days)	13.9	23.6	23.9	23.7	21.9
Inventory (days)	27.6	21.7	11.1	11.0	11.7
Payables (days)	298.3	177.7	112.2	111.4	111.4
Current ratio (x)	10.6	7.5	2.6	2.5	2.3
Quick ratio (x)	4.7	4.1	1.3	1.4	1.4
Turnover & Leverage					
Gross asset T.O (x)	3.3	2.8	3.2	4.4	5.3
Total asset T.O (x)	0.3	0.4	0.5	0.7	0.9
Int. coverage ratio (x)	(166.8)	(33.6)	(6.7)	6.1	21.7
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	13.8	5.7	13.2	9.6	7.1
EV/EBITDA (x)	n.m.	n.m.	n.m.	156.1	65.0
P/E (x)	n.m.	n.m.	444.8	141.8	67.2
P/BV (x)	3.6	2.1	7.8	7.8	7.0

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
12-Nov-21	BUY	222
21-Mar-22	BUY	105
7-Jun-22	BUY	84
11-Aug-22	BUY	69
17-Feb-23	BUY	60
8-Aug-23	BUY	114
13-Feb-24	BUY	174
16-May-24	BUY	220

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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