

Pit-stop in a marathon

21 January 2025

Zomato's (ZOMATO IN) Q3 performance was a mixed bag. GMV for Food Delivery grew at subdued 16.8% YoY owing to a slowdown. Take rates were at 20.9% (up 14bp QoQ) and adjusted EBITDA (as a percentage of GOV) was resilient at 4.3% (up 75bps QoQ). In the quick commerce (QC) space, Blinkit aims to have 2,000 stores by CY25, instead of CY26 earlier (from 1,007 as at end-Q3), which could hit the recent improvement in profitability. Overall, festival season-led demand pushed average order value (AOV) for QC to a healthy INR 707, with GMV up 120% YoY. We downgrade FY26E/27E EPS estimates by 8.9/5.4% given rapid expansion and delayed profitability in the quick commerce segment. So, we pare our TP to INR 300 (from INR 320) – Maintain BUY.

Food Delivery – Blip in GMV; efficiency up: Food Delivery's performance in Q3 was slightly below estimated. Slowdown from November mid pushed GMV growth below twenties (grew 16.8% YoY), however, this could be temporary departure from the long-term guidance of 20% YoY. Expect GMV to grow, led by increasing frequency and AOV. But take rates at 20.9% continued to grow (+ 82bps YoY and 14bps QOQ) due to an increase in platform fee and better ad revenue. In Food Delivery, ZOMATO has guided for adjusted EBITDA (as a percentage of GOV) of 5.0% in the near term versus 4.3% in Q3 (up 130bps YoY) and showed resilience due to lower fixed costs, resulting in better efficiencies. The 15-minute food delivery proposition is set to enhance user experience as regards delivery time.

Blinkit – Profitability delayed; store addition aggressive: A 120% YoY GMV growth for Blinkit was backed by store additions at 556 YoY (216 in Q3). Active dark store count was 1,007 in Q3 and is set to double by end-CY25 as ZOMATO has planned for a year ahead. So far, 60% of expansion was in top-eight cities, and densification of the network will improve service. About 20% of expansion was in the form of incremental stores was beyond top-eight cities. Festivals spiked traction in electronics and GMA propped AOV to INR 707 (7.01% QoQ), though take rates pared 91bps QoQ due to seasonality. Blinkit continues to maintain its GMV market share via healthy consumer retention despite elevated competition, this was led by focus on service, though at elevated A&P. High immature store penetration due to aggressive expansion hit adjusted EBITDA (percentage GOV) with loss at 1.32% (average loss of 0.37% in past three quarters). Doubling of store network may further delay profitability. Monitor the scale and growth of beyond tier-I for profitability.

Maintain Buy; TP pared to INR 300: Strained Q3 earnings were led by losses in quick commerce and slower GMV growth in Food Delivery. Per ZOMATO, aggressive store addition in quick commerce may lead to losses therein. Blinkit GMV CAGR is estimated to remain strong at 96% through FY24-27E led by higher store network. We also raise FD adjusted EBITDA estimates to 5.0% (FY27E). We do not expect quick commerce to be hit much by the entry of e-commerce, as both will coexist due to niche propositions. We maintain BUY with TP pared to INR 300 from INR 320, as we roll over to FY27E from Dec-26E, valuing Food Delivery at 55x EV/EBITDA, and Hyperpure/Going Out at 3x/3x EV/sales respectively. We pare Blinkit's multiple to 4x (from 6x) due to delayed profitability amid increased competition.

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	70,790	121,140	207,492	318,537	477,683
YoY (%)	68.9	71.1	71.3	53.5	50.0
EBITDA (INR mn)	(12,105)	420	3,205	13,710	25,900
EBITDA margin (%)	(17.1)	0.3	1.5	4.3	5.4
Adj PAT (INR mn)	(9,711)	3,510	6,741	16,942	29,416
YoY (%)	(0.1)	NA	92.1	151.3	73.6
Fully DEPS (INR)	(1.1)	0.4	0.7	1.9	3.2
RoE (%)	(5.4)	1.8	2.7	5.6	9.0
RoCE (%)	(8.7)	(2.3)	(1.0)	2.0	5.1
P/E (x)	(223.8)	619.2	322.4	128.3	73.9
EV/EBITDA (x)	(173.1)	4,879.9	611.5	141.4	73.5

Note: Pricing as on 20 January 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 300**

Upside: **25%**

CMP: **INR 240**

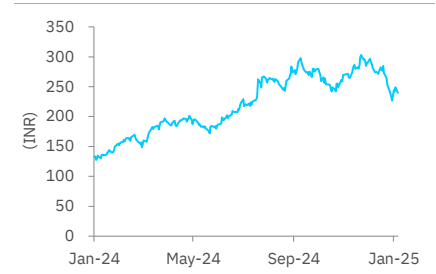
As on 20 January 2025

Key data

Bloomberg	ZOMATO IN
Reuters Code	ZOMT.NS
Shares outstanding (mn)	9,650
Market cap (INR bn/USD mn)	2,314/26,733
Enterprise Value (INR bn/USD mn)	2,306/26,643
Avg daily volume 3M (INR mn/USD mn)	16,194/187
52 week high/low	305/127
Free float (%)	100

Note: as on 20 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	0.0	0.0	0.0	0.0
% Pledged	-	-	-	-
FII	55.1	54.1	52.5	47.3
DII	15.3	15.8	17.4	20.5
Others	29.6	30.1	30.1	32.2

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(6.1)	(4.8)	8.2
Zomato	(6.9)	9.5	80.1
NSE Mid-cap	(6.0)	(1.4)	14.7
NSE Small-cap	(6.4)	(2.9)	15.1

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	70,790	121,140	207,492	318,537	477,683
EBITDA	(12,105)	420	3,205	13,710	25,900
Add:- Non operating Income	6,820	8,470	9,653	12,816	16,388
OPBIDTA	(5,285)	8,890	12,858	26,526	42,287
Less :- Depreciation & Amortization	4,369	5,260	5,886	6,964	7,461
EBIT	(9,654)	3,630	6,973	19,562	34,826
Less:- Interest Expenses	490	720	899	1,198	1,433
PBT	(10,144)	2,910	6,074	18,364	33,392
Less :- Taxes	(436)	(600)	(667)	1,422	3,977
Adjusted PAT	(9,708)	3,510	6,741	16,942	29,416
Reported PAT	(9,708)	3,510	6,741	16,942	29,416
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	8,364	8,680	9,065	9,065	9,065
Reserves	186,168	195,380	286,736	303,678	333,094
Trade Payables	6,798	8,860	17,414	25,951	38,181
Other liabilities	14,253	20,640	29,016	39,712	50,848
Total Equity & Liabilities	215,987	233,560	342,232	378,405	431,189
Fixed Assets	11,990	10,410	16,024	17,560	18,899
Investments	67,646	116,450	116,450	116,450	116,450
Inventories	827	880	1,507	2,314	3,470
Trade Receivables	4,569	7,940	13,600	20,878	31,309
Cash & other bank balances	10,168	7,310	97,145	117,658	153,053
Other assets	120,787	90,570	97,506	103,544	108,007
Total Assets	215,987	233,560	342,232	378,405	431,189
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating Cash Flow	(8,440)	6,460	12,092	20,318	29,237
Less:- Capex	(1,030)	(2,150)	(6,500)	(3,500)	(3,000)
Free Cash Flow	(9,470)	4,310	5,592	16,818	26,237
Investing Cash Flow	4,573	(3,470)	(6,359)	1,394	7,591
Financing Cash Flow	(1,274)	(2,070)	84,101	(1,198)	(1,432)
Net change in Cash	(5,141)	920	89,835	20,514	35,396
Opening Cash	3,923	2,181	3,090	92,925	113,438
Closing Cash	2,181	3,090	92,925	113,438	148,834
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	68.9	71.1	71.3	53.5	50.0
EBITDA Growth	(34.6)	(103.5)	663.1	327.8	88.9
PAT Growth	(20.6)	(136.1)	92.1	151.3	73.6
EBITDA Margin	(17.1)	0.3	1.5	4.3	5.4
PAT Margin	(13.7)	2.9	3.2	5.3	6.2
Return & Liquidity Ratios					
Net Debt/Equity (x)	(0.1)	(0.0)	(0.3)	(0.4)	(0.4)
ROE (%)	(5.4)	1.8	2.7	5.6	9.0
ROCE (%)	(8.7)	(2.3)	(1.0)	2.0	5.1
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	(1.1)	0.4	0.7	1.9	3.2
EPS Growth (%)	(20.6)	(136.1)	92.1	151.3	73.6
DPS (INR/Share)					
P/E Ratio (x)	(223.8)	619.2	322.4	128.3	73.9
EV/EBITDA (x)	(173.1)	4,879.9	611.5	141.4	73.5
EV/Sales (x)	29.6	16.9	9.4	6.1	4.0
BVPS (INR)	21.5	22.5	32.6	34.5	37.7
Price/Book (x)	11.2	10.7	7.3	6.9	6.4

Note: Pricing as on 20 January 2025; Source: Company, Elara Securities Estimate

We expect revenue CAGR of 58% in FY24-27E

We expect EBITDA margin to move to 5.4% by FY27E

Quarterly financials

Consolidated (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Revenue	54,050	32,880	64.4	47,990	12.6	56,030	(3.5)
EBITDA	1,620	510	217.6	2,260	(28.3)	2,801	(42.2)
EBITDA margin	3.0	1.6	145 bps	4.7	(171) bps	5.0	(200) bps
Depreciation	2,470	1,280	93.0	1,800	37.2	1,800	37.2
Interest cost	430	180	138.9	300	43.3	275	56.4
Other income	2,520	2,190	15.1	2,210	14.0	2,350	7.2
PBT	1,240	1,240	-	2,370	(47.7)	3,076	(59.7)
Tax	650	(140)		610		-	
Effective tax rate (%)	52.4	(11.3)		25.7		-	
PAT	590	1,380	(57.2)	1,760	(66.5)	3,076	(80.8)
Adj. PAT	590	1,380	(57.2)	1,760	(66.5)	3,076	(80.8)
Adj. EPS	0.1	0.2	(57.2)	0.2	(66.5)	0.3	(80.8)

Source: Company, Elara Securities Estimate

Q3 results highlights

- ▶ ZOMATO reported a consolidated revenue of INR 54bn, up 64.4% YoY and 12.6% QoQ in Q3. Vertical-wise, revenue from Food Delivery came in at INR 20.7bn (up 21.6% YoY and 3.0% QoQ). Revenue from Blinkit (quick commerce) was at INR 13.9bn, up 117.2% YoY and 21.0% QoQ. Revenue from Hyperpure grew 94.5% YoY and 13.4% QoQ to INR 16.7bn and from Going Out 190.8% YoY and 34.9% QoQ to INR 24.9bn.
- ▶ In Q3, gross margins were 72.2% (down 397/167bps YoY but up 5bps QoQ). Sequentially, gross margins have remained stable. Employee costs jumped to INR 6.9bn (up 16.8% QoQ and 63% YoY) due to higher headcount. Other expenses grew 84% YoY and 30.5% QoQ.
- ▶ Consolidated EBITDA came in at INR 1.6bn versus INR 0.5bn in Q3FY24. Sequential margin was a spoil with EBITDA margin came in at 3.0%, down by 171bps QoQ.
- ▶ ZOMATO posted a net profit of INR 590mn in Q3FY25, down 57.2% YoY and 66.5% QoQ. Net profit margin fell to 1.1% in Q3 (down 311bps YoY and 258bps QoQ).
- ▶ GOV of the Food Delivery business rose 16.8% YoY and 2.3% QoQ to INR 99bn in Q3. Take rates improved 82bps YoY and 14bps QoQ to 20.9%. Contribution margin (as a percentage of GOV) grew a healthy 142bps YoY and 92bps QoQ to 7.6%. Adjusted EBITDA grew to INR 3.5bn (up 71.7% YoY and 11.9% QoQ) and adjusted EBITDA margin (as a percentage of GOV) was up 96bps YoY and 14bps QoQ to 3.5%. Average monthly transacting customers grew 12.5% YoY and 2.0% QoQ to 20.7mn in Q3. Average monthly active restaurant partners stood at 292,000 (up 22.7% YoY and 5.8% QoQ). Average monthly active delivery partners were at 498,000 (up 21.5% YoY and 6.2% QoQ).
- ▶ Blinkit's GOV grew 120.2% YoY and 27.2% QoQ to INR 77.9bn in Q3. Take rates declined by 95bps QoQ and 24bps YoY to 17.9%. Contribution profit stood at INR 2.3bn compared with a contribution profit of INR 860mn in Q3FY24. Adjusted EBITDA loss increased to INR 1,030mn compared with a loss of INR 80mn in Q2FY25 and a loss of INR 890mn in Q3FY24. The number of orders for Blinkit grew 97.7% YoY and 18.7% QoQ to 110.3mn. AOV grew 11.3% YoY and 7.1% QoQ to INR 707. Average monthly transacting customers stood at 10.6mn (up 96.3% YoY and 19.1% QoQ) in Q3 due to higher store additions. Dark stores, as at the end of Q3, were 1,007 (up 123% YoY and 27.3% QoQ).
- ▶ Revenue from Hyperpure grew by 94.5% YoY and 13.4% QoQ to INR 16.7bn in Q3, with adjusted EBITDA loss at INR 190mn in Q3FY25 as against a loss of INR 340mn in Q3FY24.
- ▶ The Going Out segment reported a GOV of INR 24.9bn (up 190.8% YoY and 34.9% QoQ) and revenue of INR 2.6bn in Q3 (up 254.8% YoY and 68.2% QoQ), with adjusted EBITDA loss of INR 170mn in Q3 as against profit of INR 160mn in Q2FY25 and INR 10mn in Q3FY24. Adjusted EBITDA loss for Q3 stood at 0.7%.

Q3 conference call highlights

- ▶ **Take rate in quick commerce:** Take rate fluctuations were owing to product mix. Take rate of electronics and GMC is lower than in other categories. Electronics and GMA witnessed higher sales in Q3.
- ▶ Store expansion in Q3 was largely in its top eight operating cities to densify the existing store network, expansion in new cities formed low share in overall.
- ▶ ZOMATO was able to add more stores in Q3 due to higher traction for quick commerce in newer cities.
- ▶ Blinkit drives 80% of GMV business from top-eight cities and is also seeing healthy traction in smaller cities on a smaller base.
- ▶ Marketing costs rose (digital marketing) in Q3 due to elevated demand to retain customers. Amid competition, ZOMATO has turned less aggressive on delivery charges, which also hit take rate amid increasing competition.
- ▶ A competitor's 10-minute food delivery proposition has not hit GMV growth for ZOMATO's food delivery space.
- ▶ AOV for Blinkit came in at INR 707, and festivals propped AOV. Categories such as electronics and appliances are yielding larger business for Blinkit.
- ▶ The quality of service and consistency are key to Blinkit in maintaining customer retention rates. The higher spends by competition will lead to a spike in digital marketing costs for Zomato, going ahead.
- ▶ Blinkit stores achieve contribution-positive operations in three months. Densification of store may impact overall utilization of existing stores. Blinkit stores are witnessing robust same-store-sales-growth.
- ▶ For Blinkit, MRP is considered while calculating AOV, and selling price is considered in Food and beverages segment.
- ▶ ZOMATO expects investments to continue, which may increase absolute losses in the next few quarters.
- ▶ For Blinkit, gross margin and contribution can be improved further. Also, fixed costs will be lower as the business scales up.
- ▶ Marketing spends remained high as the company increased stores in Q3. Higher store additions necessitate a spike in marketing costs.
- ▶ Adjusted margin for food delivery will continue to increase due to higher AOV, optimization in delivery charges and improving processes.
- ▶ More than 50% of the store expansion is from top-eight cities and 20% from new cities. The rest of the expansion was from around top-eight cities.
- ▶ ZOMATO is not seeing any slowdown in its QC business as far as top customers are concerned.
- ▶ ZOMATO does not have any plans to launch any membership program for Blinkit and the focus is on improving operations.
- ▶ Blinkit is not moving towards an inventory-based model.
- ▶ At present, Bistro and the 15-minute food delivery proposition has not been incrementally significant for ZOMATO.
- ▶ Blinkit has not initiated any customer retention measures. Customer acquisition cost spikes while entering new cities where competition is already present.
- ▶ Overall capacity utilization is falling due to higher store additions, but may improve in the near term as stores mature.
- ▶ Despite competition, ZOMATO'S GMV market share has not been hit meaningfully.

Exhibit 1: Operating metrics

Particulars	Q3FY25	Q2FY25	QoQ (%)	Q3FY24	YoY (%)
Food delivery business					
GOV (INR bn)	99.1	96.9	2.3	84.9	16.8
Adj. revenue (INR bn)	24.1	23.4	3.1	20.6	17.0
Take rate (basis revenue ex. delivery revenue) (%)	20.9	20.8	14 bps	20.1	82 bps
Contribution (INR bn)	8.4	7.4	14.7	6.0	40.3
Contribution as % of GOV	8.5	7.6	92 bps	7.1	142 bps
Adj. EBITDA (INR bn)	4.2	3.4	24.0	2.5	67.9
Adj. EBITDA (as % of GOV)	4.3	3.5	75 bps	3.0	130 bps
Avg. monthly transacting customers (mn)	20.5	20.7	(1.0)	18.8	9.0
Avg. monthly active food delivery restaurant partners ('000)	306	292	4.8	254	20.5
Avg. monthly active delivery partners ('000)	480	498	(3.6)	419	14.6
Blinkit					
GOV (INR bn)	78.0	61.3	27.2	35.4	120.2
Revenue (INR bn)	14.0	11.6	21.0	6.4	117.2
Take rate (%)	17.9	18.9	(91) bps	18.2	(24) bps
Contribution (INR bn)	2.3	2.3	(0.9)	0.9	169.8
Contribution as % of GOV	3.0	3.8	(84) bps	2.4	55 bps
Adj. EBITDA (INR bn)	(1.0)	(0.1)	NA	(0.9)	15.7
Adj. EBITDA (as % of GOV)	(1.3)	(0.1)	(119) bps	(2.5)	119 bps
Orders (mn)	110.3	92.9	18.7	55.8	97.7
AOV (INR)	707	660	7.1	635	11.3
Avg. monthly transacting customers (mn)	10.6	8.9	19.1	5.4	96.3
Average monthly active riders ('000)	145	127	14.2	73	98.6
Avg. GOV per day, per dark store (INR '000)	970	981	(1.1)	889	9.1
Dark stores at the end of the period	1,007	791	27.3	451	123.3
Hyperpure					
Revenue (INR bn)	16.7	14.7	13.4	8.6	94.5
Adj. EBITDA (INR bn)	(0.2)	(0.2)	(9.5)	(0.3)	(44.1)
Going Out					
GOV (INR bn)	25.0	18.5	34.9	8.6	190.8
Revenue (INR bn)	2.6	1.5	68.2	0.7	254.8
Adj. EBITDA (INR bn)	(0.2)	0.2	(206.3)	0.0	(1,800.0)
Adj. EBITDA (as % of GOV)	(0.7)	0.9	(155) bps	0.1	(80) bps

Source: Company, Elara Securities Research

Exhibit 2: Valuation and TP

(INR mn)	FY27E
Food Delivery business	
EBITDA (including ESOPs)	23,777
EV/EBITDA (x)	55
EV	1,296,076
EV/share (INR)	143
Contribution to total EV (%)	53
Blinkit	
Sales	184,560
EV/sales (x)	4
EV	719,782
EV/share (INR)	79
Contribution to total EV (%)	30
Hyperpure	
Sales	154,286
EV/sales (x)	3
EV	387,258
EV/share (INR)	43
Contribution to total EV (%)	16
Going Out	
Sales	9,312
EV/sales (x)	3
EV	27,936
EV/share (INR)	3
Contribution to total EV (%)	1
Total EV	2,431,053
Cash	292,743
Debt	0
Equity value	2,723,796
Total no. of shares (mn)	9,065
TP (INR)	300
CMP (INR)	240
Upside (%)	25

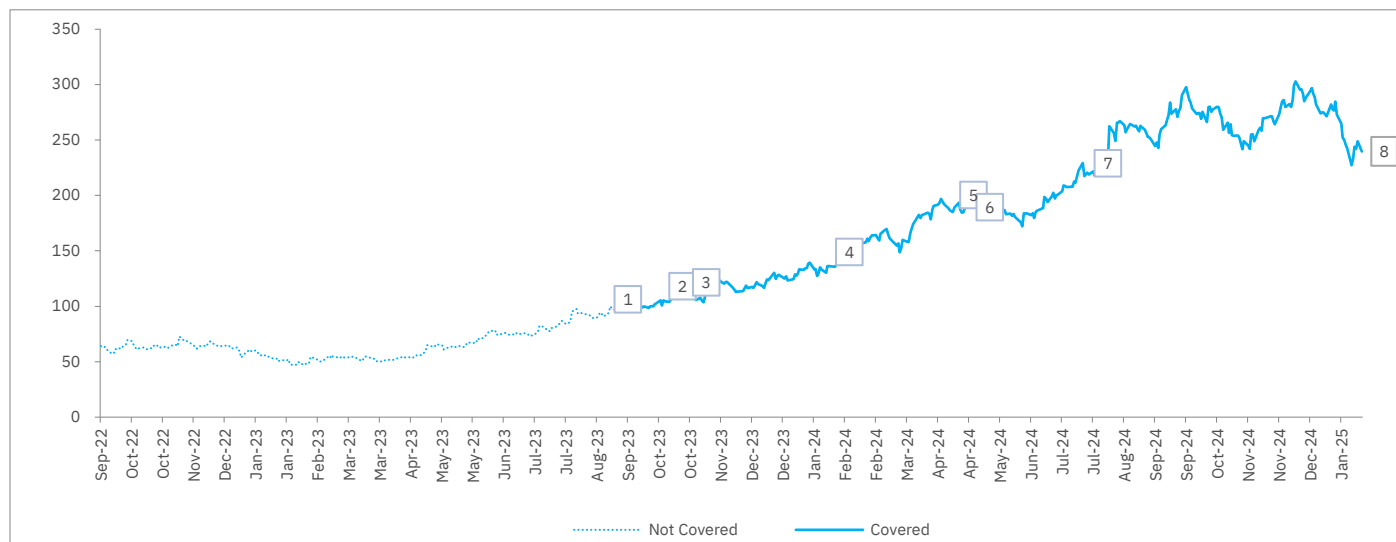
Source: Company, Elara Securities Research

Exhibit 3: Change in estimates

(INR mn)	New			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	207,492	318,537	477,683	208,587	319,196	485,151	(0.5)	(0.2)	(1.5)
EBITDA	3,205	13,710	25,900	8,731	18,422	32,526	(63.3)	(25.6)	(20.4)
EBITDA margin	1.5	4.3	5.4	4.2	5.8	6.7			
PAT	6,741	16,942	29,416	11,328	18,590	31,084	(40.5)	(8.9)	(5.4)
EPS (INR)	0.8	1.9	3.3	1.3	2.1	3.5	(40.5)	(8.9)	(5.4)
TP (INR)	300			320			(6.3)		

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
1	12-Sep-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
7	1-Aug-2024	Buy	INR 320	INR 234
8	20-Jan-2025	Buy	INR 300	INR 240

Guide to Research Rating

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

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