



## Growth Bottoming Out; Competitive Intensity Remains

**Est. vs. Actual for Q1FY26:** Revenue – **BEAT**; EBIT Margin – **MISS**; PAT – **MISS**

### Recommendation Rationale

- **NOV Growth:** Zomato's B2C business reported a 16% QoQ and 55% YoY increase in net order value (NOV), reaching Rs 20,183 Cr. The company's consolidated revenue grew 70% YoY and 23% QoQ to Rs 7,167 Cr in Q1FY26, primarily driven by strong growth in the Quick Commerce segment, which saw a 127% YoY (25% QoQ) rise in NOV.
- **Blinkit Quarterly Losses Peaked Out:** The company added 243 stores during the quarter, taking the total store count to 1,544, and remains on track to achieve its target of 2,000 stores. NOV grew 127% YoY, led by 123% YoY growth in monthly transacting customers (MTC) from 7.6 Mn to 16.9 Mn over the past year. Management reiterated that if competitive intensity remains the same, it should see margins improve from here onwards.
- **Food Delivery Outlook:** The Food Delivery NOV grew 13% YoY due to subdued consumer sentiment; however, on a positive front, food business growth has bottomed and is expected to see demand recovery. Management expects the food business to grow 15% in FY26 (+20% in FY27).

**Sector Outlook:** Cautious on account of increased competitive intensity.

**Company Outlook & Guidance:** Near-term margin pressure is likely owing to increased competitive intensity.

**Current Valuation:** SOTP

**Current TP:** Rs 250/share (Earlier TP: Rs 230/share)

**Recommendation:** We believe competitive intensity is likely to see near-term volatility. Hence, **we maintain our HOLD rating on the stock.**

### Financial Performance

In Q1FY26, Zomato Ltd. reported revenue of Rs 7,167 Cr, up 23% on a QoQ basis, whereas, on a YoY basis, revenue growth was 70%. The company reported operating profits of Rs 115 Cr and operating margins of 1.6%, down 260 bps YoY, due to higher operating costs on account of rapid store expansion. Net profit de-grew 90% YoY, reaching Rs 25 Cr.

Under the IOCC structure, Blinkit will gradually transition from marketplace to inventory ownership model over the next 2-3 quarters. Management reiterated that control of inventory will give more leverage on margins, plus it allows for pushing harder and faster assortment expansion. It expects 100 bps margin expansion over time under this model. In Q1FY26, ~3% of NOV was own inventory, which led to quick commerce revenue to grow faster than NOV at 155% YoY. It expects the share of inventory to increase sharply in the next quarter. Under this structure, Blinkit will become more resilient in the long term as it will yield higher ROCE and margin opportunity.

**Outlook:** From a long-term perspective, Zomato has built a resilient business model by securing multiple strategic verticals and delivering broad-based growth. However, near-term challenges—rising competitive intensity, rapid store expansion, and subdued demand in the food delivery business—are likely to keep profitability under pressure. Consequently, we maintain **HOLD** and value the stock at Rs 250/share based on an SOTP valuation, implying a -8% return from the CMP.

### Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	7,167	22.9	70.4	6,450	11.1
EBITA	115	59.7	-35.0	155	-25.8
EBITA Margin	1.6	37 bps	-260 bps	2.4	-80 bps
Net Profit	25	-35.9	-90.1	55	-54.5
EPS (Rs)	0.0	-35.9	-89.3	0.0	-54.5

Source: Company, Axis Securities Research

(CMP as of 21<sup>st</sup> July, 2025)

CMP (Rs)	271
Upside /Downside (%)	-8%
High/Low (Rs)	304/190
Market cap (Cr)	2,61,717
Avg. daily vol. (6m)Shrs.	57,857
No. of shares (Cr)	965

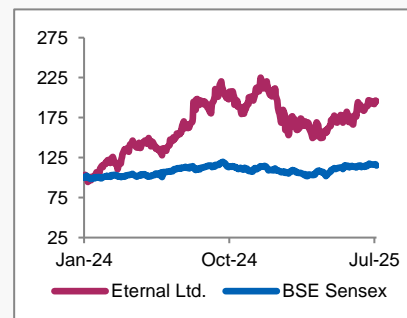
### Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	0.0	0.0	0.0
FII's	47.3	44.4	42.3
MFs/UTI	16.4	19.4	21.6
Banks/FIs	0.0	0.0	0.0
Others	36.3	36.3	36.1

### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	20,243	26,602	36,519
EBITDA	637	551	791
Net Profit	527	713	860
EPS (Rs)	0.6	0.8	1.0
PER (x)	446	330	273
EV/EBITDA (x)	368	403	280
P/BV (x)	8	8	7
ROE (%)	2%	3%	10%

### Relative Performance



Source: Ace Equity, Axis Securities Research

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**Results Review**
**(Rs Cr)**

Particulars (Rs Cr)	Q1FY25	Q4FY25	Axis Est.	Q1FY26	YoY growth (%)	QoQ growth (%)
Net Sales	4,206	5,833	6,450	7,167	70.4	22.9
COGS	1,099	1,632	1,778	2,284	107.8	40.0
Gross Profits	3,107	4,201	4,672	4,883	57.2	16.2
Gross Margin (%)	73.9	72.0	72.4	68.1	-574 bps	-389 bps
Staff costs	529	750	1,345	830	56.9	10.7
Ad spends & Delivery charges	1,724	2,186	1,694	2,540	47.3	16.2
Other operating expenses	677	1,193	1,478	1,398	106.5	17.2
EBITDA	177	72	155	115	(35.0)	59.7
EBITDA margin (%)	4.2	1.2	2.4	1.6	-260 bps	37 bps
Depreciation	149	287	392	314	110.7	9.4
EBIT	28	(215)	(237)	(199)	(810.7)	(7.4)
Other Income	236	368	372	354	50.0	(3.8)
Interest Cost	25	56	61	67	168.0	19.6
PBT	239	97	74	88	(63.2)	(9.3)
Tax	(14)	58	19	63		
PAT	253	39	55	25	(90.1)	(35.9)
EPS	0.28	0.04	0.04	0	(89.3)	(25.0)

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
<b>Net sales</b>	<b>12,114</b>	<b>20,243</b>	<b>26,602</b>	<b>36,519</b>
Other operating income	0	0	0	0
<b>Total Income</b>	<b>12,114</b>	<b>20,243</b>	<b>26,602</b>	<b>36,519</b>
Purchase of stock in trade	2,887	5,653	7,448	10,591
Change in inventories of traded goods	-5	-88	0	0
Employee benefits expense	1,659	2,558	3,724	5,478
Operating Expenses	7,531	11,483	14,878	19,659
<b>Total Cost</b>	<b>9,190</b>	<b>14,041</b>	<b>26,051</b>	<b>35,728</b>
<b>EBITDA</b>	<b>42</b>	<b>637</b>	<b>551</b>	<b>791</b>
EBITDA Margin (%)	0%	3%	2%	2%
Depreciation	588	0	950	1,000
Interest & Fin Chg.	72	88	95	110
<b>Pre-tax profit</b>	<b>291</b>	<b>697</b>	<b>951</b>	<b>1,147</b>
Tax provision	-60	170	238	287
<b>Profit after Tax</b>	<b>351</b>	<b>527</b>	<b>713</b>	<b>860</b>
<b>EPS Basic</b>	<b>0.40</b>	<b>0.61</b>	<b>0.82</b>	<b>0.99</b>

Source: Company, Axis Securities Research

**Balance Sheet**

(Rs Cr)

Y/E March	FY24	FY25A	FY26E	FY27E
<b>Sources</b>				
<b>Equity and Liabilities</b>				
Equity Attributable to equity shareholders of the parent	20,413	30,317	31,030	31,891
Non-controlling interests	(7)	(7)	(7)	(7)
<b>Total Equity</b>	<b>20,406</b>	<b>30,310</b>	<b>31,023</b>	<b>31,884</b>
Lease Liabilities	588	1,654	600	600
Provisions	88	120	94	94
Deferred Tax Liabilities	188	212	212	212
<b>Total non-current liabilities</b>	<b>867</b>	<b>1,987</b>	<b>910</b>	<b>910</b>
<b>Current Liabilities</b>				
Lease Liabilities	161	391	115	115
Trade Payables	886	1,536	2,186	3,002
A] Total Outstanding Dues of micro-enterprises and small-enterprises	15	75	75	75
B] Total Outstanding Dues of creditors other than micro-enterprises and small-enterprises	871	1,461	1,461	1,461
Other Financial Liabilities	644	913	310	310
Provisions	363	452	26	26
Other Current Liabilities	29	34	276	276
<b>Total Current Liabilities</b>	<b>2,083</b>	<b>3,326</b>	<b>2,913</b>	<b>3,728</b>
<b>Total Equity and Liabilities</b>	<b>23,356</b>	<b>35,623</b>	<b>34,847</b>	<b>36,522</b>
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant and equipment	287	965	240	290
Right-of-use asset	690	1,918	1,918	1,918
Goodwill	4,717	5,737	4,717	4,717
Other intangible assets	754	912	991	991
Investments	10,365	10,920	2,280	2,280
Other Financial Assets	747	2,744	1,894	1,894
Other Non-Current Assets	99	546	99	546
<b>Total Non-Current Assets</b>	<b>17,898</b>	<b>23,922</b>	<b>12,274</b>	<b>12,771</b>
<b>Current Assets</b>				
Inventories	88	176	327	464
Investments	1,280	2,272	4,485	4,485
Trade Receivables	794	1,946	1,166	1,601
Cash and Cash Equivalents	309	666	13,101	13,261
Other Financial Assets	2,324	2,769	2,324	2,769
Other Current Assets	241	924	372	372
<b>Total Current Assets</b>	<b>5,458</b>	<b>11,701</b>	<b>22,573</b>	<b>23,751</b>
<b>Total Assets</b>	<b>23,356</b>	<b>35,623</b>	<b>34,847</b>	<b>36,522</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March	FY24	FY25A	FY26E	FY27E
<b>Cash Flow from Operating Activities</b>				
Profit before tax	291	697	951	1,147
Depreciation	284	576	950	1,000
Changes in Working Capital	751	6,792	(11,612)	(453)
<b>Cash Flow from Operating Activities</b>	<b>646</b>	<b>6,796</b>	<b>(11,850)</b>	<b>(740)</b>
Capital expenditure	(215)	(936)	(725)	50
<b>Cash flow from Investing</b>	<b>(347)</b>	<b>(7,993)</b>	<b>(725)</b>	<b>50</b>
Equity Raised				
Debt Raised				
<b>Cash flow from financing</b>	<b>(88)</b>	<b>(406)</b>	<b>(601)</b>	<b>(721)</b>
<b>Net Change in Cash</b>	<b>211</b>	<b>(1,603)</b>	<b>(13,176)</b>	<b>(1,411)</b>

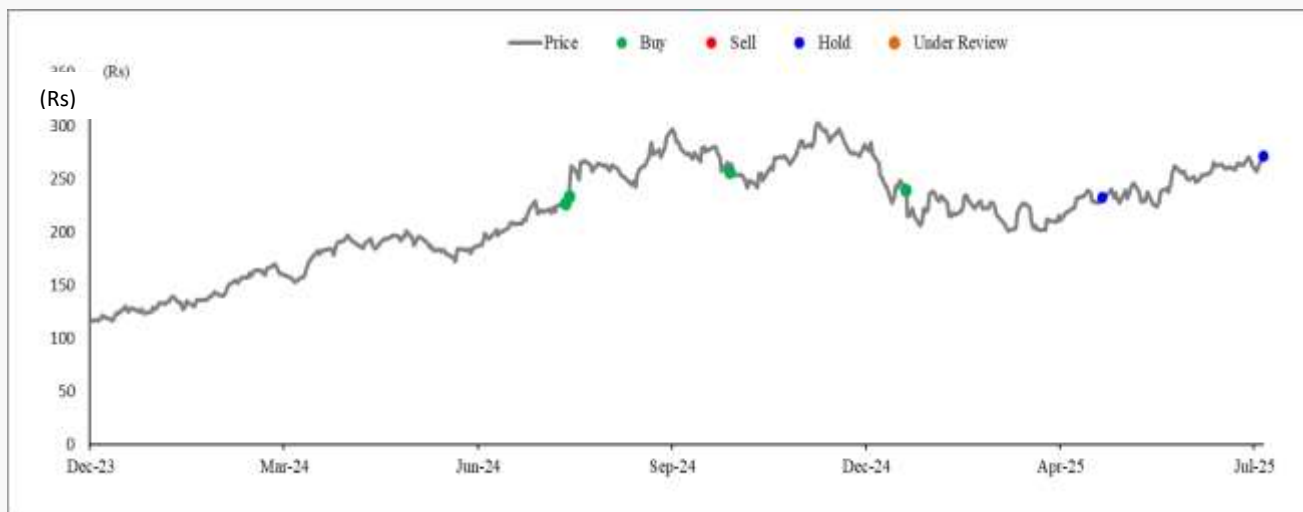
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY24	FY25A	FY26E	FY27E
<b>Growth Ratio</b>	-	-	-	-
Net Sales Growth (%)	71%	67%	31%	37%
Core EBITDA Growth (%)	-103%	1417%	-13%	44%
EBIT Growth (%)	-138%	134%	22%	20%
PAT Growth (%)	-136%	50%	35%	21%
Adj. EPS Growth (%)	-135%	50%	35%	21%
	-	-	-	-
<b>Margin Ratios</b>	-	-	-	-
EBITDA Margin (%) (Core)	-17%	0%	3%	2%
EBIT Margin (%)	-14%	3%	4%	4%
Pre-Tax Margin (%)	-14%	2%	3%	4%
PAT Margin (%)	-14%	3%	3%	3%
<b>Efficiency Ratios</b>				
Asset Turnover (x)	1	1	1	1
Receivable days	16	16	16	16
Inventory Days	16	16	16	16
Payable days	30	30	30	30
	-	-	-	-
<b>Financial Stability Ratios</b>	-	-	-	-
Total Debt/Equity(x)	-	-	-	-
Current Ratio(x)	2	2	6	5
Quick Ratio(x)	3	4	4	5
Interest Cover(x)	2	10	11	12
	-	-	-	-
<b>Operational &amp; Financial Ratios</b>	-	-	-	-
Earnings Per Share (Rs)	1	1	1	4
Book Value (Rs)	35	36	37	41
Tax Rate (%)	25%	25%	25%	25%
<b>Performance Ratios</b>				
ROA (%)	2%	6%	7%	29%
ROCE (%)	3%	3%	4%	14%
ROE (%)	2%	2%	3%	10%
PE	670	446	330	273
EV/EBITDA (x)	5,593	368	403	280
P/BV (x)	12	8	8	7

Source: Company, Axis Securities Research

## Zomato Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
31-Jul-24	BUY	280	Initiating Coverage
02-Aug-24	BUY	280	Result Update
23-Oct-24	BUY	350	Result Update
21-Jan-25	BUY	280	Result Update
02-May-25	HOLD	230	Result Update
22-Jul-25	HOLD	250	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.