

Competition Intensity Increasing; Downgrade to HOLD

Est. vs. Actual for Q4FY25: Revenue – BEAT ; EBIT Margin – MISS ; PAT – MISS

Change in Estimates post Q4FY25 (Abs.)

FY26E/FY27E: Revenue: -1%/-3%; EBITDA: -35%/-18%; PAT: -31%/-21%

Recommendation Rationale

- **NOV growth:** Zomato's B2C business reported a 5% QoQ and 53% YoY increase in net order value (NOV), reaching Rs 17,440 Cr. The company's consolidated revenue grew 64% YoY and 8% QoQ to Rs 5,833 Cr in Q4FY25, primarily driven by strong growth in the Quick Commerce segment, which saw a 121% YoY (22% QoQ) rise in NOV. Meanwhile, the Food Delivery NOV grew 14% YoY but declined 3% QoQ, falling short of the expected +20% YoY growth due to subdued consumer sentiment.
- **Blinkit witnessing competitive intensity:** Blinkit reported losses of Rs 178 Cr in Q4FY25, compared to Rs 103 Cr in Q3FY25, against earlier expectations of near-term breakeven. The increase in losses was attributed to an accelerated pace of store expansion in response to rising competition in the Q-commerce segment. The company added 294 stores during the quarter—the highest addition in any quarter—taking the total store count to 1,301, and remains on track to achieve its target of 2,000 stores. Management reiterated that 40% of the existing 1,301 stores remain underutilised. Additionally, marketing spends increased due to heightened competitive intensity, which is expected to weigh on profitability in the near term.
- **Food delivery outlook:** NOV was below expectations on account of weak consumer sentiments. However, the management remains confident in the longer-term guidance of 20% GOV growth on a yearly basis.

Sector Outlook: Cautious

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

Current Valuation: SOTP-based P/E

Current TP: 230/share (Earlier TP: Rs 280/share)

Recommendation: We believe near-term profitability is likely to impact margins owing to increased competition. Hence, **we downgrade the stock to HOLD.**

Financial Performance

In Q4FY25, Zomato Ltd. reported revenue of Rs 5,833 Cr, up 8% on a QoQ basis. On a YoY basis, revenue growth was 64%. The company reported operating profits of Rs 72 Cr and operating margins of 1.2%, down 176 bps QoQ/118 bps YoY, due to higher operating costs on account of rapid store expansion. Net profit de-grew 34% QoQ, reaching Rs 39 Cr.

The management's commentary on verticals such as Food Delivery and Quick Commerce remains cautious owing to subdued demand (food delivery) and increased competitive intensity (Q-commerce), which is likely to see near-term margin impact. Eternal exited Zomato Quick (10 mins delivery) and Everyday (home meals) as profitability remains a challenge. Under the IOCC structure, Blinkit is looking for ownership of inventory vs. the current marketplace structure post shareholder approval. Under this structure, Blinkit will become more resilient in the long term as it will yield higher ROCE and margin opportunity.

Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	5,833	7.9	63.8	5,699	2.3
EBIT	72	-55.6	-16.3	108	-33.0
EBIT Margin	1.2	-176 bps	-118 bps	1.9	-65 bps
Net Profit	39	-33.9	-77.7	219	-82.2
EPS (Rs)	0.0	-33.3	-75.0	0.2	-80.0

Source: Company, Axis Securities Research

(CMP as of 30th April 2025)

CMP (Rs)	232
Upside /Downside (%)	0%
High/Low (Rs)	304/146
Market cap (Cr)	2,24,370
Avg. daily vol. (6m)Shrs.	64,306
No. of shares (Cr)	965

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	0.0	0.0	0.0
FII	52.5	47.3	44.4
MFs/UTI	13.6	16.4	19.4
Banks/FIs	0.0	0.0	0.0
Others	33.9	36.3	36.3

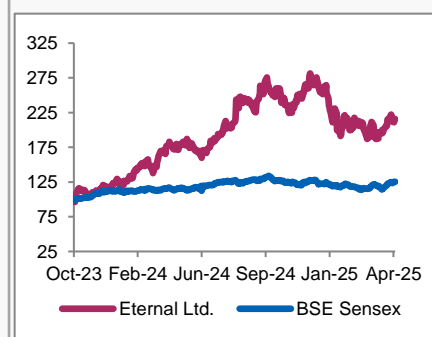
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	20,243	26,602	36,519
EBITDA	637	551	791
Net Profit	527	508	550
EPS (Rs)	0.6	0.6	0.6
PER (x)	396	410	379
EV/EBITDA (x)	324	370	259
P/BV (x)	10	10	9
ROE (%)	2%	3%	11%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-1%	-3%
EBITDA	-35%	-18%
PAT	-31%	-21%

Relative Performance



Source: AceEquity, Axis Securities Research

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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 downgrade the stock to HOLD and value it at Rs 230/share based on an SOTP valuation, implying a 0% return from the CMP.

Results Review

(Rs Cr)

Rs. Cr	Q4FY24	Q3FY25	Q4FY25	YoY growth %	QoQ growth (%)
Net Sales	3,562	5,405	5,833	63.8	7.9
COGS	864	1,500	1,632	88.9	8.8
Gross Profits	2,698	3,905	4,201	55.7	7.6
Gross Margin (%)	75.7	72.2	72.0	-372 bps	-23 bps
Staff costs	481	689	750	55.9	8.9
Ad spends & Delivery charges	1,507	1,971	2,186	45.1	10.9
Other operating expenses	624	1,083	1,193	91.2	10.2
EBITDA	86	162	72	(16.3)	(55.6)
EBITDA margin (%)	2.4	3.0	1.2	-118 bps	-176 bps
Depreciation	140	247	287	105.0	16.2
EBIT	(54)	(85)	(215)	298.1	152.9
Other Income	235	252	368	56.6	46.0
Interest Cost	20	43	56	180.0	30.2
PBT	161	124	97	(39.8)	(21.8)
Tax	(14)	65	58		
PAT	175	59	39	(77.7)	(33.9)
EPS	0.2	0.1	0.0	(75.0)	(33.3)

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net sales	7,079	12,114	20,243	26,602	36,519
Other operating income	0	0	0	0	0
Total Income	7,079	12,114	20,243	26,602	36,519
Purchase of stock in trade	1,438	2,887	5,653	7,448	10,591
Change in inventories of traded goods	-43	-5	-88	0	0
Employee benefits expense	1,465	1,659	2,558	3,724	5,478
Operating Expenses	5,430	7,531	11,483	14,878	19,659
Total Cost	6,895	9,190	14,041	26,051	35,728
EBITDA	-1,211	42	637	551	791
EBITDA Margin (%)	-17%	0%	3%	2%	2%
Depreciation	437	588	0	848	848
Interest & Fin Chg.	49	72	88	95	110
Pre-tax profit	-1,016	291	697	677	647
Tax provision	-44	-60	170	169	97
Profit after Tax	-971	351	527	508	550
EPS Basic	-1.16	0.40	0.61	0.59	0.63

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Sources					
Equity and Liabilities					
Equity Attributable to equity shareholders of the parent	19,460	20,413	20,940	21,448	21,998
Non-controlling intrests	(7)	(7)	(7)	(7)	(7)
Total Equity	19,453	20,406	20,933	21,441	21,991
Lease Liabilities	351	588	600	600	600
Provisions	94	88	94	94	94
Deferred Tax Liabilities	250	188	188	188	188
Total non-current liabilities	705	867	886	886	886
Current Liabilities					
Lease Liabilities	115	161	115	115	115
Trade Payables	680	886	1,664	2,186	3,002
Other Financial Liabilities	310	644	310	310	310
Provisions	26	363	26	26	26
Other Current Liabilities	276	29	276	276	276
Total Current Liabilities	1,441	2,083	2,390	2,913	3,728
Total Equity and Liabilities	21,599	23,356	24,210	25,240	26,606
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	209	287	190	240	290
Right-of-use asset	427	690	690	690	690
Goodwill	4,717	4,717	4,717	4,717	4,717
Other intangible assets	991	754	991	991	991
Investments	2,280	10,365	2,280	2,280	2,280
Other Financial Assets	1,894	747	1,894	1,894	1,894
Other Non-Current Assets	128	99	128	99	128
Total Non-Current Assets	10,768	17,898	11,116	11,138	11,216
Current Assets					
Inventories	83	88	244	327	464
Investments	4,485	1,280	4,485	4,485	4,485
Trade Receivables	457	794	887	1,166	1,601
Cash and Cash Equivalents	218	309	1,888	4,630	3,251
Other Financial Assets	4,418	2,324	4,418	2,324	4,418
Other Current Assets	372	241	372	372	372
Total Current Assets	10,831	5,458	13,093	14,102	15,389
Total Assets	21,599	23,356	24,210	25,240	26,606

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Cash Flow from Operating Activities					
Profit before tax	(1,015)	291	697	677	647
Depreciation	181	284	-	848	848
Changes in Working Capital	(813)	751	6,792	377	514
Cash Flow from Operating Activities	(844)	646	6,796	208	417
Capital expenditure	(103)	(215)	(97)	50	50
Cash flow from Investing	457	(347)	(97)	50	50
Equity Raised	40				
Debt Raised	(231)				
Cash flow from financing	(1,274)	(88)	(406)	(601)	(721)
Net Change in Cash	(1,661)	211	6,293	(343)	(254)

Source: Company, Axis Securities Research

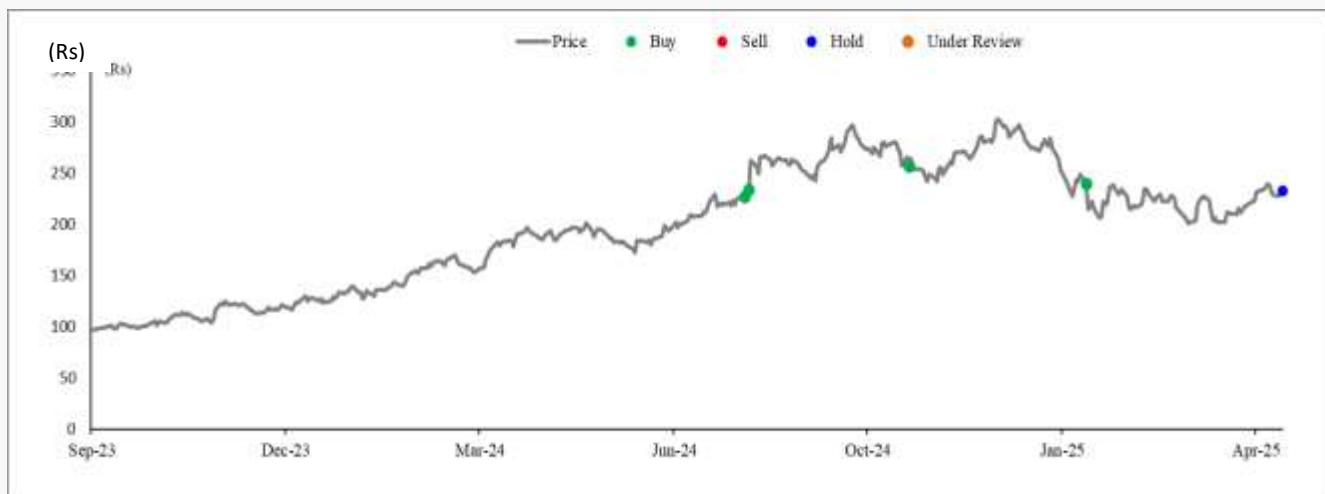
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio	-	-	-	-	-
Net Sales Growth (%)	69%	71%	67%	31%	37%
Core EBITDA Growth (%)	-33%	-103%	1417%	-13%	44%
EBIT Growth (%)	-34%	-138%	134%	-10%	-3%
PAT Growth (%)	-45%	-136%	50%	-4%	8%
Adj. EPS Growth (%)	-43%	-135%	50%	-4%	8%
	-	-	-	-	-
Margin Ratios	-	-	-	-	-
EBITDA Margin (%) (Core)	-43%	-17%	0%	3%	2%
EBIT Margin (%)	-35%	-14%	3%	4%	3%
Pre-Tax Margin (%)	-35%	-14%	2%	3%	3%
PAT Margin (%)	-42%	-14%	3%	3%	2%
Efficiency Ratios					
Asset Turnover (x)	1	1	1	2	2
Receivable days	16	16	16	16	16
Inventory Days	16	16	16	16	16
Payable days	29	30	30	30	30
Financial Stability Ratios	-	-	-	-	-
Total Debt/Equity(x)	-	-	-	-	-
Current Ratio(x)	5	2	4	4	3
Quick Ratio(x)	4	3	4	4	5
Interest Cover(x)	(13)	2	10	8	7
Operational & Financial Ratios	-	-	-	-	-
Earnings Per Share (Rs)	0	1	1	1	3
Book Value (Rs)	24	24	25	25	29
Tax Rate (%)	1%	25%	15%	25%	25%
Performance Ratios					
ROA (%)	2%	5%	5%	5%	25%
ROCE (%)	2%	4%	4%	3%	16%
ROE (%)	2%	3%	2%	3%	11%
PE	-	569	379	393	363
EV/EBITDA (x)	-	4,746	310	354	248
P/BV (x)	10	10	10	9	9

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

Source: Axis Securities Research

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