

Laying bricks for District's launch

Zomato's board has approved the acquisition of Paytm's movies and events ticketing business which would help it expand presence in the entertainment ticketing category (currently part of Going-out segment alongside dining-out business). Post M&A, Zomato would become the second largest entertainment ticketing platform in the country, behind only Bookmyshow. In fact, the deal would enable Zomato to offer its customers a wide range of booking use cases spread across movie tickets, IPL tickets, dining-out table reservations, live entertainment and weekend getaways, through a dedicated app 'District' (to be launched in next few weeks). The all-cash deal value is INR 20.48bn, implying a valuation of ~1x FY24 EV/GOV (~7x Sales / ~71x Adj. EBITDA), towards the higher end of our expectation (refer [our report](#)). Going-out segment will likely operate at break-even levels in the near term as company will likely focus on growing GOV to INR 100bn+ by FY26 (3x FY24), over the medium to long term management expects Adj. EBITDA margin to expand to 4-5% (as % of GOV). Management's strong demonstrated execution in the past and absence of meaningful organised competition (barring Bookmyshow) makes us believe Going-out could be the next big success out of Zomato. We maintain 'BUY' with revised TP of INR 300 (vs. INR 260 earlier) derived basis 75x FY27 PER.

- JM View:** While Zomato's dining-out business today is sizeable (as well as profitable) with an annualised GOV run-rate of USD 500mn+, its events ticketing business is relatively small. The latter business would have needed long gestation time to scale-up on an organic basis as it is networking & relationship driven and prone to exclusive contracting arrangements with event organisers. Moreover, the likely presence of formidable competition, (Bookmyshow and Paytm) would have only delayed its scale-up plans. We therefore believe Zomato's acquisition of Paytm's events ticketing business is a strategic fit. The M&A also expands its horizon across complementary use cases. This coupled with management's strong demonstrated execution in the past across its previous B2C forays makes us believe that the proposed deal can significantly add value to Zomato's stock.
- Brief overview of Paytm's entertainment ticketing business:** Paytm's entertainment ticketing business enables customers to discover and purchase tickets for movies, sports, and live events (live performances). Customers can currently access these offerings either through (a) Paytm's main app and website, (b) app and website of its standalone platforms 'Paytm Insider' and 'TicketNew' and c) offline box office sales. In FY24, the combined business generated a GOV of more than INR 20bn (+29% YoY) while facilitating the sale of 78mn tickets for 10mn+ unique customers. Revenue/Adj. EBITDA for the business during this fiscal year stood at INR 2.97bn/INR 290mn, translating to an Adj. EBITDA margin (as a % of GOV) of c.1.5%. This business is asset light (like Zomato's other B2C businesses), except for some working capital (advances paid to merchants).
- Deal rationale and valuation:** According to Zomato, the proposed acquisition will help it gain meaningful scale in the events ticketing category. The deal will also help expand the available use-cases for Zomato's customers to movie and sports ticketing, amongst others

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	300
Upside/(Downside)	15.4%
Previous Price Target	260
Change	15.4%

Key Data – ZOMATO IN

Current Market Price	INR260
Market cap (bn)	INR2,296.2/US\$27.4
Free Float	100%
Shares in issue (mn)	8,819.8
Diluted share (mn)	9,314.0
3-mon avg daily val (mn)	INR14,186.2/US\$169.0
52-week range	281/88
Sensex/Nifty	80,905/24,770
INR/US\$	83.9

Price Performance

%	1M	6M	12M
Absolute	18.8	63.9	189.7
Relative*	18.2	48.2	133.6

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	70,794	1,21,140	1,96,945	2,65,160	3,45,655
Sales Growth (%)	68.9	71.1	62.6	34.6	30.4
EBITDA	-12,103	420	9,720	23,606	40,564
EBITDA Margin (%)	-17.1	0.3	4.9	8.9	11.7
Adjusted Net Profit	-9,708	3,510	10,892	27,092	37,514
Diluted EPS (INR)	-1.2	0.4	1.2	2.9	4.0
Diluted EPS Growth (%)	0.0	0.0	190.0	148.7	38.5
ROIC (%)	-27.1	-7.4	3.9	18.4	27.9
ROE (%)	-5.4	1.8	5.1	11.2	13.3
P/E (x)	-220.5	644.9	222.3	89.4	64.6
P/B (x)	11.0	11.1	10.3	8.9	7.5
EV/EBITDA (x)	-179.7	5,168.4	222.2	90.2	51.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 21/Aug/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

thereby improving customer engagement. In fact, Zomato intends to spin-off the entire Going-out segment into a new app (District) that could help it better cater to the customers' needs. The total deal value is INR 20.48bn (subject to cash and net working capital adjustments at closing). The all-cash deal values the target at ~1x EV/GOV (~7x Sales/ ~71x Adj. EBITDA) and is likely to be closed in 2QFY25 itself.

- **Need for separate 'District' app:** Zomato's management believes that due to the fragmented nature of Indian entertainment and going-out experiences market, customers use multiple apps for different use cases. The company believes it can address this issue by creating a dedicated going-out app 'District' that can serve as a one-stop platform for all these experiences, to drive strong customer engagement and incremental demand. The strategy aligns with Zomato's earlier stated policy of building 'super brands' rather than a single 'super app', which it believes can foster better customer association and loyalty with going-out use cases. While the going-out business will be spread across multiple platforms for the initial 12 months (Zomato app, Paytm's main app, Insider platform and TicketNew platform), the company will gradually nudge the customers to move to the 'District' app to remove duplication.
- **Focus on smooth transition post takeover of the target business:** Zomato has rehired its ex-employees Mr. Rahul Ganjoo and Mr. Pradyot Ghate (both of whom had earlier helped in Uber Eats transition) to lead the transition post M&A. Moreover, around 280 existing employees from Paytm's entertainment ticketing business will be joining Zomato following the transaction closure. In the beginning, Zomato's existing going-out business (dining-out + event ticketing) would continue to operate on the Zomato app while the target business will continue to operate on the Paytm's main app (for up to 12 months) along with Insider and TicketNew apps (both would get transferred to Zomato as part of the transaction). In the short term, District app will duplicate the offerings but later the company would gradually nudge customers to move from the Zomato / Paytm / Insider / TicketNew apps to the District app. Once majority of the customers start transacting on the District app, the company will shut-down the ticketing business on all the other apps.
- **Guidance:** Zomato management expects Going-out segment GOV to expand by 3x+ to INR 100bn+ from INR 32.25bn in FY24. Further upside potential will be possible depending on the company's ability to add more use-cases to the platform like shopping, staycations (travel), etc. In terms of profitability, the Going-out segment is expected to continue to remain near break-even at adj. EBITDA level. However, in the medium-long term, the management expects to deliver c.4-5% adj. EBITDA margin (as a % of GOV). Overall, the company sees the Going-out business as a portfolio of inter-connected categories with strong network effects; some categories driving traffic while others driving profits. While individual sub-categories may operate at varying margin profiles, the company's focus will be to drive profitability at a combined level.
- **Competitive dynamics:** Founded in 1999, Mumbai-based Bookmyshow is the largest events and movie ticketing platform in India. The company offers online ticketing services for movies and events to customers through its entertainment ticketing platform namely www.bookmyshow.com. It is also engaged in providing turnkey ticketing solutions for events. In FY23, Bookmyshow reported Consol. Revenue/EBITDA/PAT of INR 9.76bn/INR 793mn/INR 857mn. Reliance (BUY; TP INR 3,320) through Network18 Media & Investments Ltd. is the largest shareholder in Bookmyshow with 39.3% stake on a fully diluted basis as of Mar'23. As per [media reports](#) in Jan'24, the company was expected to see secondary transaction of worth USD 250-300mn at a valuation of USD 900mn (INR 75bn).
- **Re-iterate 'BUY' with revised TP of INR 300:** We tweak our near term estimates for Going-out segment following management guidance to operate it at break-levels and likely cash outflow towards the proposed M&A. However, medium to long term estimates are raised to factor-in the positive impact of the acquisition. We continue to assign a target multiple of 75x and roll forward to Mar'27 EPS to derive a revised TP of INR 300 (vs. INR 260 earlier). Zomato continues to be one of our preferred picks in the listed Internet space as we believe it is well positioned to benefit from robust industry tailwinds across its B2C businesses. Its balance sheet is strong with net cash of INR 125bn as of Jun'24.

Exhibit 1. Going-out = Dining-out + Zomato Live

- Going-out comprises of two key segments –
 - (a) Dining-out – discovery, table reservation and transactions for dining-out across restaurants in India and the UAE
 - (b) Zomato Live – discovery and ticketing of events such as food carnivals, music concerts and other live events in India

Dining-out

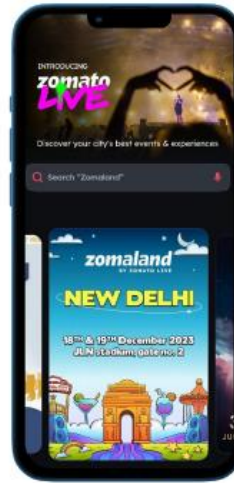


Large opportunity to monetize dining-out spends

Customers can access exclusive offers by paying dining-out bills through the Zomato app

Restaurants get measurable ROI on marketing spends with flexibility to customize offers real-time

Zomato Live



Tap into growing demand for outdoor entertainment in India

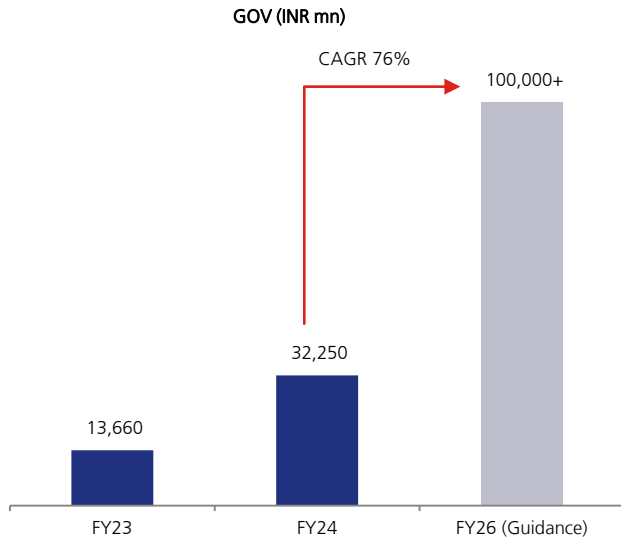
Zomato Live complements the dining-out business and enables discovery of options for "Going-out"

Source: Company Presentation

Exhibit 2. Paytm applications acquired

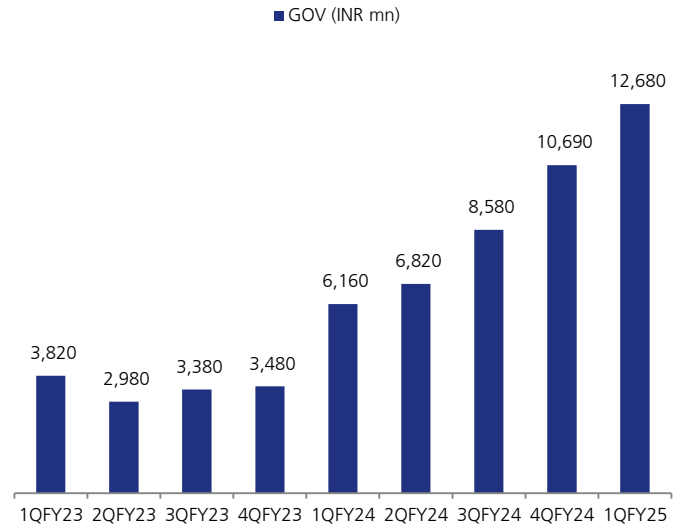
Source: Company, JM Financial

Exhibit 3. Going-out: GOV is expected to cross INR 100bn in FY26



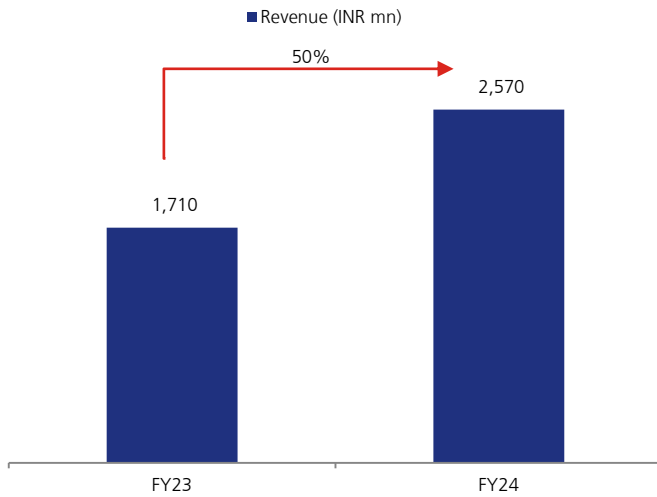
Source: Company, JM Financial

Exhibit 4. Going-out: Quarterly GOV trends



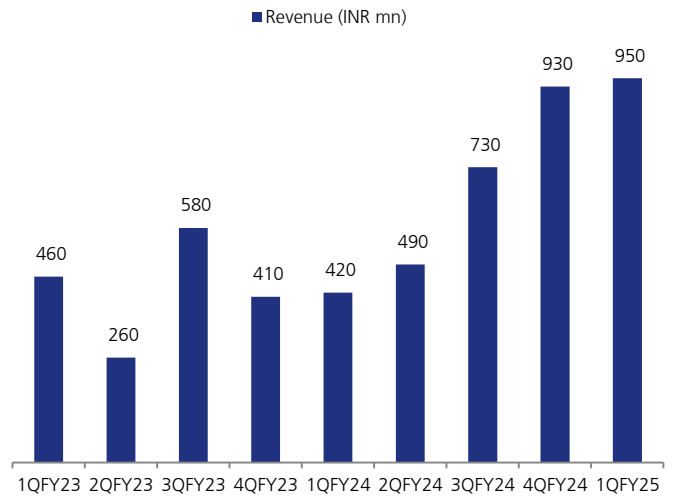
Source: Company, JM Financial

Exhibit 5. Going-out: Revenue grew 50% YoY in FY24



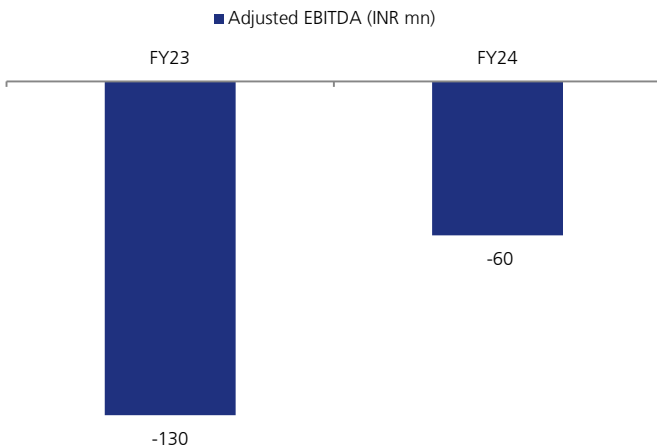
Source: Company, JM Financial

Exhibit 6. Going-out: Quarterly revenue trends



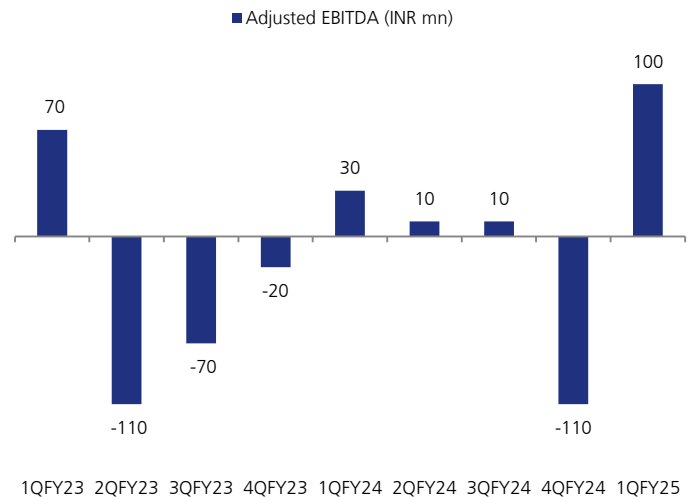
Source: Company, JM Financial

Exhibit 7. Going-out: Adjusted EBITDA loss narrowed 54% YoY in FY24



Source: Company, JM Financial

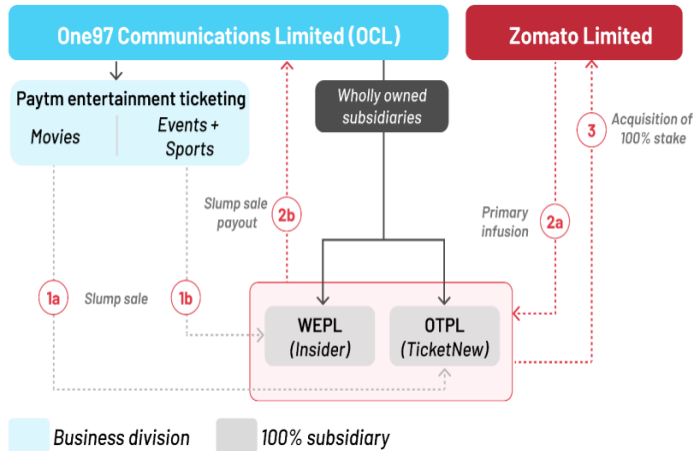
Exhibit 8. Going-out: Quarterly Adjusted EBITDA trends



Source: Company, JM Financial

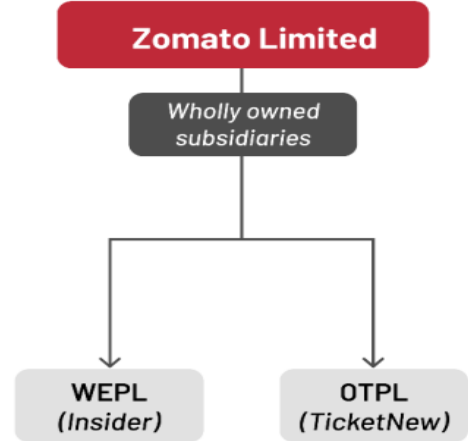
Deal Structure: Paytm’s entertainment ticketing business is housed across several entities within the Paytm ecosystem including the parent entity – One97 Communications Ltd. (OCL), and two of its subsidiaries – Orbgen Technologies Pvt. Ltd (OTPL) and Wasteland Entertainment Pvt Ltd (WEPL). As part of the transaction: (1) the movies and events ticketing businesses of OCL will be carved-out and transferred by way of slump sale to OTPL and WEPL respectively (2) Zomato will do a primary infusion into OTPL and WEPL for an amount equal to the slump sale consideration, which will be used to discharge the consideration payable to OCL for the slump sale (3) simultaneously Zomato will acquire 100% stake in OTPL and WEPL from OCL (4) Post closing, OTPL and WEPL will become wholly owned subsidiaries of Zomato.

Exhibit 9. Existing corporate structure and proposed transaction steps



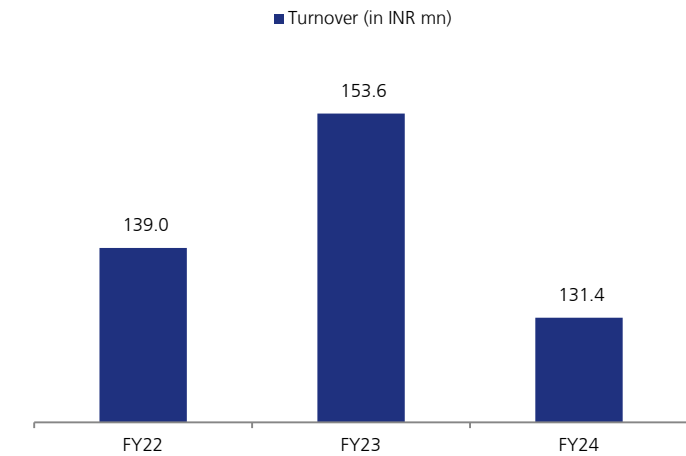
Source: Company

Exhibit 10. Post-closing holding corporate structure



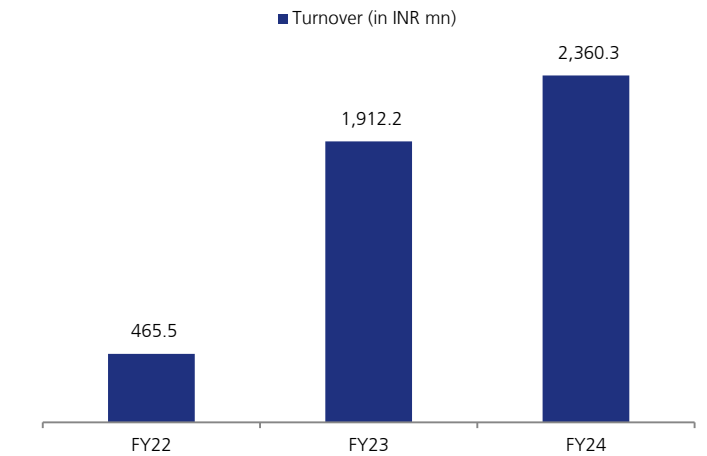
Source: Company

Exhibit 11. Orbgen Technologies Private Limited (OTPL): Brief Financials



Source: Company, JM Financial

Exhibit 12. Wasteland Entertainment Private Limited (WEPL): Brief Financials



Source: Company, JM Financial

Exhibit 13. Key operating metrics and financial assumptions

Mar YE (INR bn)	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Food Delivery							
Orders (million)	753	902	1,079	1,278	1,479	1,694	1,904
AOV (INR)	428	445	463	481	498	516	534
GOV (INR bn)	322	402	499	615	737	873	1,016
Revenue (INR bn)	64	85	107	132	159	188	219
Take rate (revenue as a % of GOV)	19.7%	21.2%	21.4%	21.5%	21.5%	21.5%	21.5%
Contribution Profit (INR per order)	29.5	33.5	36.4	37.9	39.1	40.5	41.9
% of AOV	6.9%	7.5%	7.9%	7.9%	7.9%	7.9%	7.9%
Adj. EBITDA (INR bn)	9.1	14.9	22.7	30.6	37.8	46.1	54.6
% of GOV	2.8%	3.7%	4.5%	5.0%	5.1%	5.3%	5.4%
Blinkit							
Orders (million)	203	399	595	837	1,029	1,233	1,422
AOV (INR)	613	638	663	683	703	725	746
GOV (INR bn)	125	254	395	571	724	893	1,061
Revenue (INR bn)	23	49	77	113	146	185	225
Take rate (revenue as a % of GOV)	18.5%	19.3%	19.5%	19.7%	20.2%	20.7%	21.2%
Contribution Profit (INR per order)	13.1	26.2	31.9	34.1	40.0	47.7	53.6
% of AOV	2.1%	4.1%	4.8%	5.0%	5.7%	6.6%	7.2%
Adj. EBITDA (INR bn)	-3.8	0.2	5.6	11.8	20.7	33.8	46.5
% of GOV	-3.1%	0.1%	1.4%	2.1%	2.9%	3.8%	4.4%
Hyperpure							
Revenue (INR bn)	31.7	55.5	69.4	83.3	95.8	109.2	123.4
Adj. EBITDA (INR bn)	-1.3	-0.8	-0.3	0.4	1.1	2.4	3.4
Adj. EBITDA margin (as a % of revenue)	-4.0%	-1.4%	-0.4%	0.4%	1.1%	2.2%	2.8%
Dining Out and Others							
Revenue (INR bn)	2.8	7.0	11.7	17.3	23.1	28.4	33.0
Adj. EBITDA (INR bn)	-0.3	0.2	0.5	2.7	4.2	5.7	6.8
Adj. EBITDA margin (as a % of revenue)	-10.8%	3.2%	4.4%	15.5%	18.0%	19.9%	20.6%
Group							
Revenue (INR bn)	121.1	196.9	265.2	345.7	423.9	510.7	600.3
Adj. EBITDA (INR bn)	3.7	14.5	28.6	45.4	63.8	87.9	111.4
Adj. EBITDA margin (as a % of revenue)	3.1%	7.3%	10.8%	13.1%	15.0%	17.2%	18.6%
EBITDA (INR bn)	0.4	9.7	23.6	40.6	59.0	83.2	106.8
EBITDA margin (as a % of revenue)	0.3%	4.9%	8.9%	11.7%	13.9%	16.3%	17.8%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	70,794	1,21,140	1,96,945	2,65,160	3,45,655	
Sales Growth	68.9%	71.1%	62.6%	34.6%	30.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	70,794	1,21,140	1,96,945	2,65,160	3,45,655	
Cost of Goods Sold/Op. Exp	0	0	0	0	0	
Personnel Cost	14,650	16,590	23,392	26,901	30,398	
Other Expenses	68,247	1,04,130	1,63,833	2,14,653	2,74,694	
EBITDA	-12,103	420	9,720	23,606	40,564	
EBITDA Margin	-17.1%	0.3%	4.9%	8.9%	11.7%	
EBITDA Growth	0.0%	0.0%	2,214.3%	142.9%	71.8%	
Depn. & Amort.	4,369	5,260	6,410	6,581	6,816	
EBIT	-16,472	-4,840	3,310	17,026	33,747	
Other Income	6,328	7,750	7,463	10,066	13,145	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	-10,144	2,910	10,773	27,092	46,893	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	-10,144	2,910	10,773	27,092	46,893	
Taxes	-436	-600	-119	0	9,379	
Extraordinary Inc./Loss(-)	-1	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-6	0	0	0	0	
Reported Net Profit	-9,707	3,510	10,892	27,092	37,514	
Adjusted Net Profit	-9,708	3,510	10,892	27,092	37,514	
Net Margin	-13.7%	2.9%	5.5%	10.2%	10.9%	
Diluted Share Cap. (mn)	8,232.7	8,705.8	9,314.0	9,314.0	9,314.0	
Diluted EPS (INR)	-1.2	0.4	1.2	2.9	4.0	
Diluted EPS Growth	0.0%	0.0%	190.0%	148.7%	38.5%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	1,94,598	2,03,814	2,23,004	2,59,276	3,06,888	
Share Capital	8,364	8,364	8,680	8,680	8,680	
Reserves & Surplus	1,86,234	1,95,450	2,14,324	2,50,596	2,98,208	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-66	-70	-70	-70	-70	
Total Loans	404	0	0	0	0	
Def. Tax Liab. / Assets (-)	-1,161	-2,210	-3,151	-4,243	-5,530	
Total - Equity & Liab.	1,93,775	2,01,534	2,19,783	2,54,964	3,01,288	
Net Fixed Assets	59,231	57,655	60,771	64,754	69,721	
Gross Fixed Assets	3,628	5,290	12,485	20,600	29,689	
Intangible Assets	57,071	54,710	52,714	51,316	50,338	
Less: Depn. & Amort.	1,543	2,420	4,608	7,342	10,486	
Capital WIP	75	75	180	180	180	
Investments	1,15,956	1,19,320	98,840	98,840	98,840	
Current Assets	39,639	54,270	95,039	1,29,820	1,83,076	
Inventories	827	880	2,095	1,603	2,811	
Sundry Debtors	4,569	7,940	12,564	16,495	21,385	
Cash & Bank Balances	2,181	3,090	34,453	64,478	1,10,064	
Loans & Advances	0	0	0	0	0	
Other Current Assets	32,062	42,360	45,927	47,243	48,817	
Current Liab. & Prov.	21,051	29,500	34,867	38,450	50,349	
Current Liabilities	14,003	18,260	26,406	27,588	36,189	
Provisions & Others	7,048	11,240	8,462	10,862	14,160	
Net Current Assets	18,588	24,770	60,172	91,370	1,32,727	
Total - Assets	1,93,775	2,01,745	2,19,783	2,54,964	3,01,288	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	-10,146	2,910	10,773	27,092	46,893	
Depn. & Amort.	4,369	5,260	6,410	6,581	6,816	
Net Interest Exp. / Inc. (-)	-4,840	-5,790	-7,463	-10,066	-13,145	
Inc (-) / Dec in WCap.	-1,759	1,180	-7,846	-4,321	691	
Others	4,244	3,950	7,983	9,180	10,098	
Taxes Paid	-308	-1,050	-823	-1,091	-10,666	
Operating Cash Flow	-8,440	6,460	9,034	27,374	40,687	
Capex	-1,014	-2,020	-7,195	-8,115	-9,090	
Free Cash Flow	-9,454	4,440	1,838	19,259	31,597	
Inc (-) / Dec in Investments	8,794	-7,630	20,480	0	0	
Others	-3,207	6,180	8,664	11,432	14,623	
Investing Cash Flow	4,573	-3,470	21,949	3,318	5,534	
Inc / Dec (-) in Capital	38	220	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-884	-1,690	1,582	699	843	
Others	-428	-600	-1,201	-1,366	-1,478	
Financing Cash Flow	-1,274	-2,070	381	-667	-635	
Inc / Dec (-) in Cash	-5,141	920	31,363	30,025	45,586	
Opening Cash Balance	7,321	2,170	3,090	34,453	64,478	
Closing Cash Balance	2,180	3,090	34,453	64,478	1,10,064	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		-13.7%	2.9%	5.5%	10.2%	10.9%
Asset Turnover (x)		0.4	0.6	0.9	1.1	1.2
Leverage Factor (x)		1.0	1.0	1.0	1.0	1.0
RoE		-5.4%	1.8%	5.1%	11.2%	13.3%

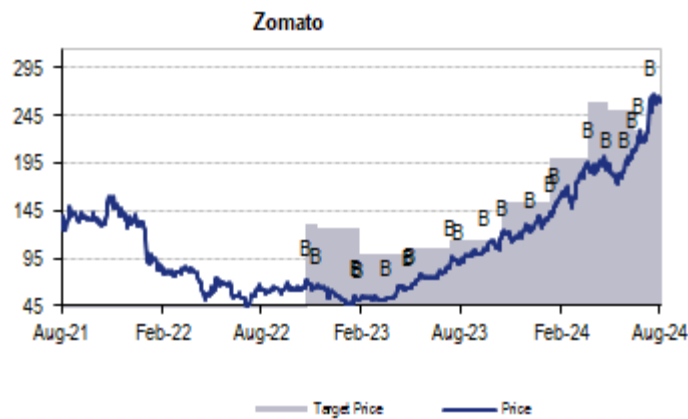
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		23.6	23.4	25.3	29.4	34.8
ROIC		-27.1%	-7.4%	3.9%	18.4%	27.9%
ROE		-5.4%	1.8%	5.1%	11.2%	13.3%
Net Debt/Equity (x)		-0.6	-0.6	-0.6	-0.6	-0.7
P/E (x)		-220.5	644.9	222.3	89.4	64.6
P/B (x)		11.0	11.1	10.3	8.9	7.5
EV/EBITDA (x)		-179.7	5,168.4	222.2	90.2	51.4
EV/Sales (x)		30.7	17.9	11.0	8.0	6.0
Debtor days		24	24	23	23	23
Inventory days		4	3	4	2	3
Creditor days		30	27	30	24	28

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
12-Nov-22	Buy	130	
30-Nov-22	Buy	126	-3.2
10-Feb-23	Buy	126	0.0
16-Feb-23	Buy	100	-20.3
6-Apr-23	Buy	100	-0.5
17-May-23	Buy	100	0.0
21-May-23	Buy	105	5.6
4-Aug-23	Buy	115	8.8
17-Aug-23	Buy	115	0.0
3-Oct-23	Buy	115	0.1
4-Nov-23	Buy	155	35.1
28-Dec-23	Buy	155	0.0
1-Feb-24	Buy	200	29.2
9-Feb-24	Buy	200	0.1
11-Apr-24	Buy	260	29.8
14-May-24	Buy	250	-3.8
17-Jun-24	Buy	250	0.0
3-Jul-24	Buy	230	-8.0
12-Jul-24	Buy	230	0.0
2-Aug-24	Buy	260	13.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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