

Zomato Ltd.

BUY

Sector: Internet & Catalogue Retail

28th October 2024

Key Changes	Target ▲	Rating ●	Earnings ▼	Target	Rs. 284
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	ZOMATO:IN	80,005	ZOMATO	543320	12 Months
				CMP	Rs. 254
				Return	+12%

Data as of: 28-10 2024

Company Data	
Market Cap (Rs. cr)	2,24,399
52 Week High — Low (Rs.)	298 - 103
Enterprise Value (Rs. cr)	285,136
Outstanding Shares (cr)	884
Free Float (%)	70.0%
Dividend Yield (%)	0.0%
6m average volume (cr)	6.1
Beta	0.3
Face value (Rs.)	1.0

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	0.0	0.0	0.0
FII's	55.1	54.1	52.5
MFs/Institutions	15.3	15.8	17.4
Public	28.0	28.6	28.8
Others	1.6	1.5	1.3
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	13.7%	37.9%	133.5%
Absolute Sensex	-0.1%	8.4%	24.0%
Relative Return	13.8%	29.5%	109.5%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	12,114	19,988	29,123
Growth (%)	71.1	65.0	45.7
EBITDA	1	1,088	2,541
EBITDA Margin (%)	0.0	5.4	8.7
PAT Adjusted	351	965	2,180
Growth (%)	-136.1	174.9	126.0
Adjusted EPS	0.4	1.1	2.5
Growth (%)	-134.2	169.9	126.0
P/E	444.8	229.8	101.7
P/B	7.8	10.4	9.4
EV/EBITDA	n.mm	203.1	86.6
ROE (%)	1.7	4.5	9.3
D/E	0.0	0.0	0.0

Solid revenue; Favourable outlook

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

- In Q2FY25, revenue surged 68.5% YoY to reach Rs 4,799cr, driven by strong performance in key segments.
- The India food ordering and delivery segment witnessed a 30.1% YoY increase in revenue to Rs 2,012cr, whereas Hyperpure and quick-commerce businesses saw an increase of 97.7% and 128.9% YoY, respectively.
- EBITDA stood at Rs 226cr, largely driven by platform fees and higher ad revenue, and might only witness a stable rise in the near term.
- The EBITDA margin increased to 4.7% from 1.7% in Q2FY24, primarily driven by revenue increases, partly offset by elevated operating expenses, which included wage increases and expenditures associated with the expansion of Blinkit.
- The expansion of the food delivery sector is likely to be driven by an increase in user acquisition and order frequency, while the average order value (AOV) is expected to experience modest annual growth in low single digits amid a challenging demand situation in the quick service restaurant (QSR) industry.

Valuation

Zomato's management expects the going-out segment's gross order value (GOV) to grow more than 3x moving forward, reaching upwards of Rs. 1,000cr from Rs. 323cr in FY24. There is further potential for growth contingent upon the company's ability to introduce additional use cases to the platform, including shopping and staycations. With the current performance metrics showing improvement, we believe that growth in all key areas — orders, AOV, and new user acquisition — should enhance the profitability going forward. Hence, **we reiterate our BUY rating on the stock with a revised target price of Rs 284 based on 8.5x FY26E price/sales.**

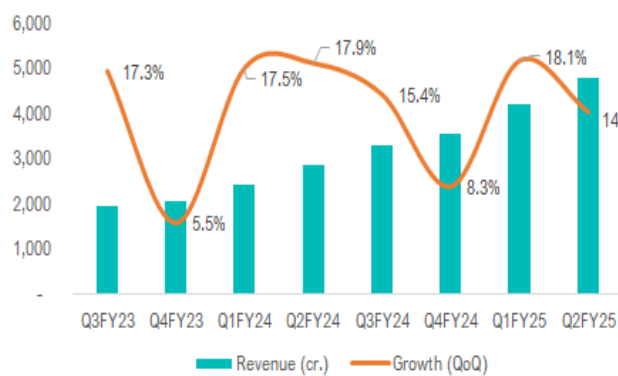
Quarterly Financials Consol.

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	4,799	2,848	68.5	4,206	14.1	9,005	5,264	71.1
EBITDA	226	-47	n.m.	177	27.7	403	-95	n.m.
Margin (%)	4.7	-1.7	640bps	4.2	50bps	4.5	-1.8	630bps
EBIT	46	-175	n.m.	28	64.3	74	-353	n.m.
PBT	237	21	1,028.6	239	-0.8	476	6	7,833.3
Rep. PAT	176	36	388.9	253	-30.4	429	38	1,028.9
Adj PAT	176	36	388.9	253	-30.4	429	38	1,028.9
EPS (Rs)	0.2	0.0	373.8	0.3	-27.9	0.5	0.0	994.0

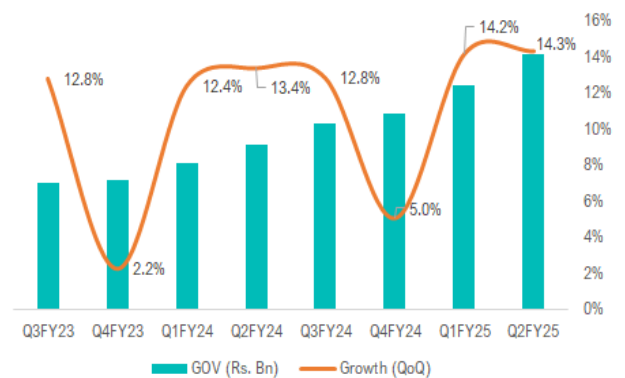
Key Concall Highlights

- AOV remains consistent across the leading 7 to 8 cities. BlinkIt has established its presence in 40 locations. Prior to launching a store, Zomato evaluates product viability and demand in the respective areas.
- The company aims to achieve a 25% growth in its food delivery GOV in the near to long term. The quick-commerce sector in tier II cities is still in its early stages. The expansion process may be uneven owing to the involvement of various stakeholders. Zomato is determined to reach 1,000 stores by March 2025 and 2,000 by December 2025.
- The Food Delivery GOV growth was 21.6%(YoY). The management has reiterated its expectation that GOV would sustain the growth rate of at least 20% annually in the near term, driven by volume growth in monthly transacting users.
- According to management, most stores are profitable with increasing margins, but overall margins aren't expanding due to infrastructure investments (152 new stores, 7 warehouses added in Q2FY25). These additions are initially margin-dilutive, taking a few months to ramp up.
- The company has not encountered a decrease in consumer activity, unlike many other businesses. It is anticipated that in Q3FY25, it will continue to see steady demand without any significant downturn.

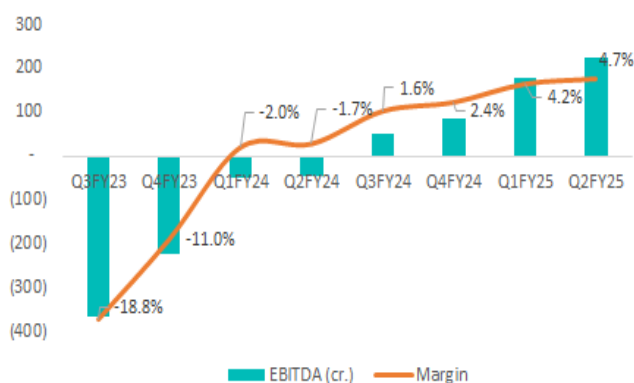
Revenue



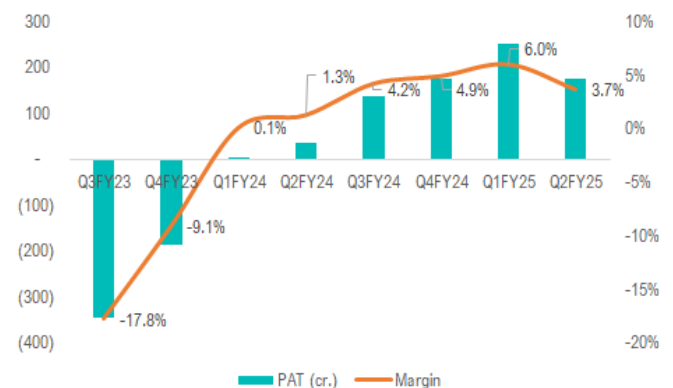
Gross Order Value



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	17,565	23,538	19,988	29,123	13.8	23.7
EBITDA	1,076	2,577	1,088	2,541	1.1	-1.4
Margins (%)	6.1	10.9	5.4	8.7	-70bps	-220bps
Adj. PAT	1,159	2,444	965	2,180	-16.7	-10.8
EPS	1.4	2.9	1.1	2.5	-18.3	-12.4



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	4,192	7,079	12,114	19,988	29,123
% change	110.3	68.9	71.1	65.0	45.7
EBITDA	-1,851	-1,196	42	1,088	2,541
% change	296.2	-35.4	-100.1	n.m.	133.6
Depreciation	150	451	526	722	799
EBIT	-2,001	-1,647	-484	366	1,742
Interest	12	49	72	79	87
Other Income	793	681	847	999	1,252
PBT	-1,221	-1,015	291	1,286	2,907
% change	49.7	-16.8	-128.7	342.1	126.0
Tax	2	44	60	322	727
Tax Rate (%)	-0.2	-4.3	20.6	25.0	25.0
Reported PAT	-1,223	-971	351	965	2,180
Adjustment	-297	-	-	-	-
Adj PAT	-1,506	-971	351	965	2,180
% change	208.6	-35.5	-136.1	174.9	126.0
No. of shares (cr)	723	809	884	884	884
Adj EPS -(Rs.)	-1.7	-1.2	0.4	1.1	2.5
% change	10.6	-28.1	-134.2	169.9	126.0
DPS (Rs.)	-	-	-	-	-

Cash Flow

Y.E March	FY22A	FY23	FY24A	FY25E	FY26E
Net inc. + Depn.	-1,072	-520	836	1,687	2,980
Non-cash adj.	301	-7	-48	-1,085	-2,364
Changes in W.C	78	-317	-142	445	870
C.F. Operation	-693	-844	646	1,047	1,486
Capital exp.	-57	-101	-202	-400	-655
Change in inv.	-7,597	179	4,073	-64	-67
Other invest.CF	-283	379	-4,218	79	87
C.F – Investment	-7,938	457	-347	-385	-635
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	721	883
Closing cash	1,576	1,017	731	1,452	2,335

Balance Sheet

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,576	1,017	731	1,452	2,335
Accounts Receivable	160	457	794	1,299	1,747
Inventories	40	83	88	180	291
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	4,230	4,885
Net Fixed Assets	115	636	977	977	1,132
CWIP	1	7	18	20	22
Intangible Assets	1,289	5,708	5,471	5,147	4,846
Other Assets	5,291	2,137	1,067	1,104	1,144
Total Assets	17,327	21,599	23,356	25,514	29,239
Current Liabilities	712	1,406	2,083	3,199	4,696
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	20,510	22,690
Shareholder's Fund	16,506	19,460	20,413	21,378	23,558
Total Liabilities	17,327	21,599	23,356	25,514	29,239
BVPS	23	24	23	25	27

Ratios

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	-44.1	-16.9	0.0	5.4	8.7
EBIT margin (%)	-47.7	-23.3	-4.0	1.8	6.0
Net profit mgn.(%)	-28.8	-13.7	2.9	4.8	7.5
ROE (%)	-7.4	-5.0	1.7	4.5	9.3
ROCE (%)	-12.1	-8.3	-2.3	1.7	7.2
W.C & Liquidity					
Receivables (days)	13.9	23.6	23.9	23.7	21.9
Inventory -days	27.6	21.7	11.1	10.6	9.9
Payables (days)	298.3	177.7	112.2	113.2	113.6
Current ratio (x)	10.6	7.5	2.6	2.1	1.8
Quick ratio (x)	4.7	4.1	1.3	1.3	1.2
Turnover & Leverage					
Gross asset T.O (x)	3.3	2.8	3.2	5.0	6.4
Total asset T.O (x)	0.3	0.4	0.5	0.8	1.1
Int. coverage ratio (x)	-166.8	-33.6	-6.7	4.7	20.0
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	13.8	5.7	13.2	11.1	7.6
EV/EBITDA (x)	n.m.	n.m.	n.m.	203.1	86.6
P/E (x)	n.m.	n.m.	444.8	229.8	101.7
P/BV (x)	3.6	2.1	7.8	10.4	9.4



Recommendation Summary (last 3 years)



Dates	Rating	Target
21-Mar-22	BUY	105
07-Jun-22	BUY	84
11-Aug-22	BUY	69
17-Feb-23	BUY	60
08-Aug-23	BUY	114
13-Feb-24	BUY	174
16-May-24	BUY	220
28-Oct-24	BUY	284

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.

Symbols definition:



Upgrade



No Change



Downgrade

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

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