

Research Report

Zomato Ltd.



Prepared by
Ashima Jain

About

Incorporated in 2010, Zomato Limited is one of the leading online Food Service platforms in terms of the value of food sold. Its offerings include food delivery, dining-out services, Loyalty programs, and others.

As of December 31, 2020, Zomato has established a strong footprint across 23 countries with 131,233 active food delivery restaurants, 161,637 active delivery partners, and an average monthly food order of 10.7 million customers.

Product Portfolio

- Food delivery
- Dining out
- Hyper pure
- Blinkit

International Footprints

International Footprints (10% of the revenue)

While it had a footprint across 23 countries outside India including UAE, Australia, New Zealand, Philippines, Indonesia, Malaysia, USA, Lebanon, Turkey, Czech, Slovakia, and Poland.

Its international segment contributes about a tenth of its business and 2.5% of its total assets, according to its IPO filings. However, it accounts for more than 15% of liabilities, and over 13% share in a loss in FY21, the filings revealed.

Synopsis of Financials

- Sales has increased due to increase in Services and other income.
- Moreover, bank deposits and government securities has also increased.
- Profit of the company has grown majorly due to revenue from services.

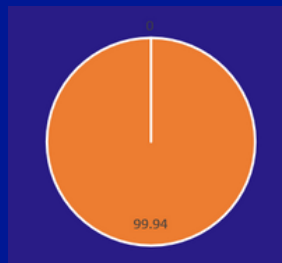
Stock data (as on 4th Jan 2024)

Nifty Price	: 21570
52 week High (in Rs.)	: 132
52 week Low (in Rs.)	: 44.4
Market Cap. (in Crore)	: 112545Cr.
NSE Code	: ZOMATO

Stock data (2022-2023)



Shareholding Pattern (Sep 2023)



Financial Summary

Particulars	March 2021	March 2022	March 2023
Sales	7,079	4,192	1,994
Sales Growth %	69%	110%	-23%
Operating Profit	-1,211	-1,851	-467
OPM %	-17%	-44%	-23%
Profit before tax	-1,015	-1,220	-815
YOY Growth	7%	7%	-
EPS in Rs	-1.14	-1.54	-23,123.76

Synopsis Quater Results

Con-Call Q2FY23: Key Highlights

Capex:

- No specific guidance provided on working capital trends

New products:

- No plans for a loyalty program on the Blinkit side at the moment
- No updates on the potential launch of a dining out app

Guidance:

- Expecting 25-30% YoY growth in food delivery business next quarter, considered moderate compared to sell-side expectations
- ESOPs increased on a QoQ basis, but expected to end at the guidance of INR 450 crores for FY24
- No specific guidance provided on market share in the food delivery business
- No specific guidance on Blinkit's customer charges

Financials:

- Increase in food take rate, driven by platform fees and improved ad monetization
- Platform fee is here to stay, with potential adjustments in the future
- Increase in Blinkit's average order value (AOV) driven by iPhone sales, but AOV expected to fluctuate in the future
- Depreciation and amortization reduced due to the completion of a one-year depreciation cycle for intangible assets
- Focus on growth in absolute contribution profit rather than contribution margin
- Ad monetization driven by increased volume of advertisers rather than pricing changes
- Fixed cost increase in Blinkit due to disruptions in the previous quarter, but current levels represent normal fixed cost levels
- Aggressive pricing strategy for Zomato Gold membership in response to competition, but expect funding gap to narrow at the contribution level in the future

Expansion:

- Blinkit store breakeven expected in the first quarter of the next financial year
- New cities expansion in Blinkit is selective and not expected to be a significant portion of the business in the short term
- Synergies between Hyperpure and Blinkit realized in infrastructure and sourcing relationships

Market and competition:

- Competitive dynamic in quick commerce not considered easier, with competition from other players and larger platforms like Amazon
- No specific benchmarking in quick commerce, aiming to be category creators and inventors
- No benchmarking in quick commerce, aiming to create the market rather than benchmark against others

Performance indicators:

- Increase in transacting users aided by Zomato Gold, but pace of attachment expected to slow down
- Blinkit's gross order value (GOV) ratio to Zomato's GOV is currently in the 1x to 2x range, but could change in the future

Quarterly Results

Particular	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
Sales	1,212	1,414	1,661	1,948	2,056	2,416	2,848
Expenses	1,662	1,721	1,973	2,314	2,282	2,464	2,895
Operating Profit	-450	-307	-312	-366	-226	-48	-47
OPM %	-37%	-22%	-19%	-19%	-11%	-2%	-2%
Other Income	130	168	170	173	171	181	212
Interest	2	5	12	16	15	18	16
Depreciation	38	42	107	155	134	130	128
Profit before tax	-359	-186	-261	-364	-204	-15	21
Tax %	0%	0%	4%	5%	8%	113%	-71%
Net Profit	-360	-186	-251	-347	-188	2	36

Source: Screener

Key Ratios

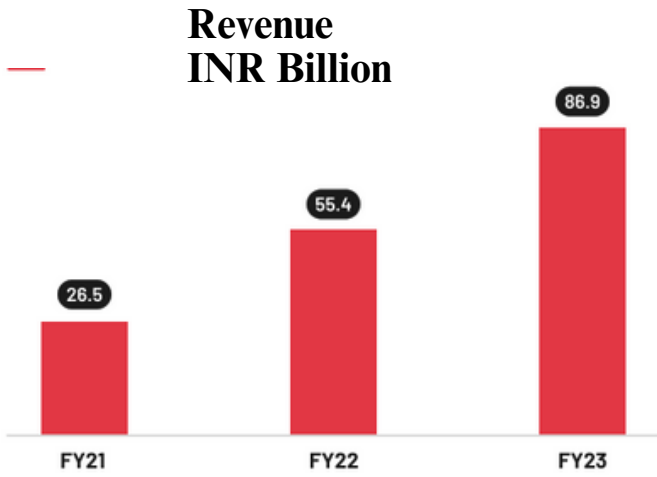
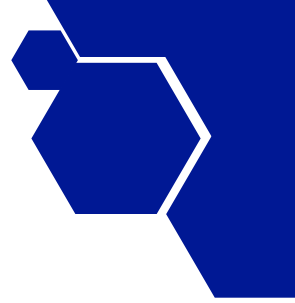
Particulars	Numerator	Denominator	March 31, 2023	March 31, 2022	Variance
Current ratio (in times)	Total current assets	Total current liabilities	9.33	11.06	(16%)
Debt service coverage ratio (in times)	Earnings for debt service= Net profit after taxes+ Non-cash operating expenses+ Interest+ Other non-cash adjustments	Debt service= Interest and lease payments + Principal repayments	57.64	(3.33)	(1,833%)
Return on equity (%)	Net profits after taxes	Average shareholder's equity	0.62%	(8.79%)	(107%)
Inventory turnover ratio (in times)	Cost of goods sold	Average Inventory	2.67	-	NA
Trade receivable turnover ratio (in times)	Revenue from operations	Closing balance of trade receivable	75.68	21.64	250%
Trade payable turnover ratio (in times)	Purchase of services and other expenses	Closing balance of trade payable	8.59	6.95	24%
Net capital turnover ratio (in times)	Revenue from operations	Working capital	0.65	0.71	(8%)
Net profit (%)	Net profit	Revenue from operations	2.48%	(30.41%)	(108%)
Return on Capital Employed (%)	Earnings before interest and taxes	Capital employed= Tangible net worth+ Total debt+ Deferred tax (assets)/liabilities	0.67%	(7.07%)	(109%)

Source: Annual Report

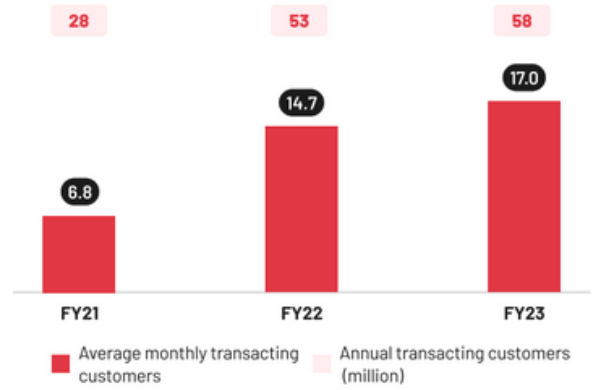
Yearly Results

Particulars	Mar 2023	Mar 2022	Mar 2021
Equity Capital	0	764	836
Reserves	7,644	15,741	18,623
Borrowings	72	70	507
Other Liabilities	987	751	1,632
Total Liabilities	8,704	17,327	21,599
Fixed Assets	1,539	1,404	6,343
CWIP	0	1	8
Investments	2,205	4,718	6,765
Other Assets	4,959	11,204	8,484
Total Assets	8,704	17,327	21,599

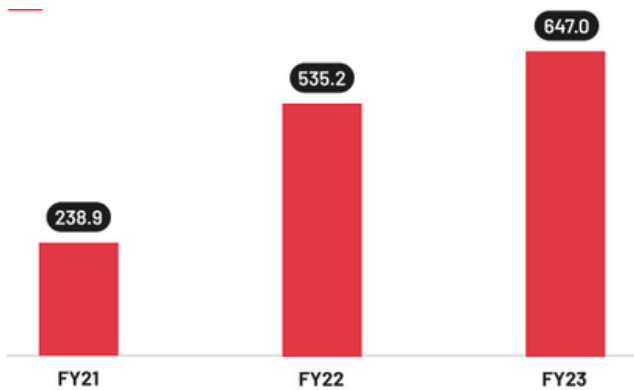
Financial Performance



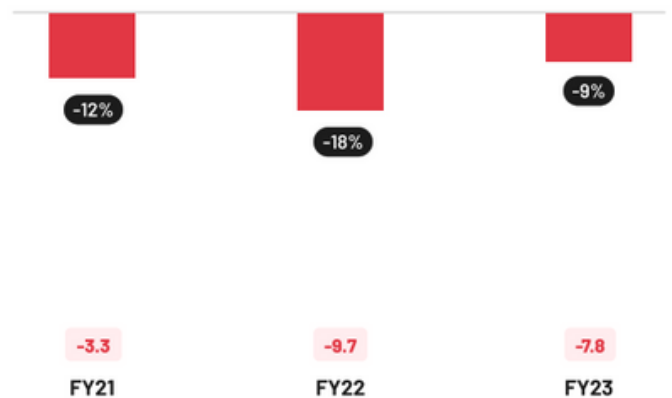
Average monthly transacting customers Million



Food delivery Orders Million



EBITDA Margin



Final Outlook

Zomato: Buy | LTP: 129

Zomato Ltd. has favorable long-term prospects because of the brokerage. The management has stated in the most recent conference calls that they hope to achieve 4-5% EBITDA margins in the food business and anticipate 25–30% YoY growth in food delivery the following quarter. These statements indicate that Zomato's future appears to be bright.

Additionally, Zomato reported profits for the previous two quarters. The company's financial statements show that a sizable loan balance has also been repaid. Zomato also reported a high number of orders on this New Year's Eve; it is anticipated that these orders were a combination of FY5,16,17,18,19, and 20. The brokerage recommends purchasing at the current price of ₹124 with a target price of ₹156 per share, offering an upside potential of 25.8%.