

BSE SENSEX 80,050 S&P CNX 24,796

CMP: INR265

TP: INR320 (+21%)

Buy

zomato

Stock Info

Bloomberg	ZOMATO IN
Equity Shares (m)	8820
M.Cap.(INRb)/(USDb)	2350.8 / 28
52-Week Range (INR)	298 / 101
1, 6, 12 Rel. Per (%)	3/30/129
12M Avg Val (INR M)	11499
Free float (%)	100.0

Financials & Valuations (INR b)

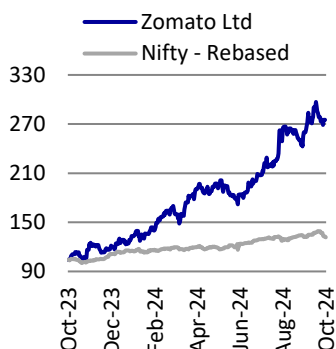
Y/E MARCH	FY25E	FY26E	FY27E
GOV	412.4	530.2	642.3
Net Sales	203.7	321.0	454.2
Change (%)	68.2	57.6	41.5
EBITA	7.7	33.5	76.4
EBITA margin (%)	3.8	10.4	16.8
Adj. PAT	8.8	28.0	59.9
PAT margin (%)	4.3	8.7	13.2
RoE (%)	4.20	12.35	22.13
RoCE (%)	-0.52	8.88	18.90
EPS	1.02	3.25	6.96
EV/ Sales	11.1	7.0	4.8
Price/ Book	10.7	9.5	7.6

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	15.8	15.3	9.9
FII	55.6	56.7	56.5
Others	28.7	28.0	33.6

FII includes depository receipts

Stock Performance (one-year)



Swiggy vs. Zomato: Sizing up the giants

Swiggy currently lags Zomato on key metrics, but its innovation DNA and possible improvement in execution could unlock massive value

We analyze key metrics from Swiggy's recently filed DRHP and compare them with those of Zomato. A cursory glance through the numbers indicates that Zomato now has market leadership in food delivery and quick commerce, the two key battleground areas for the players. **While Zomato is undeniably *Primus inter pares*, the war for the wallet share of the urban affluent consumer has just begun, and it is too early to call the game.** Zomato has been gaining market share in food delivery, but on the basis of GOV/MTU, Swiggy's cohorts appear more mature and stickier. In quick commerce, despite Swiggy's Instamart inventing the category, Blinkit has taken an early lead and Zepto continues to execute well. However, the market is nascent, and enough avenues exist to differentiate on SKUs and strategy, making it too early to declare winners (or losers).

Swiggy's approach of an integrated app offering vs. Zomato's multi-app approach (both at the back and the front end) helps it innovate faster (Instamart was born out of a similar synergy); Swiggy could again be at the forefront of food delivery innovation through Bolt, its 10-minute food delivery platform.

Zomato leads in the food delivery business

- Swiggy's food delivery business has seen a ~42% expansion in the user base and ~73% growth in the number of restaurant partners, while Zomato has seen 38%/53% growth in user base/no. of restaurant partners (on a high base).
- Zomato has continued to gain market share from Swiggy from FY22 to 1QFY25, aided by its stronger execution, in our view. According to reported gross order value (GOV), Zomato's market share grew from 54% in FY22 to 58% in 1QFY25.
- **Swiggy's customer cohorts indicate high-maturity users:** Avg. MTU is higher for Zomato (20.3m) vs. Swiggy (14.03m). GOV per MTU, however, is ~6% higher for Swiggy; **this shows Swiggy's customer cohorts are more mature and stickier compared to its peer.**
- **Swiggy's take rates are ahead of Zomato's**, indicating better monetization of its platform (possibly in ad sales from restaurant partners). However, we expect the take rates to converge, as Zomato continues to dominate the market.
- **Zomato outperforms in terms of average MTU**, with 20m vs. Swiggy's 14m. While Swiggy has ~6% higher GOV per MTU, primarily driven by higher order frequency, both platforms have similar average order values.
- **Zomato is leading not only in GOV and market share but also in profitability.** Zomato's food delivery business has become stable, showing consistent GOV growth and predictable profitability with **EBITDA margin of 3.4%**. In contrast, Swiggy's food delivery business has just broken even, with a lower EBITDA margin of 0.8%.

Abhishek Pathak - Research Analyst (Abhishek.Pathak@MotilalOswal.com)

Keval Bhagat - Research Analyst (Keval.Bhagat@MotilalOswal.com)

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Blinkit tops Instamart in quick commerce, but too early to call winners

- Zomato acquired Blinkit (formerly Grofers) to strengthen its instant grocery delivery segment. Swiggy launched Instamart for grocery delivery, which has grown to become a significant revenue driver. **That said, a slower expansion compared to peers means it is losing some market share to Blinkit as well as Zepto.**
- As of 1QFY25, Instamart operated a network of 557 active dark stores across 32 cities in India, whereas Blinkit has 639 active dark stores across 44 cities. Blinkit has ~81% higher GOV (INR49,230m) than Instamart in 1QFY25.
- Blinkit has a higher take rate of 19.1%/18.5%/16.5% in 1QFY25/FY24/FY23 compared with Instamart's 14.8%/13.5%/10.7%. **Instamart's AOV is also significantly lower than Blinkit's.**
- Blinkit is ahead of Instamart in terms of profitability as well. Blinkit's adj. EBITDA margin stood at -0.1% in 1QFY25 vs. Instamart's -11.7%. **The divergence in AOV and take rate is driving the margin difference, in our view.**
- However, we are at the very beginning of the quick commerce race, and there are enough opportunities for players to differentiate themselves, and it is too early to call this game, in our view.

Swiggy's innovation DNA key to success

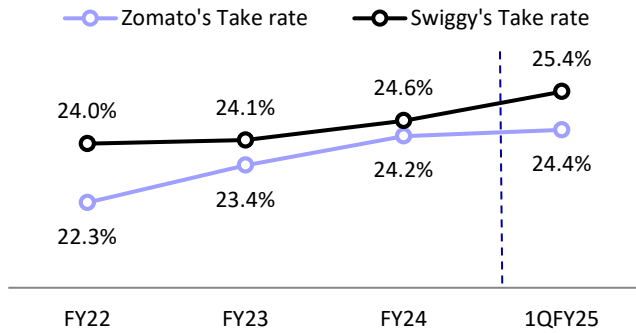
- Swiggy's approach of an integrated app offering vs. Zomato's multi-app approach (both at the back and the front end) helps it innovate faster (Instamart was born out of a similar synergy).
- Swiggy could again be at the forefront of food delivery innovation through its new 10-minute food delivery offering; customers can choose from a mix of brands such as KFC, McDonalds, Burger King, Starbucks, etc. and can get food delivered in 10-15 minutes.
- We note that Zomato tried a similar pilot in 2023 but could not scale it. The knowledge of scaling up quick commerce over the past couple of years, however, changes the landscape now, and we expect more players to adopt 10-minute food delivery going forward.
- Swiggy has the brains to innovate and the brawn to scale, and we expect it to be a key innovator in the quick commerce/food delivery/going out space for years to come.

Valuations and View - Zomato

- Zomato's food delivery business is stable, and Blinkit offers a generational opportunity to participate in the disruption of industries such as retail, grocery and e-commerce. Our estimates imply FY24-27 revenue CAGR of 55% and PAT margin of 4.3%/8.7%/13.2% in FY25/FY26/FY27. We value the business using a DCF methodology, assuming 12.5% cost of capital. Our DCF-based valuation of INR320 suggests a 21% upside from the current price. We reiterate our **BUY rating** on the stock.

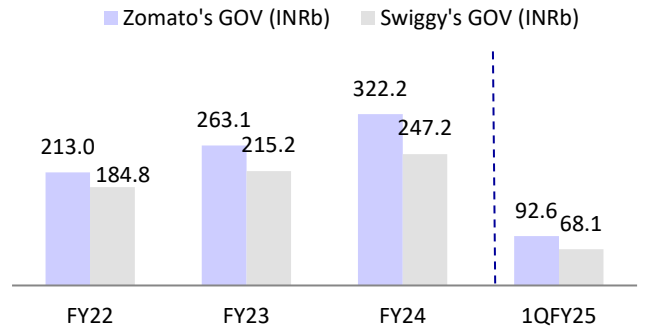
Food Delivery Business: Story in charts

Exhibit 1: Swiggy's take rates are slightly higher



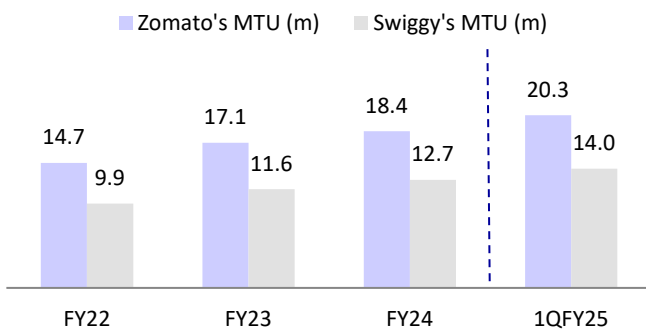
Source: MOFSL, Company

Exhibit 2: Zomato leading the market in terms of GOV



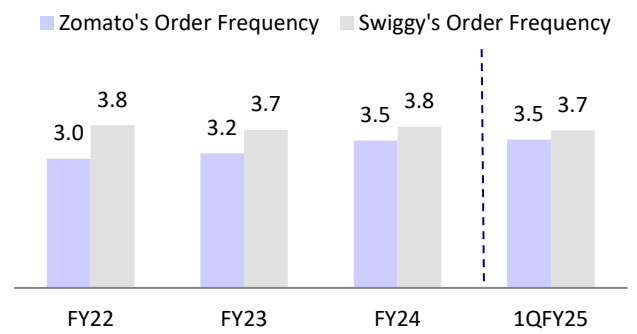
Source: MOFSL, Company

Exhibit 3: Zomato's MTU stood at 20.3 mn, ~40% higher than Swiggy's



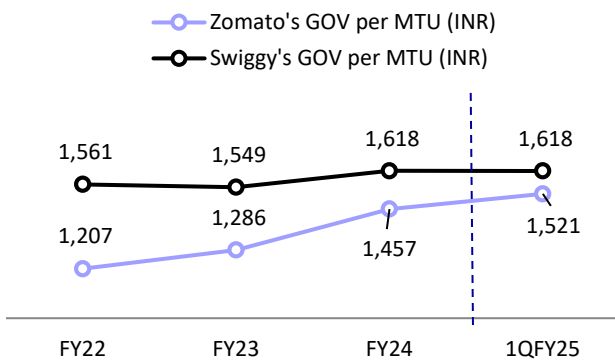
Source: MOFSL, Company

Exhibit 4: Order frequency per MTU per month is largely similar for both



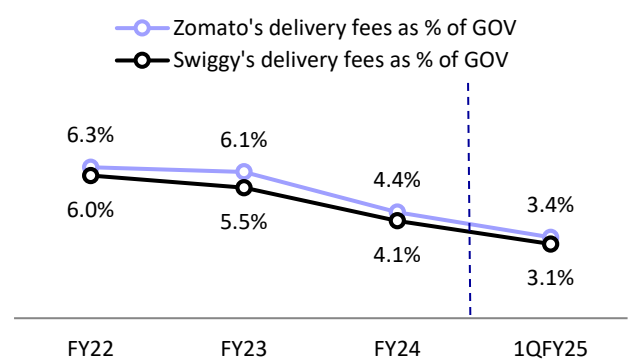
Source: MOFSL, Company

Exhibit 5: GOV per MTU is higher for Swiggy



Source: MOFSL, Company

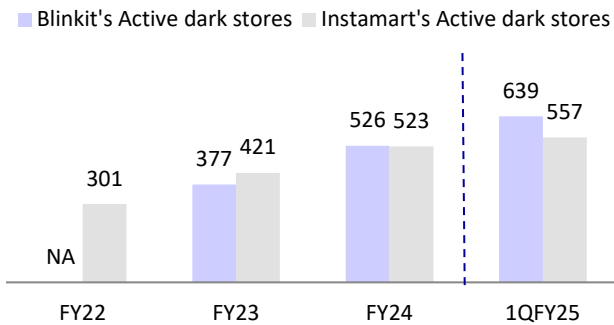
Exhibit 6: Zomato's delivery fees as % of GOV is 30-50bp higher than Swiggy's across period



Source: MOFSL, Company

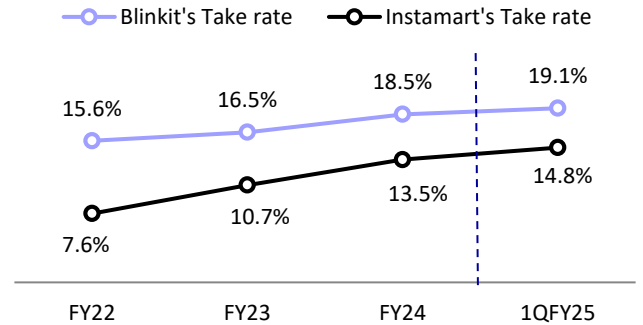
Quick Commerce Business: Story in charts

Exhibit 7: Blinkit's active dark stores reached 639 in 1Q



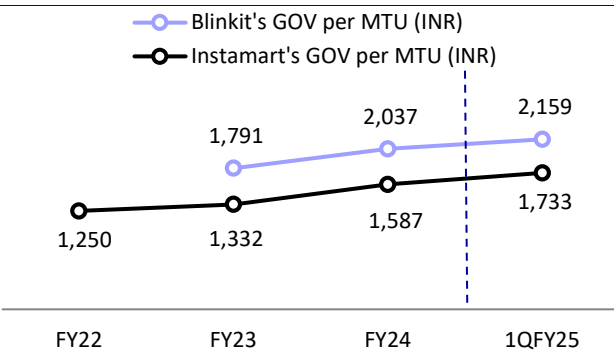
Source: MOFSL, Company

Exhibit 8: Blinkit has significantly higher take rates than Instamart



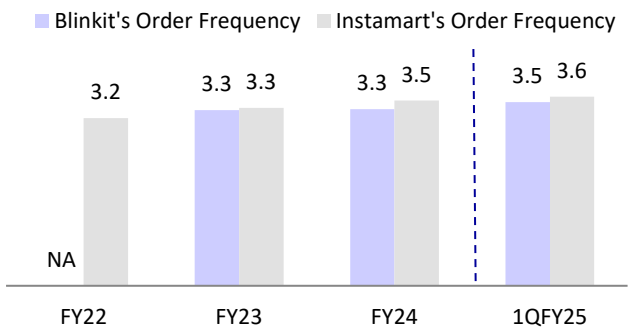
Source: MOFSL, Company

Exhibit 9: Blinkit's higher GOV per MTU driven by elevated take rates



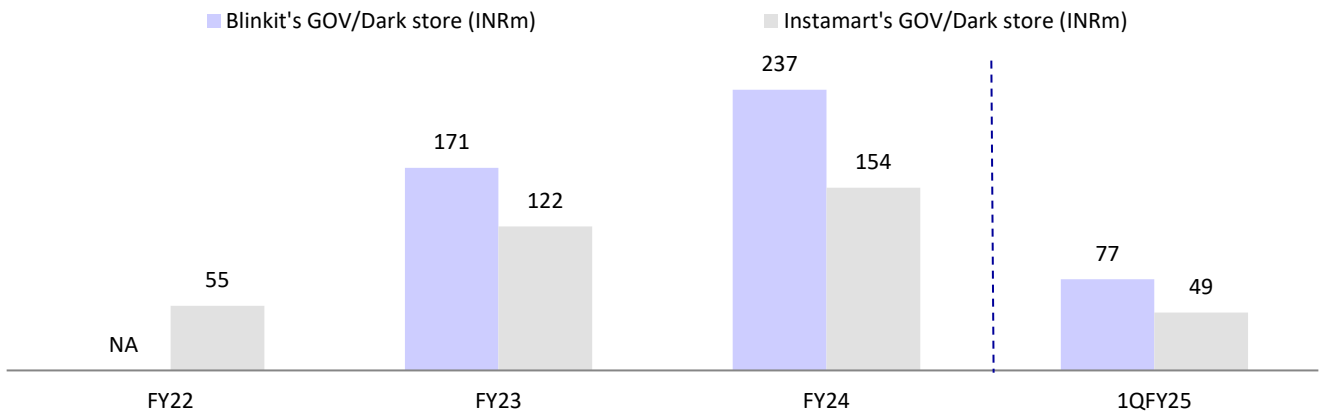
Source: MOFSL, Company

Exhibit 10: Q-commerce's order frequency per MTU per month is largely similar for both



Source: MOFSL, Company

Exhibit 11: Blinkit outperforms Instamart in terms of GOV/Dark store



Source: MOFSL, Company

Financials and valuations

Revenue Model							(INR m)
Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
MTU (Mn)	6.8	14.7	17.1	18.4	21.1	24.2	27.1
Order Frequency	2.9	3.0	3.2	3.5	3.7	4.0	4.2
Orders/ Month	19.9	44.7	54.0	63.9	78.9	97.5	114.1
Orders/ Year	239	537	648	766	946	1,170	1,369
AOV	397	398	407	420	436	453	469
Delivery GOV	94,829	2,13,565	2,63,381	3,22,039	4,12,411	5,30,237	6,42,310
Take Rate (%)	15.8	17.2	17.2	19.7	21.0	21.0	21.5
Delivery Revenue	15,003	36,645	45,381	63,572	86,572	1,11,350	1,38,097
Blinkit Revenue	0	0	8,058	23,020	51,496	1,00,433	1,75,675
Hyperpure revenue	2,002	5,376	15,061	31,720	60,520	1,02,883	1,33,749
Others	2,933	-97	2,294	2,828	5,115	6,344	6,661
Revenue	19,938	41,924	70,794	1,21,140	2,03,702	3,21,010	4,54,182
Income statement							(INR m)
Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Sales	19,938	41,924	70,794	1,21,140	2,03,702	3,21,010	4,54,182
Change (%)	-23.5	110.3	68.9	71.1	68.2	57.6	41.5
Inventory of traded goods	1,919	5,246	13,952	28,820	56,002	95,296	1,20,374
Employee Expenses	7,408	16,331	14,650	16,590	19,625	20,856	22,246
Other direct expenses	-8,333	-14,125	2,173	19,990	61,367	1,30,788	2,27,034
Gross Profit	-925	2,206	16,823	36,580	80,992	1,51,644	2,49,279
% of Net Sales	-4.6	5.3	23.8	30.2	39.8	47.2	54.9
Other Expenses	3,746	20,714	28,936	36,160	73,271	1,18,191	1,72,878
EBITA	-4,672	-18,508	-12,113	420	7,721	33,453	76,401
% of Net Sales	-23.4	-44.1	-17.1	0.3	3.8	10.4	16.8
Depreciation	1,377	1,503	4,369	5,260	8,764	6,990	9,540
EBIT	-6,049	-20,011	-16,482	-4,840	-1,043	26,462	66,862
% of Net Sales	-30.3	-47.7	-23.3	-4.0	-0.5	8.2	14.7
Other Income (net)	1,146	4,829	6,328	7,750	9,061	9,000	9,000
PBT	-4,904	-15,182	-10,154	2,910	8,018	35,462	75,862
Tax	13	20	-436	-600	-740	7,447	15,931
Rate (%)	-0.3	-0.1	4.3	-20.6	-9.2	21.0	21.0
PAT	-4,917	-15,202	-9,718	3,510	8,758	28,015	59,931
Extraordinary gains/loss	-3,248	2,974	1	0	0	0	0
Adjusted PAT	-8,164	-12,228	-9,717	3,510	8,758	28,015	59,931
Minority Interest	-36	3	-3	0	0	0	0
Reported PAT	-8,128	-12,225	-9,720	3,510	8,758	28,015	59,931
Balance Sheet							(INR m)
Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Share capital	4,550	7,643	8,364	8,680	8,680	8,680	8,680
Reserves	76,438	1,57,412	1,86,234	1,95,450	2,04,208	2,32,223	2,92,154
Net Worth	80,987	1,65,055	1,94,598	2,04,130	2,12,888	2,40,903	3,00,834
Minority Interest & Others	-57	-66	-66	-70	-70	-70	-70
Loans	0	0	58	0	0	0	0
Capital Employed	80,930	1,64,989	1,94,590	2,04,060	2,12,818	2,40,833	3,00,764
Net Block	838	1,157	6,432	9,950	9,950	9,950	9,950
Intangibles	14,553	12,892	57,071	54,710	50,020	49,450	48,994
Other LT assets	30,138	83,771	44,174	1,14,320	1,14,309	1,14,309	1,14,309
Curr. Assets	41,505	75,450	1,08,310	54,580	73,975	1,10,995	1,80,957
Debtors	1,299	1,599	4,569	7,940	13,351	21,040	29,769
Cash & Bank Balance	3,065	3,923	2,181	3,090	17,074	46,405	1,07,638
Investments	28,024	28,149	52,837	17,020	17,020	17,020	17,020
Other Current Assets	9,118	41,779	48,723	26,530	26,530	26,530	26,530
Current Liab. & Prov	6,105	8,281	21,397	29,500	35,436	43,871	53,446
Net Current Assets	35,400	67,169	86,913	25,080	38,539	67,124	1,27,511
Application of Funds	80,930	1,64,989	1,94,590	2,04,060	2,12,818	2,40,833	3,00,764

Financials and valuations

Ratios

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Basic (INR)							
EPS	-1.0	-1.7	-1.2	0.4	1.0	3.3	7.0
Cash EPS	-0.8	-1.5	-0.7	1.0	2.1	4.1	8.2
Book Value	15.0	22.6	24.1	23.7	24.7	28.0	34.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	NA	NA	NA	NA	NA	NA	NA
Cash P/E	NA	NA	NA	NA	NA	NA	NA
EV/EBITDA	NA	NA	NA	NA	NA	NA	NA
EV/Sales	71.4	46.0	30.2	18.8	11.1	7.0	4.8
Price/Book Value	17.6	11.7	11.0	11.2	10.7	9.5	7.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profitability Ratios (%)							
RoE	(18.5)	(9.9)	(5.4)	1.8	4.2	12.3	22.1
RoCE	(11.7)	(16.2)	(8.6)	(2.8)	(0.5)	8.9	18.9
Turnover Ratios							
Debtors (Days)	24	14	24	24	24	24	24
Fixed Asset Turnover (x)	23.8	36.2	11.0	12.2	20.5	32.3	45.6

Cash Flow Statement

(INR Mn)

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
CF from Operations	-2,798	-9,221	-6,373	6,330	12,601	38,089	80,806
Cash for Working Capital	-7,567	2,483	-1,759	1,180	525	746	846
Net Operating CF	-10,365	-6,738	-8,132	7,510	13,126	38,834	81,652
Net Purchase of FA	-104	-572	-1,014	-2,020	-4,074	-6,420	-9,084
Free Cash Flow	-10,469	-7,310	-9,146	5,490	9,052	32,414	72,568
Net Purchase of Invest.	-52,332	-78,806	5,587	-1,450	10,442	10,000	10,000
Net Cash from Invest.	-52,436	-79,378	4,573	-3,470	6,368	3,580	916
Proc. from equity issues	66,083	90,000	40	230	-4,880	-4,636	-4,404
Proceeds from LTB/STB	-26	-13	-231	-400	0	0	0
Others	-2,038	-2,489	-1,083	-1,900	-1,381	-1,000	-1,000
Dividend Payments	0	0	0	0	0	0	0
Cash Flow from Fin.	64,019	87,498	-1,274	-2,070	-6,261	-5,636	-5,404
Net Cash Flow	1,218	1,382	-4,833	1,970	13,232	36,778	77,164
Opening Cash Bal.	1,672	3,065	3,923	2,181	3,101	17,074	46,405
Forex differences	-10	-332	3,399	0	0	0	0
Add: Net Cash	1,218	1,382	-4,833	1,970	13,232	36,778	77,164
Closing Cash Bal.	2,880	4,115	2,489	4,151	16,334	53,852	1,23,569

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani

Email: nainesh.raiani@motilaloswal.com

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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