

14 May 2024

India | Equity Research | Q4FY24 results review

Zomato

Internet

'Blitz'ing it in Quick Commerce; Innovating in Food Delivery

Blinkit is accelerating its dark store addition trajectory, having achieved adj. EBITDA breakeven in Mar'24. Management guided for doubling store count to 1,000 by FY25 (~300 store pipeline ready). In our view, this is a strategic move to gain market share in QC through geographical expansion while competitors are still focused on profit improvement. Given faster growth ambitions, management has guided for near-zero EBITDA in the next 2-3 quarters. We have cut our Blinkit adj. EBITDA estimate for FY25E by 68%; however, FY26E Blinkit adj. EBITDA estimate is revised up by 11.4%. In FD we think the recent innovations in bulk ordering ([link](#)) and veg only fleet ([link](#)) should boost revenue growth; while gold plan optimisation and priority delivery should aid further profit improvement. Maintain **BUY**, TP INR 300.

Food delivery

In Q4FY24, food delivery GOV remained flattish sequentially but up 28.5 %YoY (I-Sec: INR 84.9bn) at INR 84.4bn. We estimate, AOV improved 2% QoQ on seasonality and ordering frequency remained flattish sequentially. Food delivery contribution margin (as a % of GOV) increased by 40bps QoQ to 7.5% in Q4FY24 (I-Sec: 7.4%). Adjusted revenue (food delivery) was INR 20.5bn (I-Sec: INR 20.8bn), growing 34% YoY (down 0.6% QoQ). Adjusted EBITDA (as a percentage of GOV) was 3.3% (up 30bps QoQ), growing 9.1% QoQ to INR 2.75bn.

Blinkit

Blinkit GOV grew 13.7% QoQ to INR 40.3bn. This was aided by store expansion (75 stores added). GOV growth was led by 17% increase in order volumes although there was sequential decline in AOV (-2.8% QoQ) due to seasonal factors. Quick commerce adjusted revenue was INR 7.69bn (I-Sec: INR 7.75bn). Contribution margin (as a % of GOV) improved by 150 bps QoQ to 3.9% in Q4FY24. Adjusted EBITDA (as a % of GOV) improved by 160 bps QoQ to -0.9% in Q4FY24.

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Market Data

Market Cap (INR)	1,715bn
Market Cap (USD)	20,538mn
Bloomberg Code	ZOMATO IN
Reuters Code	ZOMT BO
52-week Range (INR)	207 /62
Free Float (%)	68.0
ADTV-3M (mn) (USD)	112.7

Price Performance (%)	3m	6m	12m
Absolute	25.6	59.0	210.4
Relative to Sensex	23.9	46.9	193.1

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	70,794	1,36,734	1,99,487	2,54,033
EBITDA	(7,045)	3,719	17,015	29,136
EBITDA Margin (%)	(10.0)	2.7	8.5	11.5
Net Profit	(9,720)	3,535	12,721	28,489
EPS (INR)	(1.2)	0.4	1.5	3.4
EPS % Chg YoY	-	-	259.9	124.0
P/E (x)	(161.9)	464.5	129.1	57.6
EV/EBITDA (x)	(215.2)	420.4	90.2	51.3
RoCE (%)	(8.6)	(2.8)	2.7	8.6
RoE (%)	(5.4)	1.8	6.0	11.9

Earnings Revisions (%)	FY25E	FY26E
Revenue	12.4	14.8
Adj. EBITDA	(15.5)	0.0
EPS	(8.6)	1.7

Previous Reports

26-04-2024: [Company Update](#)

25-03-2024: [Company Update](#)

Hyperpure

Hyperpure grew ~11% QoQ and 99% YoY in Q4FY24 to INR 9.5bn (I-Sec: INR 9.4bn). Adjusted EBITDA loss for Hyperpure segment was INR 230mn in Q4FY24 with EBITDA margin of -2.4% (vs -4.0% in Q3FY24). We estimate Hyperpure to turn profitable (adjusted EBITDA) on a full-year basis by FY26E.

Management commentary

Food delivery

According to management, 28% YoY growth in GOV was largely possible despite the softness in the overall restaurant industry due to the high quality of services provided by Zomato. The increase in adjusted EBITDA margin (+210 bps) over the last four quarters was due to 1) higher AOV, 2) improvement in take rate and ad monetization, 3) introduction of platform fees and 4) cost efficiencies.

Blinkit

Management stated that they will aim to get to 1k dark stores (currently 526) by end of FY25. The focus will be to expand in top 8 cities, especially in large cities such as Bangalore, Mumbai, Hyderabad among others where penetration is low. Management believes that if they bring penetration level of these cities (store footprint and GOV) on par with Delhi NCR, this can lead to 4x increase in GOV. Management added that they want to keep reinvesting in business and aim for neutrality on adjusted EBITDA level. They believe that per square-foot throughput should not go down in medium term; however, there might be volatility in this metric as expansion is lumpy in nature. Management maintained that mix of top 8 cities and non-top 8 cities with respect to expansion of dark stores will remain the same and therefore, the blended AOV will not materially increase.

Hyperpure

Management believes that revenue growth in Hyperpure will continue to trend downwards going forward as high base effect kicks in. However, focus will be to aim for high growth along with margin expansion.

Miscellaneous

Recent innovative tactics (group ordering, priority delivery service among others) is part of a larger company vision to constantly look for new ideas to drive value for business. Similarly, management has enough confidence to scale 'Zomato Everyday' and will be expanding it to Bangalore and Mumbai gradually (available only in Gurugram). Management has brought in a proposal to create an additional ESOP pool of 2% of outstanding share capital. They expect ESOP charge to increase in FY25 from current levels; however, they maintained that total employee expenses (as a % of adjusted revenue) will continue to trend downwards.

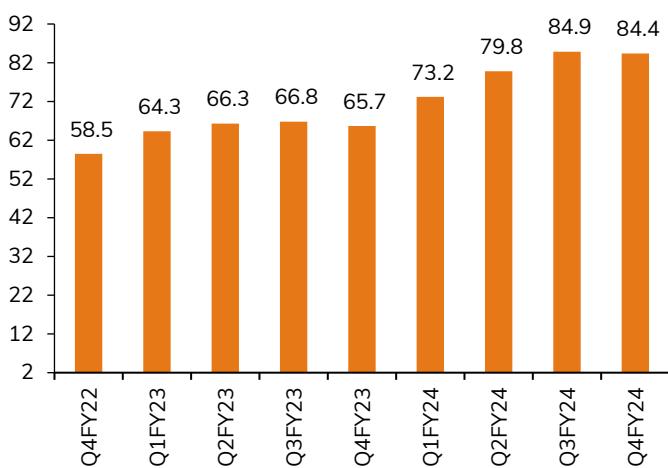
Valuation

We maintain BUY on the stock with a 3 stage DCF-based target price of INR 300. Zomato remains our top pick in Indian internet space. Risks: Slowdown in discretionary spending, negative externalities disrupting business operations.

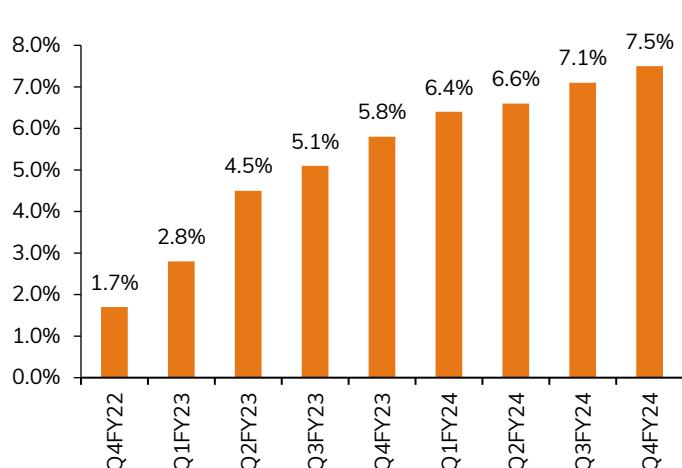
Exhibit 1: SOTP

SOTP	EV (INR bn)	EV (USD bn)	EV/EBITDA FY26	EV/EBITDA FY27	Proportion	INR per share
Food delivery	1,577	19.0	60x	49x	60.5%	182
Blinkit	728	8.8	85x	53x	27.9%	84
Hyperpure	91	1.1	200x	59x	3.5%	10
Others	70	0.8	133x	98x	2.7%	8
Cash	140	1.7			5.4%	16
Overall	2,605	31.3	73x	54x	100.0%	300

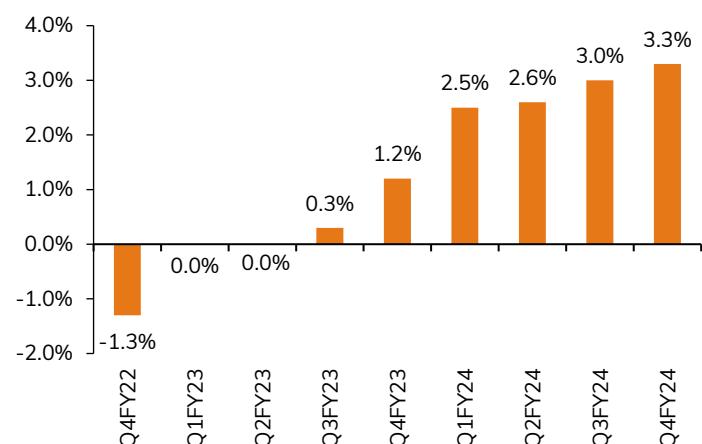
Source: I-Sec research

Food Delivery
Exhibit 2: GOV (INR bn)


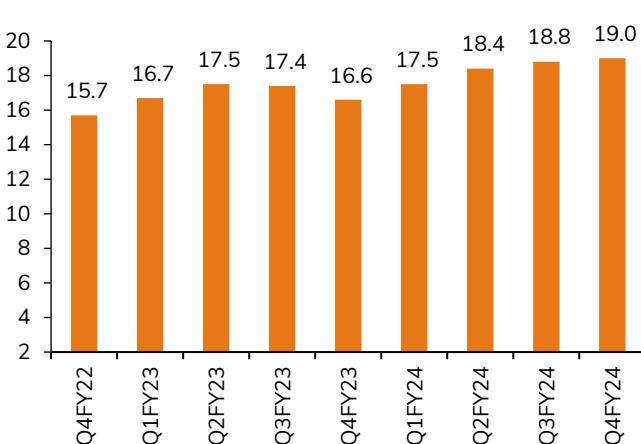
Source: I-Sec research, Company data

Exhibit 3: Contribution as a % of GOV


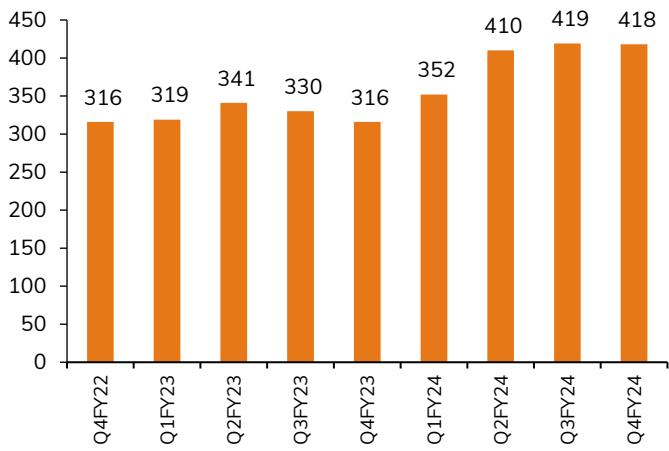
Source: I-Sec research, Company data

Exhibit 4: Adjusted EBITDA as a % of GOV


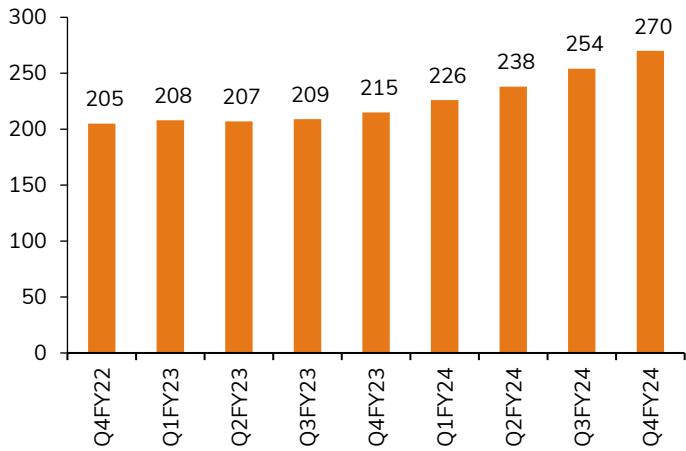
Source: I-Sec research, Company data

Exhibit 5: Average monthly transacting customers (mn)


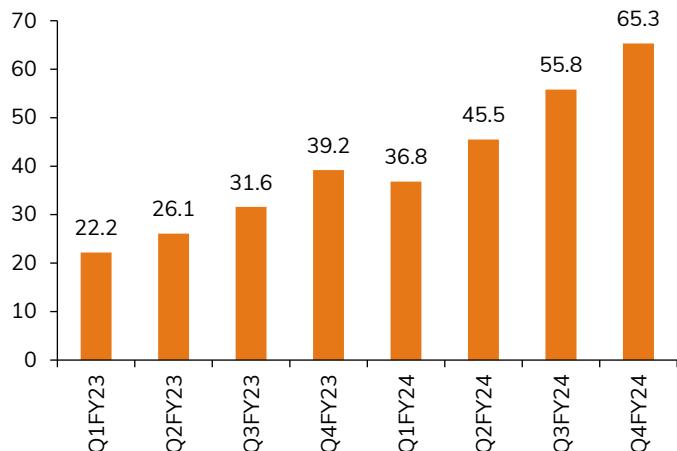
Source: I-Sec research, Company data

Exhibit 6: Average monthly active delivery partners (k)


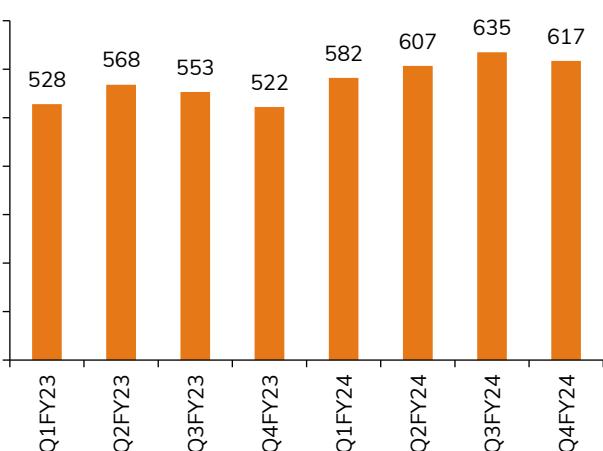
Source: I-Sec research, Company data

Exhibit 7: Average monthly delivery restaurant partners(k)


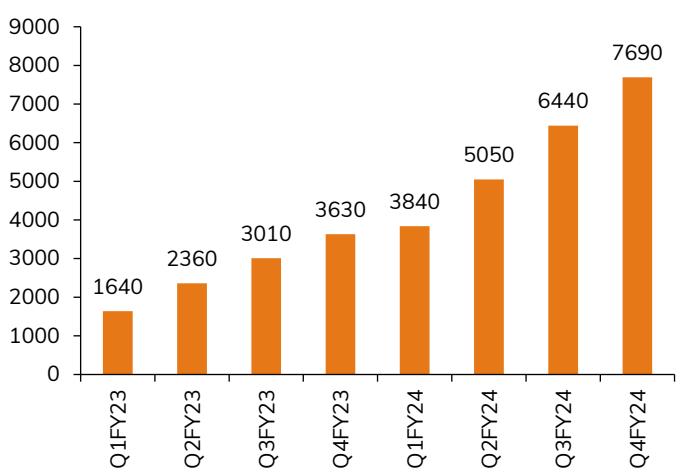
Source: I-Sec research, Company data

Blinkit
Exhibit 8: Orders (mn)


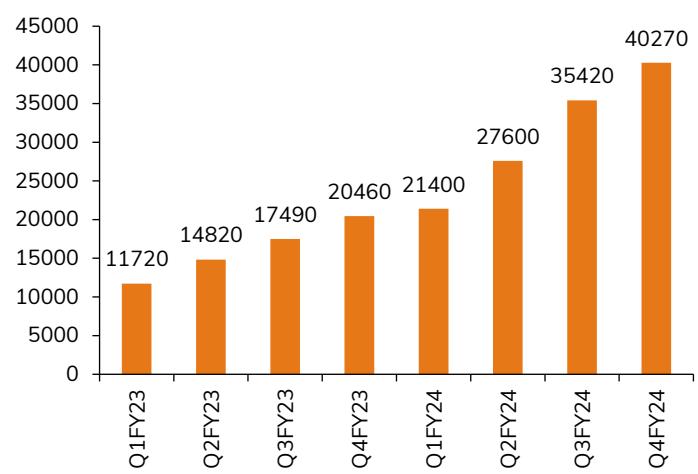
Source: I-Sec research, Company data

Exhibit 9: AOV (INR)


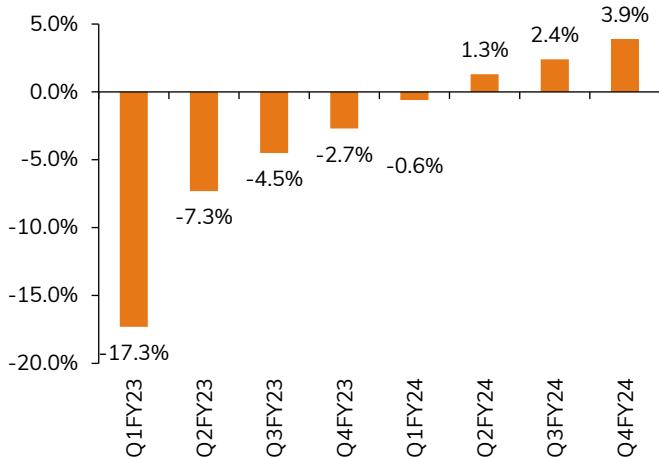
Source: I-Sec research, Company data

Exhibit 10: Revenue (INR mn)


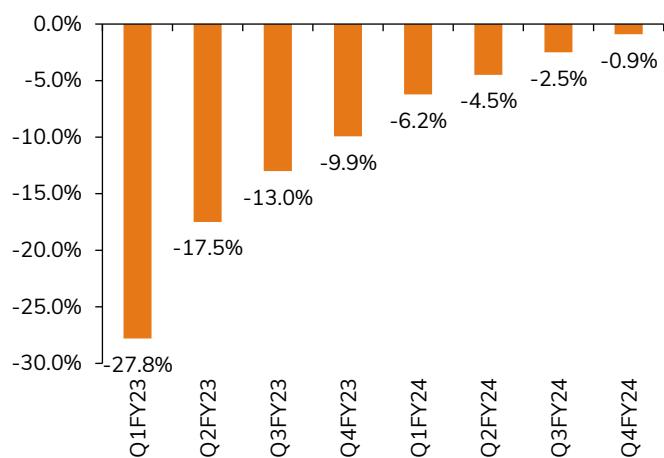
Source: I-Sec research, Company data

Exhibit 11: GOV (INR mn)


Source: I-Sec research, Company data

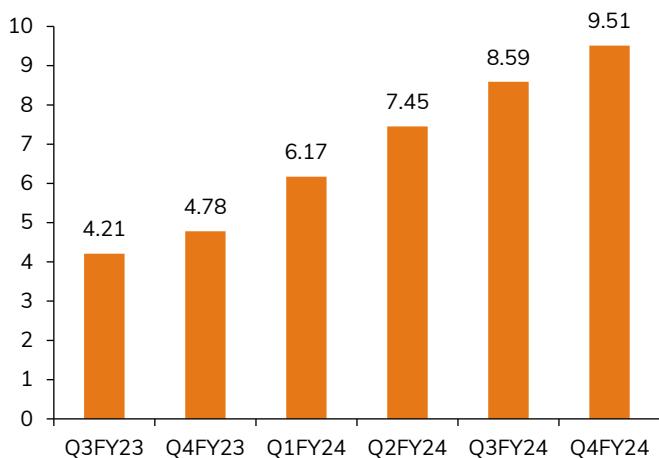
Exhibit 12: Contribution margin (as a % of GOV)


Source: I-Sec research, Company data

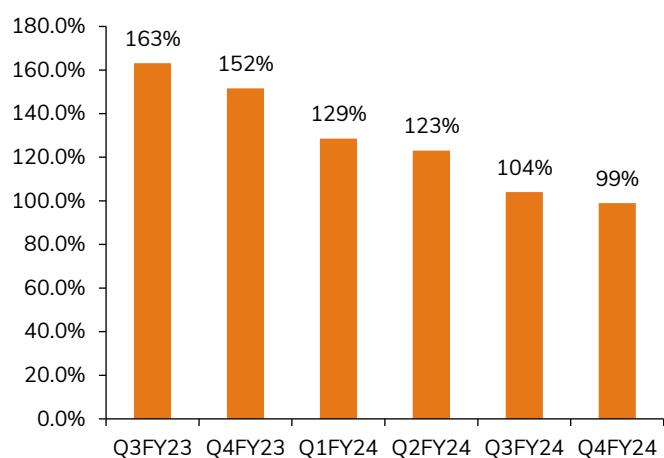
Exhibit 13: Adjusted EBITDA (as a % of GOV)


Source: I-Sec research, Company data

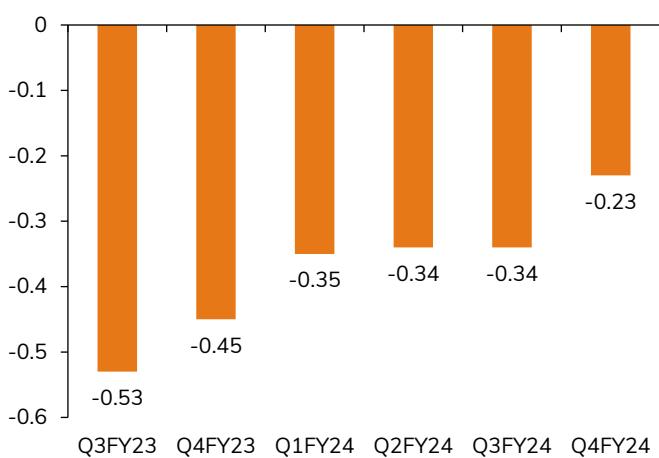
Hyperpure

Exhibit 14: Revenue (INR bn)


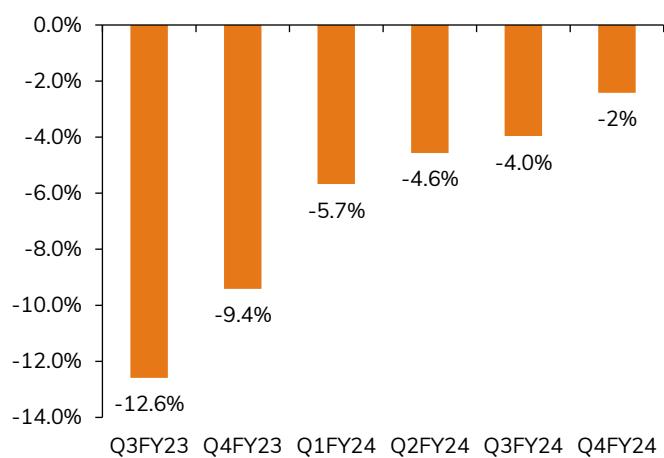
Source: I-Sec research, Company data

Exhibit 15: Revenue growth YoY (%)


Source: I-Sec research, Company data

Exhibit 16: Adjusted EBITDA (INR bn)


Source: I-Sec research, Company data

Exhibit 17: Adjusted EBITDA (as a % of revenue)


Source: I-Sec research, Company data

Exhibit 18: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	0.0	0.0	0.0
Institutional investors	67.8	70.4	68.4
MFs and others	10.6	12.3	12.0
FIIs/Banks	0.0	0.0	0.0
Insurance	1.5	2.1	2.3
FIIs	33.7	34.4	46.0
FDI	22.0	21.6	8.1
Others	32.2	29.6	31.6

Source: Bloomberg

Exhibit 19: Price chart


Source: Bloomberg

Financial Summary

Exhibit 20: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	70,794	1,36,734	1,99,487	2,54,033
Operating Expenses	68,945	1,09,148	1,47,322	1,72,335
EBITDA	(7,045)	3,719	17,015	29,136
EBITDA Margin (%)	(10.0)	2.7	8.5	11.5
Depreciation & Amortization	4,369	5,264	6,084	6,478
EBIT	(16,472)	(2,523)	8,690	22,658
Interest expenditure	487	752	997	1,270
Other Non-operating Income	6,815	8,531	9,407	9,987
Recurring PBT	(10,144)	5,256	17,099	31,375
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	(436)	(601)	3,180	7,122
PAT	(9,708)	3,535	12,721	28,489
Less: Minority Interest	(6)	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	(9,714)	3,535	12,721	28,489
Net Income (Adjusted)	(9,720)	3,535	12,721	28,489

Source Company data, I-Sec research

Exhibit 21: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	18,452	39,797	70,032	1,12,792
of which cash & cash eqv.	10,168	28,558	53,636	88,433
Total Current Liabilities & Provisions	12,910	25,198	35,342	44,159
Net Current Assets	5,542	14,598	34,690	68,633
Investments	46,952	50,246	54,323	60,045
Net Fixed Assets	-	-	-	-
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	-	-	-	-
Other assets	1,50,583	1,47,233	1,43,941	1,41,020
Deferred Tax Assets	-	-	-	-
Total Assets	2,03,077	2,12,077	2,32,955	2,69,698
Liabilities				
Borrowings	404	404	404	404
Deferred Tax Liability	-	-	-	-
provisions	936	1,873	2,733	3,480
other Liabilities	2,543	1,921	2,781	3,528
Equity Share Capital	1,94,598	1,98,133	2,10,854	2,39,343
Reserves & Surplus	-	-	-	-
Total Net Worth	1,94,598	1,98,133	2,10,854	2,39,343
Minority Interest	(66)	5,084	11,522	18,281
Total Liabilities	2,03,077	2,12,077	2,32,955	2,69,698

Source Company data, I-Sec research

Exhibit 22: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sept-23	Dec-23	Mar-24
Net Sales	24,160	28,480	32,880	35,620
% growth (YOY)	70.9%	71.4%	68.8	73.2
EBITDA	(480)	(470)	510	860
Margin %	(2.0)	(1.7)	1.6	2.4
Other Income	1,810	2,120	2,190	2,350
Net profit	20	360	1,380	1,750

Source Company data, I-Sec research

Exhibit 23: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	(8,440)	12,525	19,461	29,637
Working Capital Changes	(1,759)	6,355	2,628	(3,373)
Capital Commitments	(1,014)	(1,914)	(2,793)	(3,556)
Free Cashflow	(9,454)	10,611	16,668	-
Other investing cashflow	6,694	8,531	9,407	9,987
Cashflow from Investing Activities	5,680	6,617	6,614	6,430
Issue of Share Capital	40	-	0	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	(1,314)	(752)	(997)	(1,270)
Cash flow from Financing Activities	(1,274)	(752)	(997)	(1,270)
Chg. in Cash & Bank balance	(4,034)	18,390	25,078	34,797
Closing cash & balance	3,288	20,572	45,649	80,446

Source Company data, I-Sec research

Exhibit 24: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	(1.2)	0.4	1.5	3.4
Adjusted EPS (Diluted)	(1.2)	0.4	1.5	3.4
Cash EPS	(0.7)	1.0	2.2	4.1
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	24.0	23.4	25.0	28.3
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	68.9	93.1	45.9	27.3
EBITDA	(27.6)	(152.8)	357.6	71.2
EPS (INR)	-	-	259.9	124.0
Valuation Ratios (x)				
P/E	(161.9)	464.5	129.1	57.6
P/CEPS	(293.9)	186.6	87.3	47.0
P/BV	8.1	8.3	7.8	6.9
EV / EBITDA	(215.2)	420.4	90.2	51.3
P / Sales	22.2	12.0	8.2	6.5
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	80.3	78.8	79.2	79.3
EBITDA Margins (%)	(10.0)	2.7	8.5	11.5
Effective Tax Rate (%)	4.3	(11.4)	18.6	22.7
Net Profit Margins (%)	(13.7)	2.6	6.4	11.2
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	1.0	1.0	1.0	1.0
Net Debt / EBITDA (x)	8.1	(21.1)	(6.3)	(5.1)
Profitability Ratios				
RoCE (%)	(8.6)	(2.8)	2.7	8.6
RoE (%)	(5.4)	1.8	6.0	11.9
RoIC (%)	(5.1)	3.4	6.9	10.5
Fixed Asset Turnover (x)	1.1	0.6	0.3	0.2
Inventory Turnover Days	4	11	15	20
Receivables Days	24	20	20	25
Payables Days	35	38	38	38

Source Company data, I-Sec research

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