



Heightened Competition Will Impact Profitability in the Near Term

Est. vs. Actual for Q3FY25: Revenue – **BEAT** ; EBIT Margin – **MISS** ; PAT – **MISS**

Change in Estimates post Q3FY25 (Abs.)

FY25E/FY26E: Revenue: 0%/4%; EBITDA: -17%/-20%; PAT: -16%/-18%

Recommendation Rationale

- **Strong GOV growth:** Zomato's B2C business gross order value (GOV) growth of 14% QoQ and 57% YoY, reaching Rs 20,206 in Q3FY25 primarily led by Quick commerce GOV up 120% YoY (27% QoQ), Food delivery GOV was up, 17% YoY (2% QoQ) vs. expectation of +20% YoY on account of weak consumer sentiment.
- **Blinkit witnessing competitive intensity:** Blinkit reported losses of Rs 103 Cr vs earlier expectation of near-term breakeven because of ramping up store expansion due to increased Q-commerce competition. Blinkit added 368 stores in the last two quarters (152/216 stores in Q2/Q3), accounting for 37% of the total store network of 1,007 stores. Moreover, it has revised the target to reach 2,000 stores by Dec'25 vs. the previous guidance of Dec'26. Moreover, rapid forward store expansion and increased digital marketing spending will impact profitability in the near term.
- **Food delivery outlook:** Although GOV was below expectations due to weak consumer sentiments, the company remains confident in its longer-term guidance of 20% GOV growth on a yearly basis.

Sector Outlook: Cautiously positive

Company Outlook & Guidance: Near-term margin pressure likely owing to increased competitive intensity

Current Valuation: SOTP-based P/E

Current TP: 280/share (Earlier TP: Rs 350/share)

Recommendation: We believe near-term profitability will likely impact margins owing to increased competition; however, given strong industry tailwinds, Zomato will likely benefit in the longer term. Hence, we **maintain our BUY rating on the stock.**

Financial Performance

In Q3FY25, Zomato Ltd. reported revenue of Rs 5,405 Cr, up 13% on a QoQ basis, in line with expectations. Revenue growth was 64% on a YoY basis. The company reported operating profits of Rs 162 Cr and operating margins of 3%, down 171 bps QoQ due to higher operating costs. Net profit de-grew 65% QoQ, reaching Rs 59 Cr.

Management's commentary on verticals such as Food Delivery and Quick Commerce remains cautious owing to subdued demand (food delivery) and increased competitive intensity (Q-commerce), which will likely see a near-term margin impact. Furthermore, to counter competitive intensity, the target has been revised to reach 2,000 Blinkit stores by Dec'25 vs. the previous guidance of Dec'26.

Outlook: From a long-term perspective, Zomato has built a resilient business model by securing multiple strategic verticals and delivering broad-based growth. The company has also established robust capabilities that will enable it to gain market share in the long term.

Valuation & Recommendation

We are constructive on the long-term outlook. Hence, we **maintain our BUY rating on the stock** and value it at Rs 280 on an SOTP valuation, implying an upside of 17% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	5,405	12.6	64.4	5,359	0.9
EBIT	162	-28.3	217.6	179	-9.2
EBIT Margin	3.0	-171 bps	145 bps	3.3	-33 bps
Net Profit	59	-66.5	-57.2	159	-62.8
EPS (Rs)	0.1	-70.0	-62.5	0.2	-67.4

Source: Company, Axis Securities Research

(CMP as of 20th January 2025)

CMP (Rs)	240
Upside /Downside (%)	17%
High/Low (Rs)	304/128
Market cap (Cr)	2,32,525
Avg. daily vol. (6m) Shrs.	66,251
No. of shares (Cr)	965

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	0.0	0.0	0.0
FII's	54.1	52.5	47.3
MFs/UTI	12.5	13.6	16.4
Banks/FIs	0.0	0.0	0.0
Others	33.4	33.9	36.3

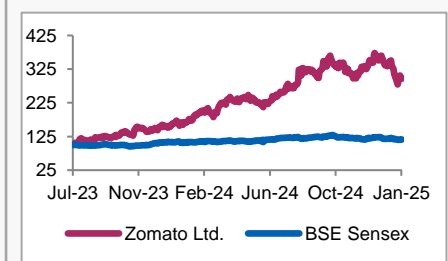
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	12,114	18,923	26,949
EBITDA	42	346	850
Net Profit	351	371	732
EPS (Rs)	0.4	0.4	0.8
PER (x)	346	562	285
EV/EBITDA (x)	2,886	598	240
P/BV (x)	6	10	10
ROE (%)	2%	3%	3%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0%	4%
EBITDA	-17%	-20%
PAT	-16%	-18%

Relative Performance



Source: AceEquity, Axis Securities Research

Preeyam Tolia

Research Analyst

email: preeyam.tolia@axissecurities.in

Suhanee Shome

Research Associate

email: suhanee.shome@axissecurities.in

Results Review
(Rs Cr)

Rs Cr	Q3FY24	Q2FY25	Q3FY25	YoY growth %	QoQ growth (%)
Net Sales	3,288	4,799	5,405	64.4	12.6
COGS	782	1,334	1,500	91.8	12.4
Gross Profits	2,506	3,465	3,905	55.8	12.7
Gross Margin (%)	76.2	72.2	72.2	-397 bps	5 bps
Staff costs	423	590	689	62.9	16.8
Ad spends & Delivery charges	1,442	1,819	1,971	36.7	8.4
Other operating expenses	590	830	1,083	83.6	30.5
EBITDA	51	226	162	217.6	(28.3)
EBITDA margin (%)	1.6	4.7	3.0	145 bps	-171 bps
Depreciation	128	180	247	93.0	37.2
EBIT	(77)	46	(85)	10.4	(284.8)
Other Income	219	221	252	15.1	14.0
Interest Cost	18	30	43	138.9	43.3
PBT	124	237	124	-	(47.7)
Tax	(14)	61	65		
PAT	138	176	59	(57.2)	(66.5)
EPS	0.2	0.2	0.1	(62.5)	(70.0)

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net sales	7,079	12,114	18,923	26,949	37,795
Other operating income	0	0	0	0	0
Total Income	7,079	12,114	18,923	26,949	37,795
Purchase of stock in trade	1,438	2,887	5,488	7,546	10,961
Change in inventories of traded goods	-43	-5	0	0	0
Employee benefits expense	1,465	1,659	2,271	3,773	5,669
Operating Expenses	5,430	7,531	10,819	14,781	20,198
Total Cost	6,895	9,190	18,577	26,100	36,828
EBITDA	-1,211	42	346	850	967
EBITDA Margin (%)	-17%	0%	2%	3%	3%
Depreciation	437	588	736	848	848
Interest & Fin Chg.	49	72	88	95	110
Pre-tax profit	-1,016	291	375	976	823
Tax provision	-44	-60	4	244	123
Profit after Tax	-971	351	371	732	700
EPS Basic	-1.16	0.40	0.43	0.84	0.81

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Sources					
Equity and Liabilities					
Equity Attributable to equity shareholders of the parent	19,460	20,413	20,784	21,516	22,216
Non-controlling interests	(7)	(7)	(7)	(7)	(7)
Total Equity	19,453	20,406	20,777	21,509	22,209
Lease Liabilities	351	588	600	600	600
Provisions	94	88	94	94	94
Deferred Tax Liabilities	250	188	188	188	188
Total non-current liabilities	705	867	886	886	886
Current Liabilities					
Lease Liabilities	115	161	115	115	115
Trade Payables	680	886	1,555	2,215	3,106
Other financial Liabilities	310	644	310	310	310
Provisions	26	363	26	26	26
Other Current Liabilities	276	29	276	276	276
Total Current Liabilities	1,441	2,083	2,282	2,942	3,833
Total Equity and Liabilities	21,599	23,356	23,945	25,337	26,928
ASSETS					
Non-Current Assets					
Property, Plant and equipment	209	287	190	240	290
Right of use asset	427	690	690	690	690
Goodwill	4,717	4,717	4,717	4,717	4,717
Other intangible assets	991	754	991	991	991
Investments	2,280	10,365	2,280	2,280	2,280
Other Financial Assets	1,894	747	1,894	1,894	1,894
Other Non-Current Assets	128	99	128	99	128
Total Non-Current Assets	10,768	17,898	11,116	11,138	11,216
Current Assets					
Inventories	83	88	241	331	480
Investments	4,485	1,280	4,485	4,485	4,485
Trade Receivables	457	794	829	1,181	1,657
Cash and Cash Equivalents	218	309	1,685	4,707	3,501
Other Financial Assets	4,418	2,324	4,418	2,324	4,418
Other Current Assets	372	241	372	372	372
Total Current Assets	10,831	5,458	12,829	14,199	15,712
Total Assets	21,599	23,356	23,945	25,337	26,928

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Cash Flow from operating activities					
Profit before tax	(1,015)	291	375	976	823
Depreciation	181	284	736	848	848
Changes in Working capital	(813)	751	6,792	732	714
Cash Flow from operating activities	(844)	646	6,796	488	590
Capital expenditure	(103)	(215)	(97)	50	50
Cash flow from Investing	457	(347)	(97)	50	50
Equity Raised	40				
Debt Raised	(231)				
Cash flow from financing	(1,274)	(88)	(406)	(601)	(721)
Net Change in Cash	(1,661)	211	6,293	(63)	(81)

Source: Company, Axis Securities Research

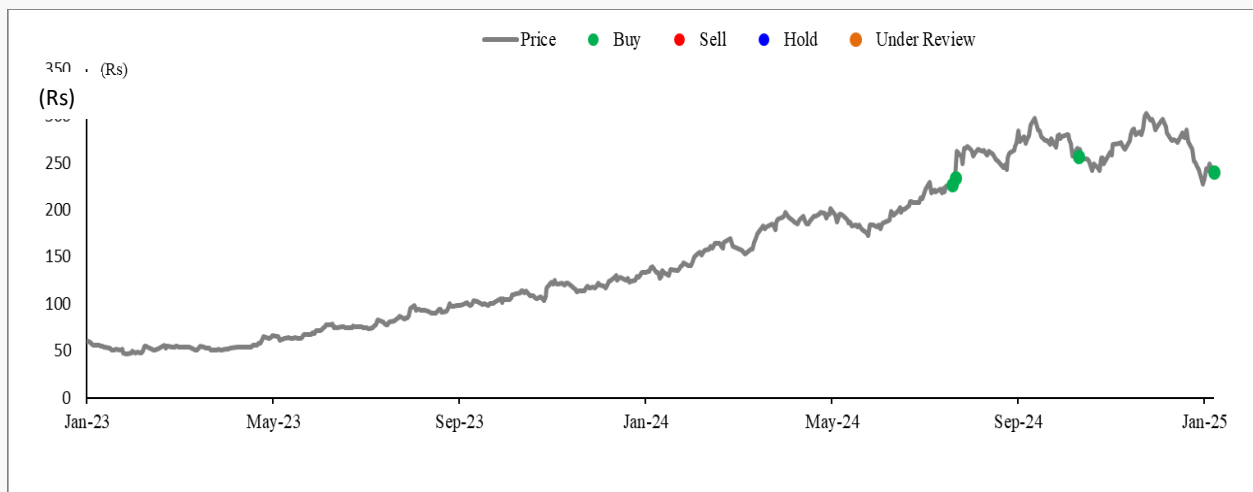
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio	-	-	-	-	-
Net Sales Growth (%)	69%	71%	56%	42%	40%
Core EBITDA Growth (%)	-33%	-103%	723%	146%	14%
EBIT Growth (%)	-34%	-138%	25%	134%	-14%
PAT Growth (%)	-45%	-136%	6%	97%	-4%
Adj. EPS Growth (%)	-43%	-135%	6%	97%	-4%
	-	-	-	-	-
Margin Ratios	-	-	-	-	-
EBITDA Margin (%) (Core)	-43%	-17%	0%	2%	3%
EBIT Margin (%)	-35%	-14%	3%	2%	4%
Pre-Tax Margin (%)	-35%	-14%	2%	2%	4%
PAT Margin (%)	-42%	-14%	3%	2%	3%
Efficiency Ratios					
Asset Turnover (x)	1	1	1	2	2
Receivable days	16	16	16	16	16
Inventory Days	16	16	16	16	16
Payable days	29	30	30	30	30
	-	-	-	-	-
Financial Stability Ratios	-	-	-	-	-
Total Debt/Equity(x)	-	-	-	-	-
Current Ratio(x)	5	2	4	4	3
Quick Ratio(x)	4	3	4	4	5
Interest Cover(x)	(13)	5	5	11	9
	-	-	-	-	-
Operational & Financial Ratios	-	-	-	-	-
Earnings Per Share (Rs)	0	0	1	1	3
Book Value (Rs)	24	24	25	26	29
Tax Rate (%)	1%	25%	15%	25%	25%
Performance Ratios					
ROA (%)	2%	3%	7%	6%	26%
ROCE (%)	2%	2%	5%	4%	16%
ROE (%)	2%	2%	3%	3%	12%
PE	-	346	562	285	298
EV/EBITDA (x)	-	2,886	598	240	212
P/BV (x)	3	6	10	10	9

Source: Company, Axis Securities Research

Zomato Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
31-Jul-24	BUY	280	Initiating Coverage
02-Aug-24	BUY	280	Result Update
23-Oct-24	BUY	350	Result Update
21-Jan-25	BUY	280	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parç, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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