INVasset Corporate Insights

zomato

26th April, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Established in 2010, Zomato Limited has solidified its position as a premier online Food Service platform globally, offering a wide array of services encompassing food delivery, dining-out experiences, loyalty programs, and more. Zomato has transformed the way people engage with culinary offerings. Operating across 23 countries, Zomato boasts an extensive network of active food delivery restaurants and delivery partners. With a steadfast commitment to providing exceptional service and enhancing customer experiences, Zomato continues to redefine the landscape of online food service platforms.

Brands: Zomato operates under multiple brands, each catering to different facets of the food service industry:
Zomato: The flagship brand offering online food delivery and dining-out experiences.
Hyperpure: Zomato's farm-to-fork supplies service, ensuring quality ingredients for restaurant partners.
Blinkit: Zomato's foray into quick commerce, providing fast delivery of essentials and groceries.
Feeding India: A social initiative aimed at addressing hunger and food wastage in communities.

Leading Foodservice Platform: Zomato boasts significant user engagement metrics and a strong market presence. 18.4 million average monthly transacting users, showcasing the platform's popularity among consumers. 389,932 active restaurant listings, reflecting Zomato's comprehensive coverage of dining options. The most downloaded food and drinks application in India across iOS App Store and Google Play combined, indicating strong brand recognition and user trust.
Approximately 90 billion monthly visits to the Zomato app, highlighting the platform's immense reach and engagement.

Data Analytics Capabilities: Zomato leverages advanced technologies such as artificial intelligence, machine learning, and data science to drive innovation and enhance user experiences across its platform.

Business Segments: Food Delivery: Zomato's food delivery segment has witnessed significant growth. Orders have surged over the years, reflecting a substantial increase in user adoption and demand for food delivery services. Gross Order Value (GOV) has shown a remarkable rise, indicating the scale and value of transactions facilitated through Zomato's platform.
Dining Out: Zomato's dining-out offerings provide users with a platform for restaurant exploration and engagement. Monetized through advertisement sales products, it enhances the visibility of restaurant partners, driving customer traffic and revenue. Despite market challenges, Zomato remains committed to strengthening its dining-out platform, leveraging user-generated content and technology to enhance the dining experience.

Customer-Centric Approach: Zomato's success is underpinned by its commitment to delivering exceptional customer experiences. By prioritizing user satisfaction and continuously enhancing its platform's features and services, Zomato has cultivated a loyal customer base and maintained its position as a preferred choice for online food services.

Stock Data	
CMP (26-04-2024)	188
52 Week High/Low	199.70/59.6
Face Value	1.00
Market Cap (In Crs)	1,65,855
Enterprise Value (In Crs)	1,65,245
NSE	ZOMATO
BSE	543320
Bloomberg	ZOMATO:IN
Sector	E-Retail

Shareholding Pattern (in %)		
	MAR 24	DEC 23
FII	55.11	54.88
DII	15.28	15.47
Public	28.05	27.98
Others	1.58	1.66

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	2.57	19.69	26.70
Zomato	1.12	73.46	217.27

Key Ratios	
P/E	-
P/S	15.4
P/B	8.13
Debt To Equity	0.03
ROE	-5.91%
ROCE	-5.79
Dividend Yield	0.00

Q3 FY 24 Result Update

Q3 FY24 Result Comparison (In Rs Cr)					
	Q3 FY24	Q2 FY24	Q3 FY23	QOQ	YOY
Sales	3,288	2,848	1,948	15.45%	68.79%
EBITDA	270	165	-193	63.64%	239.90%
EBIT	142	37	-348	283.78%	140.80%
Net Profit	138	36	-347	283.33%	139.77%
EPS	0.16	0.04	-0.41	300.00%	139.02%

Result Highlights

Zomato's third-quarter results for FY24 demonstrate a remarkable trajectory of growth and resilience in the face of evolving market dynamics. The company reported a substantial increase in sales, with revenues soaring to INR 3,288 crore, marking a notable 15.45% surge from the preceding quarter and an impressive 68.79% rise year-over-year (YOY). This surge in sales underscores Zomato's effective market strategies and its ability to meet the growing demand for its diverse range of services.

Furthermore, Zomato's EBITDA witnessed a significant improvement, reaching INR 270 crore in the third quarter, reflecting a substantial 63.64% increase from the previous quarter and a remarkable turnaround from the same period last year. This surge in EBITDA highlights the company's operational efficiency and strategic initiatives aimed at enhancing profitability. Additionally, Zomato reported a notable improvement in net profit, which climbed to INR 138 crore, and earnings per share (EPS) rose to INR 0.16. These figures signify substantial growth compared to the previous quarter, underscoring Zomato's ability to capitalize on market opportunities and drive sustainable profitability. Overall, Zomato's robust financial performance positions it as a formidable player in the competitive market landscape, poised for continued growth and value creation.

Global Market Penetration: Zomato has established a formidable presence across 23 countries, showcasing its global ambition and adaptability. This expansive footprint diversifies its revenue streams & exposes the brand to diverse consumer preferences and market dynamics. By catering to international markets, it can leverage economies of scale and synergies across regions while navigating regulatory complexities and cultural nuances. This global reach positions Zomato as a key player in the competitive online food service industry, with opportunities for further expansion and dominance.

Community Engagement and Social Impact: Zomato's initiatives extend beyond commercial endeavors, emphasizing community engagement and social responsibility. Programs like Feeding India underscore Zomato's commitment to addressing societal challenges such as food insecurity and hunger. By leveraging its platform and resources to facilitate food donations and support charitable causes, Zomato demonstrates its corporate citizenship and fosters goodwill among stakeholders.

Technology-Driven Operations: Zomato's success hinges on its robust technological infrastructure, which powers seamless order processing, delivery logistics, and user engagement. Through continuous investments in AI, data analytics, and machine learning, Zomato optimizes operational efficiency, enhances customer experiences, and drives business insights. By leveraging technology to automate processes, personalize recommendations, and optimize resource allocation, Zomato stays ahead of the curve in an increasingly digitized marketplace. This technological prowess not only drives cost savings and productivity gains but also fosters innovation and agility in responding to dynamic market conditions.

Agile Business Strategy and Adaptability: Zomato's agile business strategy enables it to navigate market uncertainties, regulatory changes, and competitive pressures effectively. The company's ability to pivot, innovate, and capitalize on emerging opportunities underscores its resilience and adaptability in a dynamic business environment. By fostering a culture of experimentation, continuous learning, and strategic agility, Zomato stays ahead of disruptors and maintains its leadership position in the online food service industry. This nimbleness not only enables Zomato to seize market opportunities but also future-proofs its business against potential threats, ensuring long-term success and sustainability.

Concall Highlights

Robust Growth Projections: Zomato projects sustained growth in Adjusted Revenue, with expectations of exceeding 40% YoY. This growth trajectory is supported by the company's robust business model and increasing market penetration. They anticipate potential growth rates to surpass 50% in forthcoming quarters, driven by strategic initiatives and market expansion efforts.

Take Rate Adjustments: Despite a slight net decline in take rates, Zomato has witnessed an increase in platform fees and ad income, contributing to overall revenue growth. The adjustment in take rates is influenced by a combination of factors beyond platform fees, including changes in the revenue mix and strategic pricing decisions aimed at optimizing revenue streams.

Focus on MTU Expansion: Zomato places significant emphasis on expanding its Monthly Transacting User (MTU) base as a key driver of future growth. The company aims to enhance customer engagement and increase order frequency by offering personalized experiences and value-added services. By focusing on MTU growth, Zomato aims to solidify its position in the market and drive sustainable revenue growth over the long term.

Blinkit's Diverse Success Factors: Blinkit's success is attributed to its ability to adapt and innovate in response to evolving market dynamics. The platform has leveraged diverse business models and expanded its service offerings to meet the changing needs of consumers. Factors contributing to Blinkit's success include a wide product assortment, efficient delivery operations, and strong customer relationships. Additionally, Blinkit's focus on enhancing the average order value (AOV) through targeted marketing strategies has contributed to its growth trajectory.

Significant Quick Commerce Growth: Quick commerce emerges as a significant growth driver for Zomato, representing a small fraction of total retail consumption but exhibiting promising potential for expansion. The company's investment in expanding its store networks and reaching a broader consumer base has fueled the growth of its quick commerce segment. By offering fast and convenient delivery of essential items, Zomato aims to capture a larger share of the quick commerce market and capitalize on changing consumer preferences.

Steady Food Delivery Revenue Increase: Zomato reports a steady increase in food delivery revenue, with sequential growth of approximately 10% in the reported period. The company anticipates further improvements in take rates driven by various revenue streams, including restaurant commissions and advertising monetization. Despite competitive pressures, Zomato remains confident in its ability to maintain a strong revenue trajectory and drive sustainable growth over the long term.

Efficient Working Capital Management: Zomato adopts a negative working capital model to optimize its financial operations and enhance liquidity management. This operational strategy allows the company to receive revenue upfront while delaying payouts to sellers, resulting in improved cash flow efficiency and capital utilization. By efficiently managing its working capital, Zomato aims to strengthen its financial position and support its growth initiatives.

Strategic Capital Utilization: The company's current focus is on deploying capital towards existing initiatives and accumulating cash reserves to support future growth opportunities. Zomato has no immediate plans for shareholder returns, as it prioritizes reinvesting capital into strategic initiatives aimed at expanding its market presence and enhancing its product offerings. By maintaining a prudent approach to capital utilization, Zomato aims to maximize shareholder value and drive sustainable growth over the long term.

Thoughtful Market Expansion Strategy: Zomato adopts a thoughtful approach to market expansion, strategically testing new markets to assess quick commerce adoption and consumer demand. The company prioritizes consolidating its presence in key cities before embarking on broader expansion initiatives, ensuring that its resources are effectively allocated to high-potential markets. By focusing on market-specific strategies and consumer insights, Zomato aims to optimize its expansion efforts and drive sustainable growth across diverse geographies.

Consumer-Centric Approach to Discounts: Zomato adopts a consumer-centric approach to discounts, wherein consumer incentives are absorbed by restaurants rather than the company itself. This strategy aligns with Zomato's broader objective of building a robust restaurant network and expanding its market reach. By incentivizing restaurants to participate in promotional activities, Zomato aims to enhance its value proposition for consumers while driving growth in order volumes and transaction frequency.

Analysis of Restaurant Commission Rates: Zomato conducts a comprehensive analysis of restaurant commission rates to optimize its revenue streams and drive sustainable growth. The company evaluates various factors, including restaurant commissions, advertising monetization, and platform fees, to determine the most effective pricing strategies. By leveraging data-driven insights and market intelligence, Zomato aims to strike a balance between revenue maximization and value creation for its restaurant partners, ensuring mutually beneficial relationships in the competitive food delivery landscape.

Unique Consumer Demand Outlook: Zomato provides a unique perspective on consumer demand outlook, particularly in the context of quick commerce growth. The company believes that quick commerce growth is not necessarily tied to broader macro consumption trends but is influenced by market dynamics and shifting consumer preferences. By understanding and adapting to evolving consumer behaviors, Zomato aims to capitalize on emerging opportunities and drive sustainable growth across its business segments.

Business Segments

FOOD DELIVERY

Food ordering and delivery platform Zomato facilitates customers to search and discover local restaurants, order food, and have it delivered reliably and quickly

QUICK COMMERCE

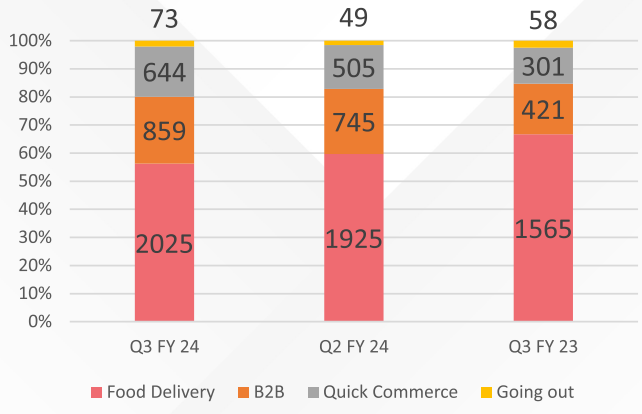
Customers can order everyday needs across thousands of products and have them delivered within minutes through Quick commerce platform Blinkit

B2B SUPPLIES

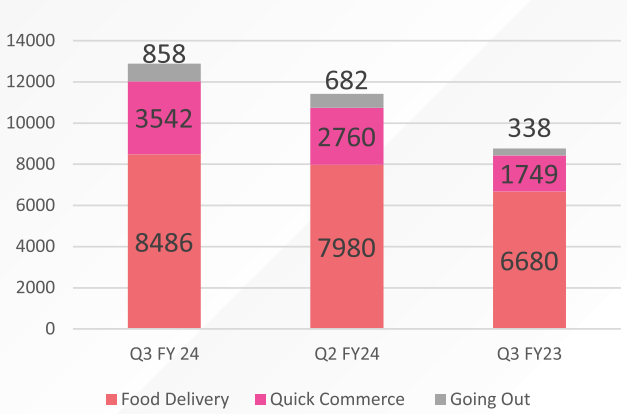
Hyperpure is a B2B platform supplying high quality food ingredients & other products

Story Through Charts

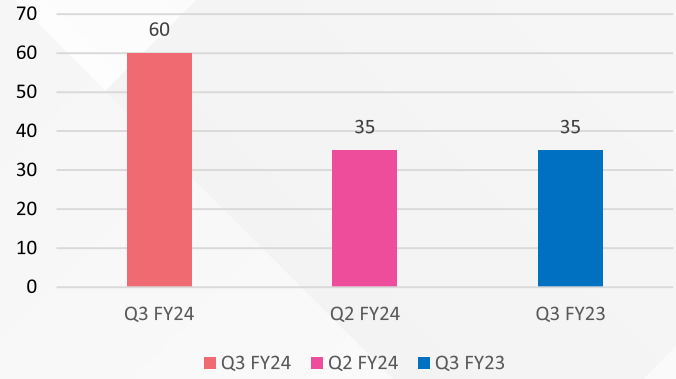
Segmental Revenue(In Cr)



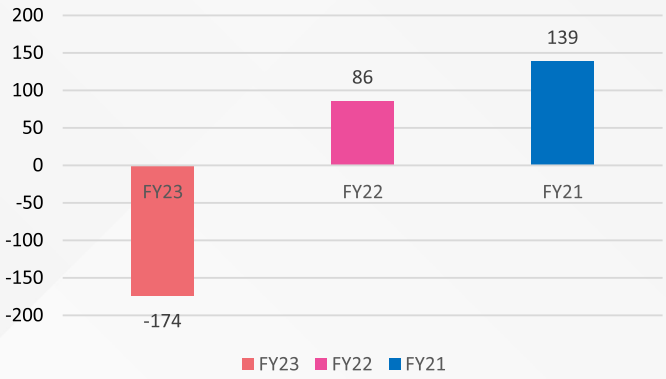
Gross Order Value(In Cr)



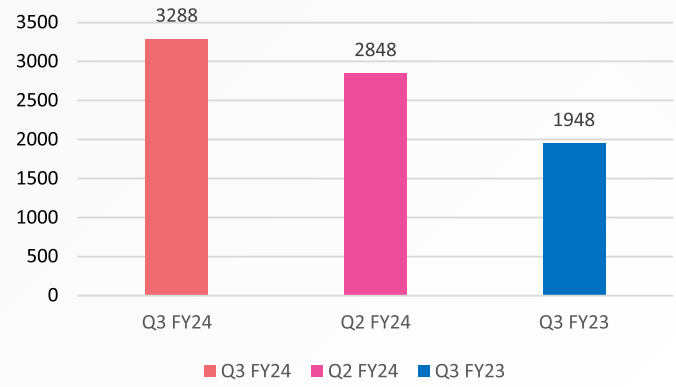
Capex (In Cr)



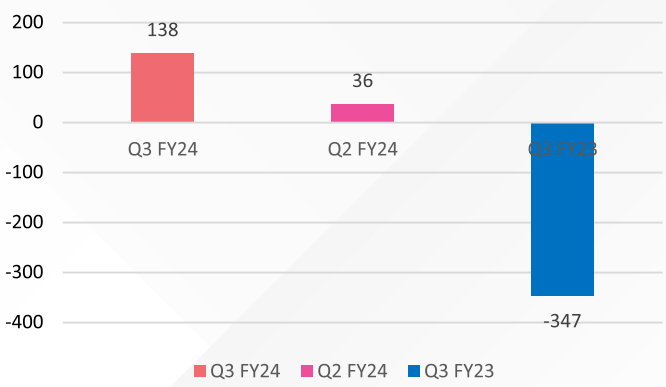
Cash Flows (In Cr)



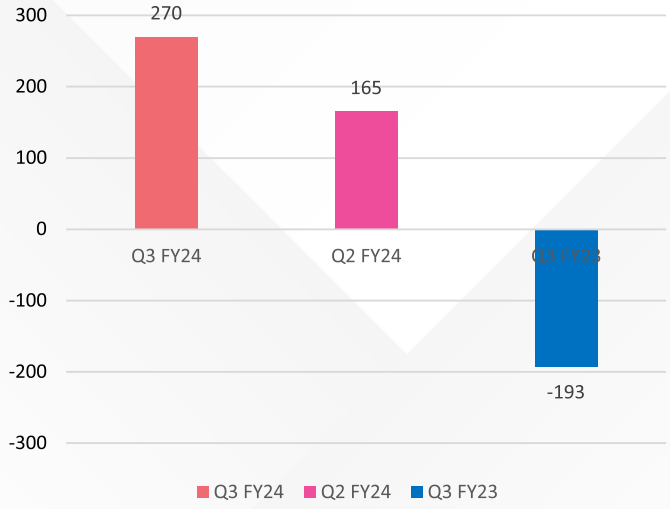
Revenue (In Cr)



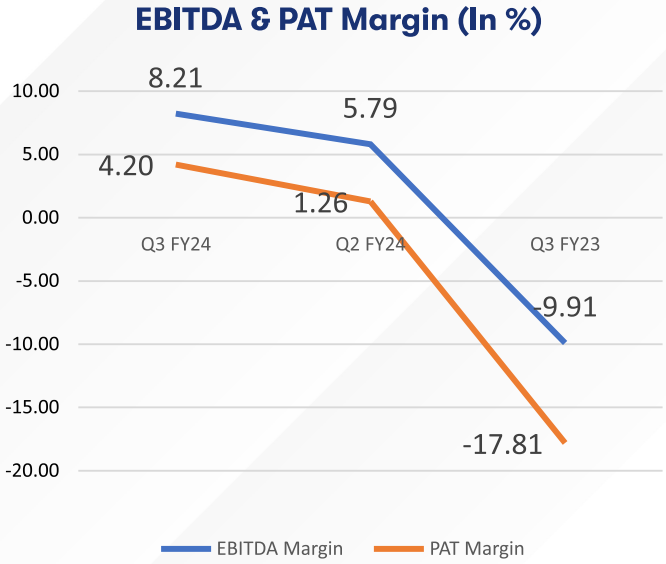
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



Zomato Ltd. shows a clear bullish trend with a series of higher highs and higher lows since mid-2022. The price is trading above a rising blue trendline, which has been acting as support. The price has formed a small consolidation pattern just under the 240, which could be indicative of a pause before an attempt to break higher. It maintains a bullish outlook.

Zomato's moving averages indicate a strong uptrend, with both SMA and EMA increasing over time. Short-term averages are above long-term ones, a typical bullish market signal. The exponential moving averages, closer to the simple ones, suggest sustained momentum.

The RSI for Zomato Ltd. shows moderate strength on the daily chart at 54.11, suggesting neither overbought nor oversold conditions. However, the weekly RSI at 73.90 indicates that the stock may be entering overbought territory, hinting at potential pullback or consolidation.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	187.9	187.6
10	189.7	187.7
20	186.5	187.2
50	177.2	171
100	149.9	154.2
200	124.7	131.7

Pivot Levels : FIBONACCI		
R1 188	Pivot 185.55	S1 182
R2 191.5		S2 179.6
R3 193.9		S3 176.1

	Daily	Weekly
Relative Strength Index (RSI)	54.11	73.90

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