

# Initiating Coverage

## Zomato



# Zomato

## The safer play on quick commerce; fairly valued

It's probably an overreaction, but the more we learn about quick commerce (QC), the more this David Packard quote rings in our head: *More businesses die from indigestion than starving*. While the space is well-capitalized, it is likely to see a supply glut (of dark stores) by the end of FY26/27, as many players in this land (MTU) grab phase overshoot the opportunity, thereby diluting order density (especially in top cities). Beyond top cities, let's be realistic—QC is still an experiment. Note: Consensus seems to be building in more MTUs than the opportunity set itself. We diverge here (HSIE is 25-30% lower than consensus in QC sales over FY25-27).

After this phase of heightened delivery subsidies, discounts, and expansion, we suspect execution variance among platforms will widen. Weaker operators will either pull the plug or restrict operations to tightly-contested core markets; ergo, steady-state profitability in top cities will likely be lower than the 5% adjusted EBITDAM targeted by most QC players – another point of divergence from consensus (HSIE's industry EBITDA estimates are 70-80% lower).

Against this backdrop, we believe the safest way to play this execution-heavy QC space is via the leader Blinkit, given (1) higher AOVs, take rates, and (2) better fixed cost absorption. On food delivery (FD), an eventual convergence of fortunes for both platforms seems inevitable (given the duopoly structure). For Zomato, we project a 36% sales CAGR (incl. 19%/65% gross sales CAGR for FD/QC segments, respectively), with moderating adj. EBITDAM improving (from 5.3% to 4.4%) as the QC skew continues to rise in the mix. RoICs are expected to remain largely stable (9 to 10.5%) over FY25-27. We initiate coverage on Zomato with a REDUCE rating and await a more palatable price point to become more constructive on the name, as most goodies seem priced in. Our SOTP-based TP of INR 235/sh (implies 6x FY27 price/sales).

- **Quick commerce—have we suspended disbelief?** QC players have certainly solved part of the unit economics equation – demand aggregation (ergo, high GOV density) – and have the money to potentially scale themselves into positive unit economics (~INR 420bn cash pile). However, investors seem to have suspended disbelief regarding the size of the opportunity set. The implied difference in QC sales between us and the consensus stands at 25-30% over FY25-27E; i.e., the consensus builds in more top city MTUs than the opportunity set itself.
- **Competitive intensity is high in QC, with sector staring at a supply glut:** Incumbents have stepped up discounting, delivery subsidies, and dark store expansion, leading to an increase in cash burn (HSIE: ~INR 12-15bn run-rate as of Dec-24). Adding to this, new challengers appear to be well-positioned in terms of key QC inputs: (1) a sizeable captive user base, (2) 40-65 million sq. ft. of warehousing space, and (3) dark store roll-out capabilities. This could result in a channel facing a potential supply glut (of dark stores) in FY26/27. This unit economics-dilutive phase is likely to be followed by widening execution variance, which may force weaker operators to restrict operations to core markets (if not shut down altogether). This may, in turn, lead to lower steady-state profitability than targeted (5% adjusted EBITDAM) by most QC players in top cities—another point of divergence from consensus.

## REDUCE

CMP (as on 03 Feb 2025)	INR 238
Target Price	INR 235
NIFTY	23,361

### KEY STOCK DATA

Bloomberg code	ZOMATO IN
No. of Shares (mn)	9,650
MCap (INR bn) / (\$ mn)	2,298/26,363
6m avg traded value (INR mn)	18,459
52 Week high / low	INR 305/138

### SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	-	-
FIs & Local MFs	17	21
FPIs	53	47
Public & Others	30	32
Pledged Shares	-	-

Source : BSE

### Jay Gandhi

jay.gandhi@hdfcsec.com  
+91-22-6171-7320

### Vedant Mulik

vedant.mulik@hdfcsec.com  
+91-22-6171-7348

- **Blinkit—a safer bet on the execution-heavy quick commerce game:** It's important to understand how difficult it is to make money in the low-barrier-to-entry QC play. Blinkit (the market leader) has top-quartile stores (302 stores) that average 1.5mn GOV per store per day, which is 5x that of DMART. These stores are likely to perform significantly better on most KPIs (AOVs, take rates, and fixed cost absorption) compared to the platform average, which itself is already miles ahead of the competition. Despite this, these stores are estimated to achieve only a 5%/1.5-2% CM/adjusted EBITDAM, respectively. If it's so tough for the leader to make money in its most premium catchments, imagine the plight of the rest. Hence, in our view, it's safer to play the QC game via the fixed-cost leader (Blinkit), as the odds of survival are higher after the disruptive FY26/27 phase. The ask to reach adjusted EBITDAM break-even (to cover the FY26E fixed cost base) is lower for Blinkit compared to its peers (~1,500 orders per day per store vs. 3,500+ for peers).
- **Food delivery is now a cozy duopoly; Zomato 4-6 quarters ahead of Swiggy:** After an intense competitive period (FY15-18), followed by industry consolidation and USD 7bn in investments, food delivery has settled into a cozy duopoly. Apart from the MTU base, both platforms are broadly evenly matched on most KPIs. On key inputs (MTU and AOV growth), we expect both platforms to largely mimic each other. The sustenance and improvement of FD profitability have become even more imperative now, as it is likely to act as a lever to balance company-level operational cash burn if competition in the quick commerce (QC) segment intensifies.
- **On margins:** In FD, we expect Zomato to improve margins as fixed-cost absorption further improves (from 3.8% to 4.5%). In QC, we expect absolute losses to inch up (from -INR 2.2bn to -INR 7.6bn). However, given the rising share of quick commerce in GOV, on a consolidated basis, we forecast a 90-bps contraction in adjusted EBITDAM (from 5.3% to 4.4%) and steady RoICs (9-10%) over FY25-27E.
- **Valuation and outlook:** In food delivery, the duopoly structure is likely to ensure eventual convergence of fortunes for the two incumbents; however, the jury is still out on the path to convergence in quick commerce. We remain in the camp that execution variance among platforms is likely to widen in the long term with Blinkit leading the pack. For Zomato, we project a 36% consolidated sales CAGR (including 19%/65% gross sales CAGR for FD/QC segments, respectively), with moderating adj. EBITDAM (from 5.3% to 4.4%) as QC skew continues to rise in the mix. RoICs are expected to be largely stable (9 to 10.5%) over FY25-27. We initiate coverage on Zomato with a Reduce rating and an SOTP-based TP of INR 235/sh (implying 6x FY27 price/sales). Note – We have reduced Swiggy's target price to INR 455/sh (earlier INR 475/sh).

#### Financial summary (INR mn)

	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	70,800	1,21,150	2,01,557	2,84,075	3,74,052
Adj. EBITDA	(7,820)	3,720	11,455	11,839	17,336
Pre-IND AS EBITDA	(12,880)	(1,430)	4,255	4,639	10,136
APAT	(9,705)	3,520	7,878	7,877	11,785
Dil. EPS (Rs/sh)	(1.0)	0.4	0.8	0.8	1.2
P/E (x)	(237)	652	292	292	195
EV/EBITDA (x)	(172)	(1,520)	491	452	207
EV/Revenue (x)	31.3	17.9	10.4	7.4	5.6
ROE (%)	(5.4)	1.8	3.1	2.6	3.8
ROIC (%)	(8.1)	4.1	9.2	8.0	10.5
ROCE (%)	(5.0)	2.1	3.4	2.8	3.9

Source: Company, HSIE Research



## Peer valuation (In billion, except per share data)

Name	CMP	Mcap (Rs bn)	Rating	TP	Revenue				Revenue Growth				EBITDA				EBITDA Margin			
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Zomato	238	2297	Reduce	235	121	202	284	374	71.1	66.4	40.9	31.7	-1.4	4	5	10	-1.2	2.1	1.6	2.7
Swiggy	458	1023	Reduce	455	112	147	192	246	36.1	30.5	30.6	28.5	-24	-27	-22	-16	-21.6	-18.3	-11.7	-6.4

Name	P/E				EV/EBITDA				EV/Revenue				ROE				EPS			
	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Zomato	652	292	292	195	NM	491	452	207	18	10	7	6	1.8	3.1	2.6	3.8	0.4	0.8	0.8	1.2
Swiggy	NA	NM	NM	NM	NA	NM	NM	NM	NA	6	5	4	-27.9	-26.4	-17.8	-12.5	-10.7	-11.1	-8.3	-5.3

Note – EBITDA is Pre-Ind AS 116 EBITDA

Source: Companies, HSIE Research

## Global peer valuation (In billion, except per share data)

Name	Currency	Revenue				Revenue Growth				EBITDA				EBITDA Margin			
		CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26
Meituan	RMB	277	337	392	447	25.8	21.8	16.4	14.0	21	48	60	75	7.7	14.2	15.3	16.8
Doordash Inc	USD	9	11	13	15	31.2	23.9	19.1	16.9	0	2	3	3	0.4	17.7	20.8	23.4
Delivery Hero	EUR	10	12	13	15	15.9	19.5	12.9	11.8	-1	1	1	1	-11.9	6.1	7.9	9.7
Deliveroo Plc	GBP	2	2	2	2	2.8	2.3	9.1	10.0	0	0	0	0	1.5	6.2	8.4	10.3
Coupage Inc	USD	24	30	35	40	18.5	24.7	16.0	13.8	1	1	2	3	4.9	4.1	5.6	6.7
Grab Holdings Ltd	USD	2	3	3	4	64.6	18.6	24.7	17.5	0	0	0	1	-15.9	11.2	13.1	18.4
Pdd Holdings Inc	RMB	248	398	497	595	89.7	60.9	24.8	19.6	61	114	140	176	24.5	28.6	28.1	29.6

Name	Currency	EPS				P/E				EV/EBITDA				EV/Revenue				ROE			
		CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26
Meituan	RMB	2.2	7.0	8.7	10.7	64	20	16	13	18	16	12	9	1	2	2	1	9.9	22.1	21.9	21.8
Doordash Inc	USD	-1.4	2.7	4.2	5.3	NM	65	43	33	1,021	41	30	23	4	7	6	5	-8.2	8.5	15.5	17.7
Delivery Hero	EUR	NA	-1.3	-0.4	1.1	NA	NM	NM	24	NM	14	9	6	1	1	1	1	-85.5	-56.1	-30.9	14.4
Deliveroo Plc	GBP	-0.0	0.0	0.0	0.1	NM	186	31	16	53	12	8	5	1	1	1	1	-4.8	0.9	16.7	25.0
Coupage Inc	USD	0.8	0.0	0.5	0.8	29	7,417	44	28	22	29	18	13	1	1	1	1	41.8	0.6	17.5	22.4
Grab Holdings Ltd	USD	-0.1	-0.0	0.1	0.1	NM	NM	79	42	NM	48	32	18	4	5	4	3	-6.7	-1.8	2.8	5.8
Pdd Holdings Inc	RMB	44.3	82.1	93.9	113.2	17	9	8	7	19	7	5	3	5	2	1	1	39.4	43.6	33.9	29.8

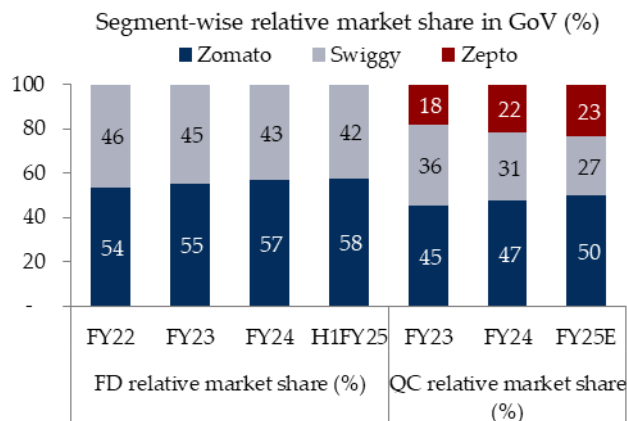
Source: Company, HSIE Research, Bloomberg consensus

## Estimate changes in Swiggy

(INR mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,46,831	1,46,831	-	1,91,748	1,84,462	3.9	2,46,408	2,30,636	6.8
Adj. EBITDA	(15,422)	(15,422)	-	(14,412)	(14,036)	2.7	(10,346)	(9,860)	4.9
Adj. EBITDAM (%)	(10.5)	(10.5)	0 bps	(7.5)	(7.6)	9 bps	(4.2)	(4.3)	8 bps
Pre-IND AS EBITDA	(26,892)	(26,892)	-	(22,372)	(21,996)	1.7	(15,746)	(15,260)	3.2
Pre-IND AS EBITDA margin (%)	(18.3)	(18.3)	0 bps	(11.7)	(11.9)	26 bps	(6.4)	(6.6)	23 bps
APAT	(24,788)	(24,688)	0.4	(18,565)	(18,125)	2.4	(11,920)	(11,394)	4.6
APAT margin (%)	(16.9)	(16.8)	-7 bps	(9.7)	(9.8)	14 bps	(4.8)	(4.9)	10 bps
EPS (Rs)	(11.1)	(11.0)	0.4	(8.3)	(8.1)	2.4	(5.3)	(5.1)	4.6

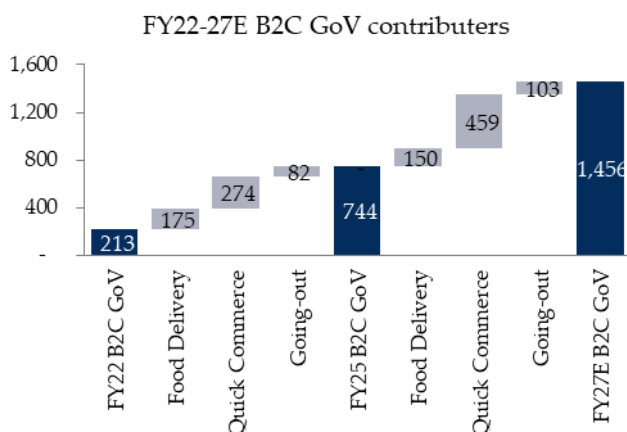
## Focus Charts

**Zomato has consistently gained market share across its core (food delivery and QC) over FY22-25E**



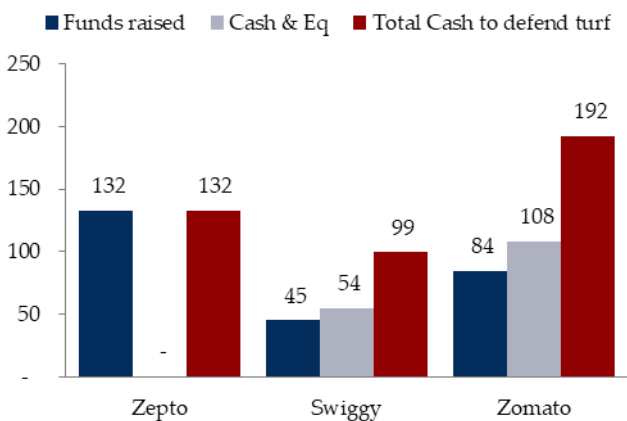
Source: Company, HSIE Research

**For Zomato, quick commerce to contribute nearly two-thirds the incremental GOV over FY25-27**



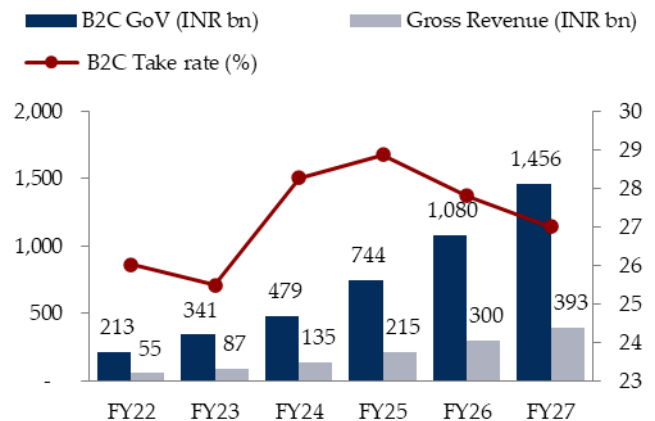
Source: Company, HSIE Research

**Top 3 seem well-capitalized for their aggressive expansion plans, Zomato has the biggest purse**



Source: Company, HSIE Research, as on Dec-24

**B2C GOV pegged to grow at 40% over FY25-27; take rates to moderate as the QC skew increases in mix**



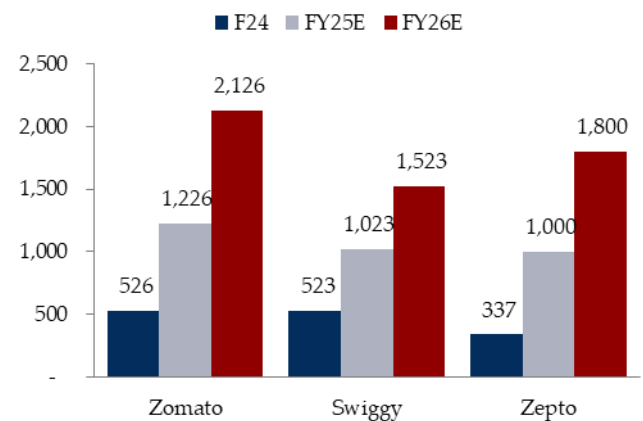
Source: Company, HSIE Research

**Consensus seems to have suspended disbelief on QC; building in higher MTUs than the potential MTU universe (in Top 8 cities)**

In mn	FY25E	FY26E	FY27E	FY28E
<b>HSIE</b>				
QC MTUs	21.4	37.1	53.8	66.5
Duplicity	5.3	10.2	16.1	21.9
Est. Unique MTUs	16.0	26.9	37.7	44.5
Top 8 city MTUs (est)	10.7	17.5	25.2	29.8
Top 8 cities' potential MTU universe	16.2	18.4	20.2	21.9
Captured by Top 3 QC players (% of Top 8 cities' MTU universe)	66	95		
<b>Consensus (implied)</b>				
QC MTUs	21.4	44.5		
Implied unique MTUs	16.0	33.4		
Top 8 city MTUs	10.7	21.7		
Top 8 cities' potential MTU universe	16.2	18.4		
Captured by Top 3 (Consensus; implied)	66	118		

Source: Company, HSIE Research

**Top 3 are likely to hit 5,000-5,500 dark stores by FY26...**



Source: Company, HSIE Research

...however, we suspect expansion is likely to hit a wall by FY26/27 as in our view the opportunity set without meaningfully diluting unit economics is ~7,800 dark stores; the quest to get there quickly may potentially lead to a supply glut. Hence, FY26/27 may be the point beyond which the execution variance between QC platforms widens.

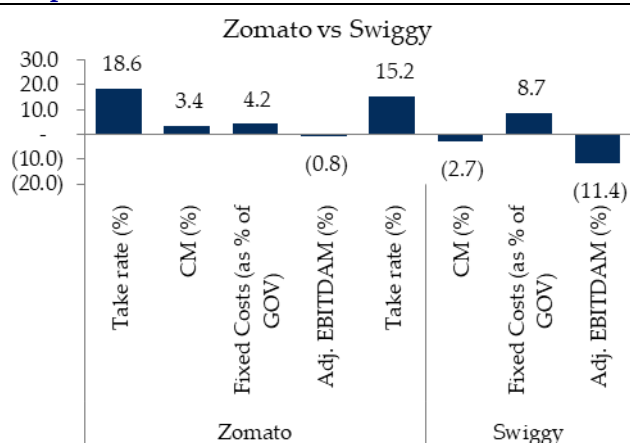
Particulars	Avg. per capita income	Area (sq. km)	Households (mn)	HH/sq. km	Potential orders/yr (mn)	Potential dark stores (#)	FY28E QC market size (INR bn)	Total Org stores in district (#)
Top 8	3,47,938	5,286	15	2,906	1,106	2,048	663	620
Next 20 districts	2,43,941	56,723	27	481	1,386	2,607	831	299
Next 35 districts	2,17,826	1,28,429	49	380	2,668	3,114	1,600	362
<b>Total</b>		<b>1,90,438</b>	<b>91</b>	<b>480</b>	<b>5,160</b>	<b>7,769</b>	<b>3,093</b>	<b>1,281</b>

#### Incumbents share (%)

FY24	250	8
FY25E	533	17
FY26E	977	32
FY27E	1,461	47
FY28E	1,920	62

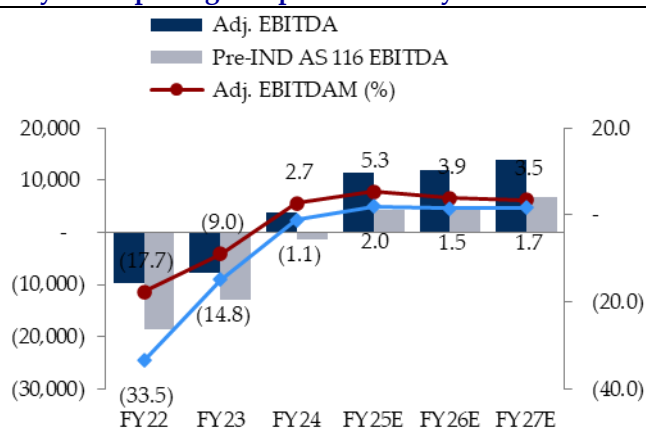
Source: Company, HSIE Research

**Blinkit seems better-placed in the execution game; is ahead on most KPIs (more importantly, on fixed cost absorption)**



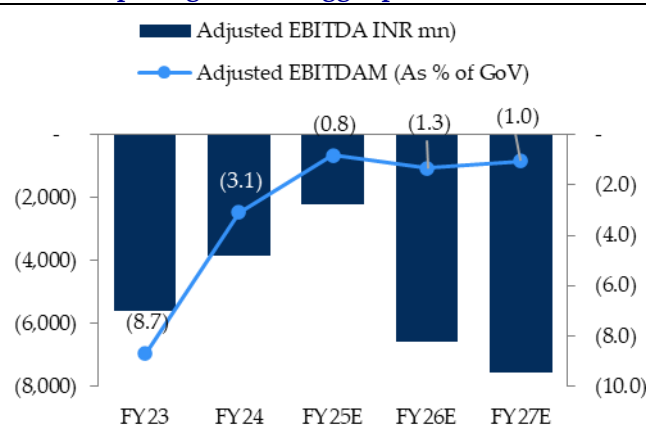
Source: Company, HSIE Research; FY25 estimates

**Higher delivery subsidies, marketing investments and expansion-led infra costs (amid rising competition) is likely to keep margin expansion at bay**



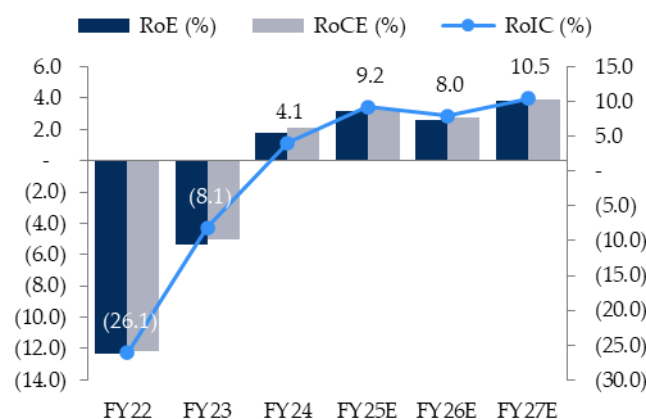
Source: Company, HSIE Research

**While Blinkit's cash burn might increase over FY25-27; it will be much lower than peers (plus it has a longer rope to be disruptive given its bigger purse)**



Source: Company, HSIE Research

#### Zomato: Return profile (%)



Source: Company, HSIE Research

Contents

Quick commerce or Quick sand? ..... 7

Have we suspended disbelief on quick commerce? ..... 9

Another thought exercise on TAM..... 11

Quick Commerce—Blinkit vs Instamart..... 17

The 2024 QIP—the offer and its objects ..... 19

Food delivery now a cozy duopoly ..... 20

Food delivery—Zomato vs Swiggy ..... 23

Other segments ..... 27

Financial analysis..... 29

Valuation..... 34

Company profile ..... 35

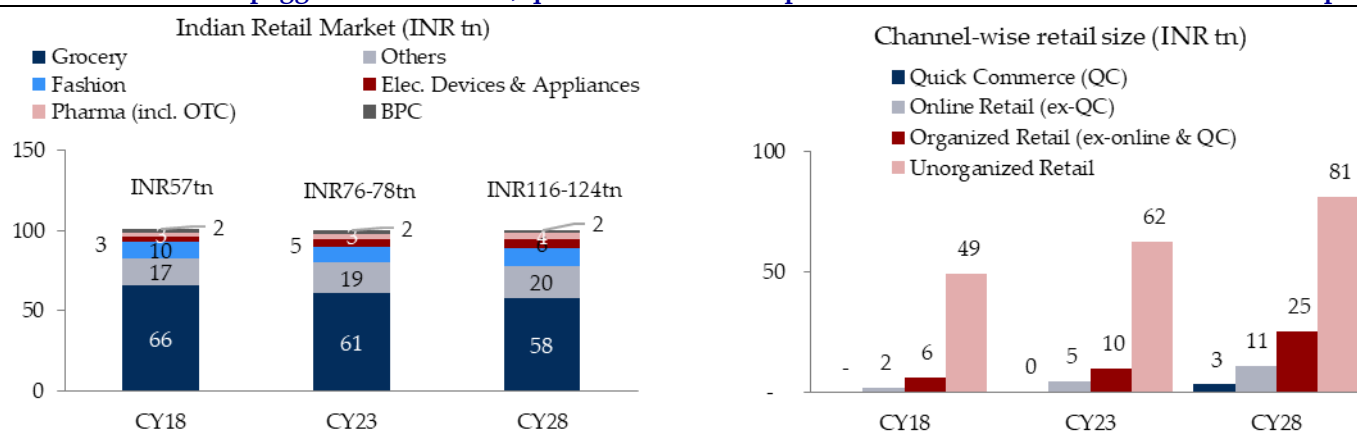
Financials ..... 38

## Quick Commerce or Quick Sand?

- Unlike its offline top-up predecessors, QC players have certainly solved part of the unit economics equation – demand aggregation (ergo, high GOV density). They have money to scale too (~INR420bn cash pile). Cash burn in QC is on the rise (estimated at ~INR12-15bn in Dec-24) as suitors incumbents/fresh entrants vie for their share in the biggest retail category.
- Like with all high-growth categories, it seems investors may have suspended disbelief in computing the potential opportunity set. Consensus builds in MTUs overshooting the potential in top cities. Beyond top cities, let's get real QC is still an experiment
- The space is likely to witness a supply glut (of dark stores) over the next 1-2 years; hence, execution variance is expected to widen. In our view its safer to play the execution-heavy QC game via the leader (Blinkit) which sports (1) Higher take rates, (2) better fixed cost absorption.
- 5% adj. EBITDAM seems more like a dream than a target right now. At 2,750 orders per day/store (~1,250 now), take rate (22% vs 18.5% now, fixed cost flat-lined at FY26 levels); Blinkit (the leader) theoretically could hit 5% adj. EBITDAM. Who know? May be affirmations do work! The rest probably need a prayer.

- **Indian grocery remains the biggest value migration play in Retail:** Indian grocery market (INR46-48tn; >60% of total retail market, 6-16% organized) has always looked attractive top-down, given its size. However, given the low AoVs, sales densities, and wafer-thin margins, survivors have decided on exceptional execution. Players with a denser and tighter presence have gained market share.
- **Top-up formats don't work in India—myth or rubric?** Historically, top-up (convenience-based) grocery formats (mostly offline or through online scheduled delivery) haven't scaled well in India. The low throughput per store/order couldn't offset their high-cost structures compared to stock-up grocers like D-MART. To add insult to injury, these top-up grocers had weak cash positions, leaving them without the capital needed to scale or achieve positive unit economics.

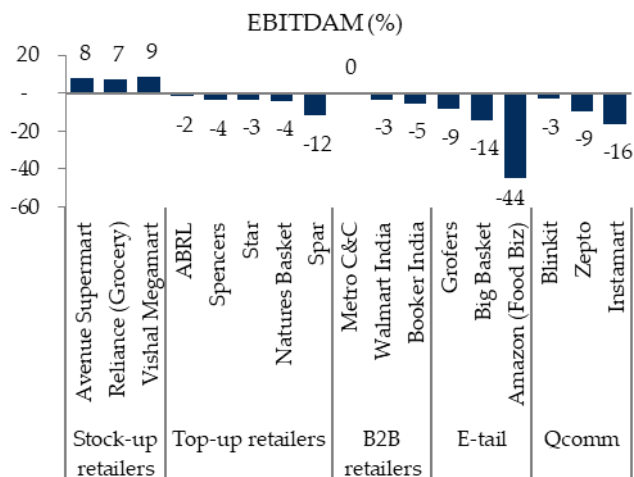
### Indian retail market pegged at INR76-78tn; quick commerce to capture INR3tn of that demand (Per Redseer report)



Source: Swiggy RHP, Redseer Report, averages of range used for computation of channel wise market size



## History doesn't suggest offline top-up formats work in India...



## ...especially if their cash positions are weak too

	CFO (INR mn)	Capex (INR mn)	FCFF (INR mn)	Cash & Eq (INR mn)
Avenue Supermart	27,458	-27,218	240	7,448
Vishal Megamart	8,297	-2,463	5,834	1,189
Metro C&C	837	-423	414	2,644
Spencers	267	-252	15	1,116
Natures Basket	14	-	14	34
Booker India	309	-593	-285	12
Spar	-739	-96	-835	18
Star	-582	-286	-868	486
ABRL	1,426	-2,294	-868	694
Walmart India	-2,734	-124	-2,858	396
Reliance Retail	3,19,510	-2,10,410	1,09,100	2,57,020

Source: Companies, averages of range used for computation of channel wise market size

## Indian Grocery (Incl. FMCG) Market Split (INR tn)

	CY18	CY23	CY28
Total Grocery (INR tn)	38	46-48	68-70
Total (USD bn)	471	580-600	850-880
Of which (in INR bn)			
Quick Commerce (QC)	-	188	2,001
Online Retail (ex-QC)	76	423	1,139
Organized Retail (ex-online & QC)	1,786	2,068	4,416
Unorganized Retail	36,138	44,321	61,410

Source: Swiggy RHP, averages of range used for computation of channel-wise market size

## The Quick Commerce incumbents

	Swiggy	Zomato	Zepto
Year launched	2021	2014	2021
FY24 GoV (INR bn)	81	125	64
FY24 GoV per dark store/day	487	793	419
No. of dark stores (FY24)	523	526	337
Cities (#) - FY24	32	33	10
SKUs offered (#)	19,200	25,000	10,000
Contribution margin (%)	(6)	2	6
Adj. EBITDAM (%)	(16)	(3)	(9)

Source: Swiggy RHP, Zomato, HSIE Research. Note: Zepto figures are estimates

- **QCs have solved part of the unit economics equation – sales density:** What quick commerce solved for is demand aggregation across dense micro-markets which could pay a premium for convenience. These are catered to by a network of dark stores (avg. store size: 2,500-4,000 sq ft) that are strategically located usually within a 1-3km radius of population-dense neighborhoods. This ensures extremely high sales densities (GoV per dark store/day ranges from INR 400k-1mn; translates to ~3x revenue per sq. ft of the most efficient offline grocer DMART).
- While a part of the unit economics puzzle is solved for with high GoV per store/day, platforms are yet to hit positive unit economics despite such high throughput per store as contribution margins are anemic currently (-3% to +3.5% of GoV) and insufficient to cover the high fixed costs (dark store rents, utilities, manpower, last and middle costs) in this business model (at current scale forming 4-8% of GoV).
- While there are theoretical levers to pull to improve contribution margins and fixed cost absorption (listed below), currently, heightened competition may keep certain levers non-operational.
  1. Increase in AoVs by (a) increasing discretionary, premium and customized assortments in mix, (b) high-value, high-margin utility products, (c) and incentivizing stock-up behaviour.
  2. Increase take rates by (a) increasing high commission categories like fresh fruits, vegetables, meat, etc., and private labels in mix, (b) higher ad income, (c) charging higher fees for delivery and packaging, and (d) increasing platform fee.
  3. Optimizing delivery routes and hence last-mile delivery costs.

## Have we suspended disbelief on quick commerce?

- Since >50% of the enterprise value of these convenience-based platforms comes from quick commerce and since most investment theses for these untested new age businesses are pitched on potential TAM, it is important to understand what growth the broader market is penciling in for quick commerce (QC).
- We are currently 6-17% below expectations for FY25-28 in terms of net sales for the two listed platforms (Zomato and Swiggy). While it is quite possible that these platforms could exceed our expectations, a closer look (segment-wise) reveals a meaningful variance in implied quick commerce sales. In fact, this discrepancy starts to border on the realm of disbelief.
- Assuming little to no variance between our projections and the consensus for food delivery (mature business; growing between 18-20%) and going-out/OOH consumption/other business (non-needle movers), **the implied difference in expectations from the QC businesses of the listed platforms is stark, at a negative 25-35% in terms of net sales. The consensus pencils in ~70% CAGR over FY25-28 vs HSIE's 55%. This potentially means consensus is likely to be at least ~20% higher in MTU expectations in QC by FY27.**
- To put it simply, our proprietary model suggests that by FY26, the Top-3 QC players would've nearly captured all of the Top-8 city opportunity in terms of unique monthly transacting users. What the consensus builds is MTUs overshooting the opportunity set within the Top-8 cities. If this is not a suspension of disbelief, then what is?**
- For cities beyond the Top-8; let's get real, quick commerce is still an experiment.**  
 Note: This computation doesn't even build in the impact of fresh entrants (Flipkart via Minutes, Amazon, Reliance via Jiomart, Tata group via Neuflash and Bigbasket) gaining their fair share.

### HSIE vs Consensus (INR mn)

INR mn	Zomato				Swiggy			
Zomato	FY25E	FY26E	FY27E	FY28E	FY25E	FY26E	FY27E	FY28E
<b>Consensus</b>								
Revenue	2,02,520	3,03,457	4,12,150	5,01,730	1,49,956	2,04,375	2,68,478	3,59,833
EBITDA	7,813	17,752	39,766	69,781	(21,088)	(11,213)	5,996	29,662
PAT	6,554	14,954	32,539	65,817	(23,944)	(13,852)	2,074	23,157
EPS	0.7	1.6	3.6	6.28	(10.4)	(5.5)	1.7	13
<b>HSIE</b>								
Revenue	2,01,557	2,84,075	3,74,052	4,49,044	1,46,831	1,91,748	2,46,408	2,98,662
EBITDA	8,136	10,696	16,869	27,259	(23,389)	(17,158)	(8,819)	896
PAT	7,878	7,877	11,785	20,602	(24,788)	(18,565)	(11,920)	(1,650)
EPS	0.8	0.8	1.2	2.5	(11.1)	(8.3)	(5.3)	(0.7)
<b>Variance vs Consensus</b>								
<b>Revenue</b>	<b>(0)</b>	<b>(6)</b>	<b>(9)</b>	<b>(11)</b>	<b>(2)</b>	<b>(6)</b>	<b>(8)</b>	<b>(17)</b>
EBITDA	4	(40)	(58)	(61)	NM	NM	NM	(97)
PAT	20	(47)	(64)	(69)	NM	NM	NM	NM
EPS	12	(50)	(66)	(61)	NM	NM	NM	NM

Source: Bloomberg, HSIE

**HSIE vs Consensus (segment-wise estimated variance; INR mn)**

Zomato	FY25E	FY26E	FY27E	FY28E	FY25-27E CAGR	FY25-28E CAGR
Consensus - Food Delivery	82,498	97,822	1,16,335	1,36,334	19	18
<b>Consensus - Quick Commerce</b>	<b>50,163</b>	<b>1,09,834</b>	<b>1,73,616</b>	<b>2,03,654</b>	<b>86</b>	<b>60</b>
Consensus - Others	69,859	95,801	1,22,199	1,61,742	32	32
HSIE - Food Delivery	82,498	97,822	1,16,335	1,36,334	19	18
<b>HSIE - Quick Commerce</b>	<b>43,609</b>	<b>79,467</b>	<b>1,18,478</b>	<b>1,50,968</b>	<b>65</b>	<b>51</b>
HSIE - Others	69,859	95,801	1,22,199	1,61,742	32	32
<b>Swiggy</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>		
Consensus - Food Delivery	64,323	77,026	91,442	1,06,753	19	18
<b>Consensus - Quick Commerce</b>	<b>22,314</b>	<b>51,238</b>	<b>87,001</b>	<b>1,49,264</b>	<b>97</b>	<b>88</b>
Consensus - Others	63,319	76,111	90,035	1,03,817	19	18
HSIE - Food Delivery	64,323	77,026	91,442	1,06,753	19	18
<b>HSIE - Quick Commerce</b>	<b>19,581</b>	<b>38,203</b>	<b>63,351</b>	<b>85,373</b>	<b>80</b>	<b>63</b>
HSIE - Others	63,319	76,111	90,035	1,03,817	19	18
<b>Total</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>		
Consensus - Food Delivery	1,46,821	1,74,848	2,07,777	2,43,087	19	18
<b>Consensus - Quick Commerce</b>	<b>72,477</b>	<b>1,61,072</b>	<b>2,60,617</b>	<b>3,52,918</b>	<b>90</b>	<b>69</b>
Consensus - Others	1,33,179	1,71,912	2,12,234	2,65,559	26	26
HSIE - Food Delivery	1,46,821	1,74,848	2,07,777	2,43,087	19	18
<b>HSIE - Quick Commerce</b>	<b>63,191</b>	<b>1,17,670</b>	<b>1,81,829</b>	<b>2,36,341</b>	<b>70</b>	<b>55</b>
HSIE - Others	1,33,179	1,71,912	2,12,234	2,65,559	26	26

**Variance vs Conesus**

<b>Zomato</b>				
HSIE - Food Delivery	-	-	-	-
<b>HSIE - Quick Commerce</b>	<b>(13)</b>	<b>(28)</b>	<b>(32)</b>	<b>(26)</b>
HSIE - Others	-	-	-	-
<b>Swiggy</b>				
HSIE - Food Delivery	-	-	-	-
<b>HSIE - Quick Commerce</b>	<b>(12)</b>	<b>(25)</b>	<b>(27)</b>	<b>(43)</b>
HSIE - Others	-	-	-	-
<b>Total</b>				
HSIE - Food Delivery	-	-	-	-
<b>HSIE - Quick Commerce</b>	<b>(13)</b>	<b>(27)</b>	<b>(30)</b>	<b>(33)</b>
HSIE - Others	-	-	-	-

Source: Bloomberg, HSIE

**Consensus seems to have suspended disbelief on QC; building in higher MTUs than the potential MTU universe (in Top 8 cities)**

In mn	FY25E	FY26E	FY27E	FY28E
<b>HSIE</b>				
QC MTUs	21.4	37.0	53.7	66.4
Duplicity	5.3	10.2	16.1	21.9
Est. Unique MTUs	16.0	26.8	37.6	44.5
Top 8 city MTUs (est)	10.7	17.4	25.2	29.8
Top 8 cities' potential MTU universe	16.2	18.4	20.2	21.9
<b>Captured by Top 3 QC players (% as Top 8 MTU universe)</b>	<b>66</b>	<b>95</b>		
<b>Consensus (implied)</b>				
QC MTUs	21.4	44.4		
Implied unique MTUs	16.0	33.3		
Top 8 city MTUs	10.7	21.7		
Top 8 cities' potential MTU universe	16.2	18.4		
<b>Captured by Top 3 (Consensus; implied)</b>	<b>66</b>	<b>118</b>		

Source: Bloomberg, HSIE

## Another thought exercise on TAM

- **What are the odds quick commerce continues to grow at ~70% GoV CAGR over CY23-28?** Let's paint a picture here. The table below maps the 600+ districts of India across per capita income and population density. The data excludes districts with per capita income of <INR150k per annum and with population density of <500 people/km<sup>2</sup>; what we are left with is a pool of 63 Indian districts constituting ~90mn households. Based on potential orders per year (assuming 4x monthly ordering frequency x 12 x 1.5 people on avg per household x AoV: INR550) and if each of the 90mn households use the QC service, we arrive at a potential TAM of ~INR3tn. For the number of dark stores required, we've used a benchmark of 1,500 orders per day per store (EBITDA-break-even point for current leader).
  1. What are the odds all 90mn use a quick commerce service by FY28? Wouldn't some get excluded by virtue of (1) topography or (2) preference for value?
  2. What are the odds ~5,500 (current run-rate basis) out the ~7,800 dark stores required to service 90mn households would be put up by three incumbents? Wouldn't the new entrants attempt to claim their fair share?
  3. What are the odds all stores fire at 1,500 order/INR1mn per day per store? Note: At this throughput level, the leader nearly hits adj. EBITDA-breakeven. Doesn't household density bottleneck this throughput level?
  4. What are the odds that Flipkart, Amazon, Reliance Retail, and Tata Group who boast of 40-65mn sq ft of warehousing space will not park 10% of their space for QC (current warehousing space of QC incumbents) to protect their businesses?

### Best case scenario suggests a ~INR3tn potential TAM; but there are clear bottlenecks for top 3 to realize full potential

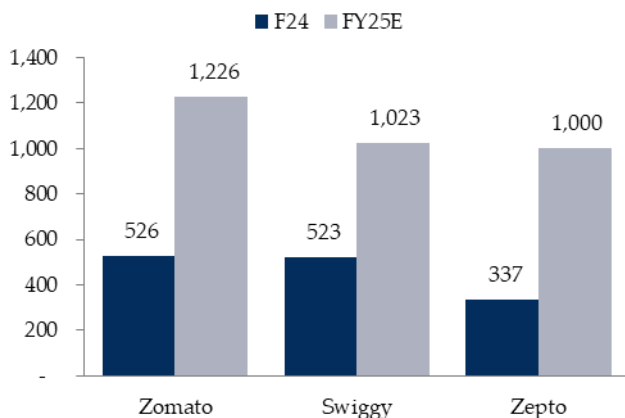
Particulars	Avg. per capita income	Area (sq. km)	Households (mn)	HH/sq. km	Potential orders/yr (mn)	Potential dark stores (#)	FY28E QC market size (INR bn)	Total Org stores in district (#)
Top 8	3,47,938	5,286	15	2,906	1,106	2,048	663	620
Next 20 districts	2,43,941	56,723	27	481	1,386	2,607	831	299
Next 35 districts	2,17,826	1,28,429	49	380	2,668	3,114	1,600	362
<b>Total</b>		<b>1,90,438</b>	<b>91</b>	<b>480</b>	<b>5,160</b>	<b>7,769</b>	<b>3,093</b>	<b>1,281</b>

Incumbents share (%)	In INR bn	In %
FY24	250	8
FY25E	533	17
FY26E	982	32
FY27E	1,476	48
FY28E	1,940	63

Source: HSIE Research

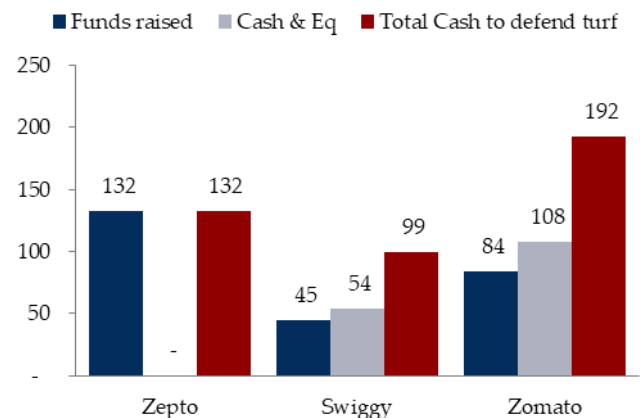
- **Competitive landscape in quick commerce remains intense:** Incumbents (Top 3) along with new entrants have already spruced up their cash pile to (1) aggressively expand their dark store network and (2) defend their market shares. Ergo, marketing spends, consumer discounts and delivery subsidies have increased across the board and are likely to remain elevated for FY26. The combined gunpowder available for the Top 3 stands at ~INR 423bn and the current cash burn in the system is estimated to be in the range of INR10-15bn monthly.
- Blinkit has already brought forward its guidance of hitting 2,000 dark stores by Dec-25 (from Dec-26 earlier); while Swiggy is likely to double its store count to 1,000 by Mar-25. Zepto has reached 850-900 stores in Dec-24 and is likely to end FY25 with 1,000 dark stores (from 337 stores in FY24).

#### FY24/25 Player-wise estimated/guided dark store count



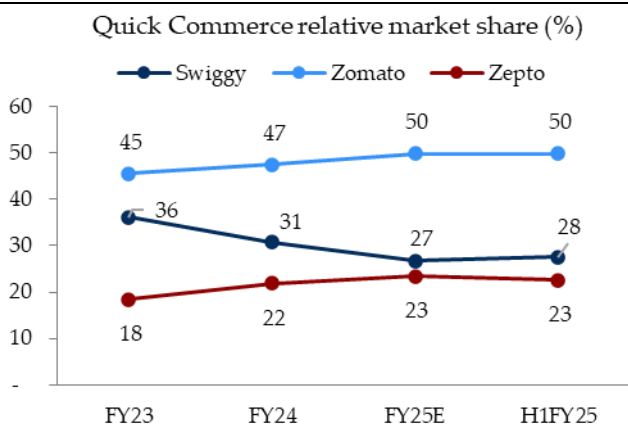
Source: Companies, HSIE Research, FY25 are estimates or targets aimed by management

#### Total cash available or raised/in process of raising for growth and defending market share (INR bn)



Source: Companies, HSIE Research, Note: For Zepto, funds raised since Aug-23 till date considered, Data as on Dec-24

#### Blinkit continues to improve its relative market share



Source: Companies, Zomato, HSIE Research

#### Estimated warehousing capacity across key e-tailers in India

	Warehousing/FFC (mn sq. ft)
Amazon	43-50
Flipkart	50-60
Reliance Retail	55-65
Blinkit (incl. dark stores)	4.8
Swiggy (incl dark stores)	2.7

Source: Industry articles, Companies, Company RHP, HSIE Research



- **It's safer to play the execution-heavy quick commerce game via the leader:** Quick commerce is essentially a low-barrier-to-entry business, and any edge in the space is likely to be execution-driven. To provide some perspective, the top 25% Blinkit stores (302 stores), which is the leader with 50% market share in QC, are located in the densest catchments in India and clock ~1.5mn GOV per day per store (i.e.; INR537mn/store or >170k GOV/sq ft – 5x that of DMART). AOVs, take rates are likely to be higher than the company average as these stores cater to the most premium set of consumers, and fixed costs are likely to be well optimized for this store cohort. Despite this, the store cohort is estimated to squeeze out a mere 5% and 1.5% (as % of GOV) in contribution and adj EBITDA margin, respectively. If it is tough for the leader, who enjoys the highest AOVs, take rates and lowest fixed costs, to generate a profit in its most premium catchments, imagine the plight faced by the rest who are a mile behind in terms of efficiency and unit economics. Hence, we believe, it's a safer to play the quick commerce bet via Zomato's Blinkit.

#### Blinkit's GOV density-wise dark store performance (Q3FY25)

Store Cohort (Q3FY25)	Store Count (#)	CP (INR mn)	CM (as % of GOV)	GOV share (%)	GOV per day/store	Adj EBITDA	Adj EBITDAM (as % of GOV)	Assumed fixed costs (as % of GOV)
Top 5%	50	599	6.4	12	1.8	318	3.4	3.0
Next 10%	101	730	5.2	18	1.5	239	1.7	3.5
Next 15%	151	755	4.4	22	1.2	69	0.4	4.0
Middle 50%	453	634	1.9	42	1.0	(1,004)	(3.1)	5.0
Bottom 25%	252	(398)	(8.5)	6	0.7	(652)	(13.9)	5.4
<b>Total</b>	<b>1,007</b>	<b>2,320</b>	<b>3.0</b>	<b>100</b>	<b>1.0</b>	<b>(1,030)</b>	<b>(1.3)</b>	<b>4.3</b>

Source: Zomato Q3FY25E presentation; Note: Adj EBITDA, Adj EBITDAM and select data are derivations; Store cohort based on average GOV per day/store and on the 1,007 dark stores that are live as on Q3FY25

- **5% adj. EBITDAM seems more like a dream than a target in quick commerce:** Most QC players quote a steady-state target of achieving 5% adj. EBITDAM (as % of GOV) within the next 3 years. However, we don't see a clear path to achieving this goal especially given that the execution variance is likely to be massive among platforms. For this to work out, Top 8 cities need to fire at a meaningfully higher margin and since these cities house the most valuable consumers, all platforms are likely to be extremely competitive so as to not lose share in these catchments.
  - Case in point: Leader Blinkit (~40% of GOV comes from Delhi-NCR; Instamart is a distant second in the region), is estimated to be hitting a mere 1.5-2% adj. EBITDAM in the Delhi-NCR region. This is despite best-in-class AOVs (INR707/order) and take rates (~18.5% on 9MFY25) at the segment level. Note: We estimate the top 300 Blinkit stores to be clocking AOVs of >INR900/order. (Only horizontal e-commerce players enjoy higher AOVs at ~INR,1500 courtesy a higher electronics skew). What are the odds this sustains against the backdrop of rising competition in top cities.
- We suspect given the land grab phase in QC, the space is likely to go through a bout of over-supply of dark stores) especially within the top cities, which could potentially result in a splintering of orders; ergo lower than desirable fixed cost absorption. Against this backdrop, **we recommend playing the quick commerce play via the market leader who enjoys cost leadership (lowest relative fixed costs) and highest sourcing margins/take rates within the pack.**

**Blinkit better placed on most KPIs (AOVs, take rates, fixed cost absorption) vs Instamart. The latter is likely to reduce the KPI divergence as it scales its discretionary salience in mix; the tougher ask is to get closer to Blinkit's superior GOV/sales density. For Blinkit, bulk of the growth from hereon is likely to be MTU addition-led**

	Blinkit					Instamart					Blinkit (CAGR; %)		Instamart (CAGR; %)	
	FY23	FY24	FY25E	FY26E	FY27E	FY23	FY24	FY25E	FY26E	FY27E	FY23-25E	FY25-27E	FY23-25E	FY25-27E
Gross order value (GoV) - INR mn	64,490	1,24,690	2,74,272	4,96,671	7,33,611	51,184	80,686	1,46,896	2,62,922	4,07,924	106	64	69	67
Avg. MTUs	3	5	10	17	25	3	4	7	11	16	84	59	44	55
Ordering frequency/month	3.4	3.3	3.4	3.5	3.5	3.3	3.5	3.6	3.7	3.7	0	1	4	1
Orders (mn)	119	203	408	724	1,059	128	175	290	486	704	85	61	50	56
AoV (INR)	541	613	672	686	693	398	460	506	541	579	11	1	13	7
Dark stores (#)	377	526	1,226	2,126	2,626	421	523	1,023	1,523	2,023	80	46	56	41
GoV per day per store ('000)	470	793	858	812	846	375	487	521	566	630	35	(1)	18	10
Orders per day per store (#)	869	1,294	1,276	1,184	1,221	943	1,059	1,029	1,045	1,088	21	(2)	4	3
Adjusted/Gross revenue	8,060	23,020	50,877	92,878	1,38,652	5,473	10,877	22,299	43,724	72,733	151	65	102	81
YoY (%)	-	186	121	83	49	341	99	105	96	66				
Take rate (As % of GoV)	12.5	18.5	18.6	18.7	18.9	10.7	13.5	15.2	16.6	17.8				
-Commission & ad income	13.9	15.5	15.9	16.0	16.2	8.2	11.4	13.3	14.5	15.5				
-Cust. Delivery charge/user fee	(1.5)	3.0	2.7	2.7	2.8	2.5	2.1	1.9	2.1	2.3				
Variable cost (as % of GoV)	19	16	15	15	16	34	19	18	18	18				
-Dark store/replenishment/ other variable costs	12.0	7.0	6.7	6.7	6.7	17.6	9.0	7.9	7.7	7.5				
-Delivery/Last mile/other variable costs	11.3	9.0	8.0	8.0	8.0	13.1	9.8	9.5	9.3	9.1				
-Platform-funded discounts/customer incentives	(3.8)	0.3	0.5	0.7	0.9	3.6	0.7	0.6	0.8	1.0				
Contribution profit/(loss)	(4,460)	2,660	9,340	16,551	24,813	(12,058)	(4,841)	(3,995)	(2,944)	1,347				
Contribution margin (%)	(6.9)	2.1	3.4	3.3	3.4	(23.6)	(6.0)	(2.7)	(1.1)	0.3				
Fixed Cost (FC)	1,160	6,500	11,570	23,140	32,396	8,210	8,250	12,788	18,543	25,033				
YoY (%)	-	460	78	100	40	-	0	55	45	35				
FC (As % of GoV)	1.8	5.2	4.2	4.7	4.4	16.0	10.2	8.7	7.1	6.1				
Adjusted EBITDA	(5,620)	(3,840)	(2,230)	(6,589)	(7,583)	(20,268)	(13,091)	(16,784)	(21,487)	(23,686)				
Adj. EBITDAM (as % of GoV)	(8.7)	(3.1)	(0.8)	(1.3)	(1.0)	(39.6)	(16.2)	(11.4)	(8.2)	(5.8)				
GoV/Avg.MTU	1,853	2,037	2,320	2,400	2,445	1,333	1,586	1,834	1,990	2,129				

Source: Companies, Zomato, HSIE Research; Note FY23/24 take rate break-up are estimates

### Blinkit vs Instamart: Quick Commerce unit economics (per order basis)

Unit Economics (INR/order)	Blinkit					Instamart				
	FY23	FY24	FY25E	FY26E	FY27E	FY23	FY24	FY25E	FY26E	FY27E
AoV	613	672	686	693	693	398	460	506	541	579
Revenue	113	125	128	131	131	43	62	77	90	103
-Commission & ad income	95	107	110	112	112	33	52	67	79	90
-Cust. Delivery charge/user fee	18	18	19	19	19	10	10	9	11	13
Variable Costs	100	102	105	108	108	136	90	91	96	101
-Dark store/replenishment/ other variable costs	43	45	46	46	46	70	41	40	41	43
-Delivery/Last mile costs	55	54	55	55	55	52	45	48	50	53
-Platform-funded discounts/customer incentives	2	3	5	6	6	14	3	3	4	6
Contribution profit/(loss)	13	23	23	23	23	(94)	(28)	(14)	(6)	2
Fixed Cost (FC)	32	28	32	31	31	64	47	44	38	36
Adjusted EBITDA	(19)	(5)	(9)	(7)	(7)	(158)	(75)	(58)	(44)	(34)

Source: Companies, HSIE Research

## Blinkit vs Instamart - H1FY25 performance

	Blinkit		Instamart	
	Q1FY25	Q2FY25	Q1FY25	Q2FY25
<b>Gross order value (GoV) - INR mn</b>	<b>49,230</b>	<b>61,320</b>	<b>27,240</b>	<b>33,819</b>
<i>QoQ (%)</i>	-	25	-	24
Avg. MTUs	7.6	8.9	5.2	6.2
<i>QoQ (%)</i>	-	17	-	18
Ordering frequency/month	3.5	3.5	3.6	3.7
<i>QoQ (%)</i>	-	1	-	3
Orders (mn)	79	93	56	68
<i>QoQ (%)</i>	-	18	-	22
AoV (INR)	625	660	487	499
<i>QoQ (%)</i>	-	6	-	2
Dark stores (#)	639	791	557	609
GoV per day per store ('000)	956	981	558	604
Orders per day per store (#)	1,530	1,486	1,146	1,210
<b>Adjusted/Gross revenue</b>	<b>9,420</b>	<b>11,560</b>	<b>4,034</b>	<b>5,127</b>
<i>Take rate (As % of GoV)</i>	<i>19.1</i>	<i>18.9</i>	<i>14.8</i>	<i>15.2</i>
<b>Variable cost (as % of GoV)</b>	<b>15.1</b>	<b>15.0</b>	<b>18.0</b>	<b>17.1</b>
<b>Contribution profit/(loss)</b>	<b>1,990</b>	<b>2,340</b>	<b>(866)</b>	<b>(657)</b>
<i>Contribution margin (%)</i>	<i>4.0</i>	<i>3.8</i>	<i>(3.2)</i>	<i>(1.9)</i>
<b>Fixed Cost (FC)</b>	<b>2,020</b>	<b>2,420</b>	<b>2,313</b>	<b>2,931</b>
<i>YoY (%)</i>	<i>69.7</i>	<i>50.3</i>	<i>27.4</i>	<i>26.7</i>
<i>FC (As % of GoV)</i>	<i>4.1</i>	<i>3.9</i>	<i>8.5</i>	<i>8.7</i>
<b>Adjusted EBITDA</b>	<b>(30)</b>	<b>(80)</b>	<b>(3,179)</b>	<b>(3,588)</b>
<i>Adj. EBITDAM (as % of GoV)</i>	<i>-0.1</i>	<i>-0.1</i>	<i>(11.7)</i>	<i>(10.6)</i>
<b>GoV/Avg.MTU</b>	<b>2,159</b>	<b>2,297</b>	<b>1,733</b>	<b>1,826</b>

Source: Companies, HSIE Research

## Blinkit vs Instamart: Quick commerce unit economics (per order basis)

Per order (INR)	Blinkit		Instamart	
	Q1FY25	Q2FY25	Q1FY25	Q2FY25
<b>AoV</b>	<b>625</b>	<b>660</b>	<b>487</b>	<b>499</b>
<b>Revenue</b>	<b>120</b>	<b>124</b>	<b>72</b>	<b>75</b>
<b>Variable Costs</b>	<b>94</b>	<b>99</b>	<b>88</b>	<b>85</b>
<b>Contribution profit/(loss)</b>	<b>25</b>	<b>25</b>	<b>(15)</b>	<b>(10)</b>
Fixed Cost (FC)	26	26	41	43
<b>Adjusted EBITDA</b>	<b>(0)</b>	<b>(1)</b>	<b>(57)</b>	<b>(53)</b>

Source: Companies, HSIE Research

- While Blinkit momentarily managed to inch closer to EBITDAM breakeven (on the back of higher AoVs, takes rates, lower fixed costs) in Q1FY25; it has since slipped back in the red again as (1) dark store expansion has been stepped up which continues to dilute GOV/order density, (2) delivery subsidies and platform-funded discounts are on the rise with more competitors in the fray. While the path to break-even for the leader (Blinkit) still seems plausible in the medium-to-long run; given its superior execution and fixed cost management; that said, the ask to achieve long-term target of 5% adj. EBITDAM (% of GOV) seems extremely steep even for the leader. For the rest it seems like a pipe dream.
- To give you some perspective, to hit 5% adj. EBITDAM, Blinkit would need (1) AOVs holding up (unlikely given rising competition), (2) Take rates improving by 350bps (from 18.5% currently to 22% via higher commission and ad income) and (3) orders per density/store inching up to ~2,750 per day/store (unlikely given the precipitous drop in household density beyond top cities) in order to cover fixed costs (even if fixed costs flatline at FY26 levels).
- At similar order density (1,450 orders per day/store), Instamart would still be in the red (-3% adj. EBITDAM) and at 2,750 orders per day/store; Instamart would likely hit 3.5% adj. EBITDAM. A density of 6,500 order per day/store is needed to hit 5% adj. EBITDAM (on FY26E fixed cost base) for Instamart. This is despite (a) take rate differential vs leader reducing from 200bps in FY25E to 50bps, (b) variable cost differential reducing from 250bps to 50bps; (c) AOV differential reducing from ~20% currently to 10%). EBITDAM break-even point is estimated at ~3,600 orders per day/store (to cover FY26E fixed cost base). Hence, in our view, the path to reasonable profitability over the next 2-3 years seems hazy for most QC players.

**At FY26E scale and fixed costs, Blinkit needs ~1,500 orders per day/store to hit EBITDA break-even; while Instamart's break-even point could potentially be pushed forward to an unrealistic number of orders (>3,500 orders) despite converging KPIs (AOVs, take rates, variable costs); Hence, we suspect the valuation divergence in QC could potentially widen between platforms...5% adj EBITDAM looks more like a dream than a target for the QC channel**

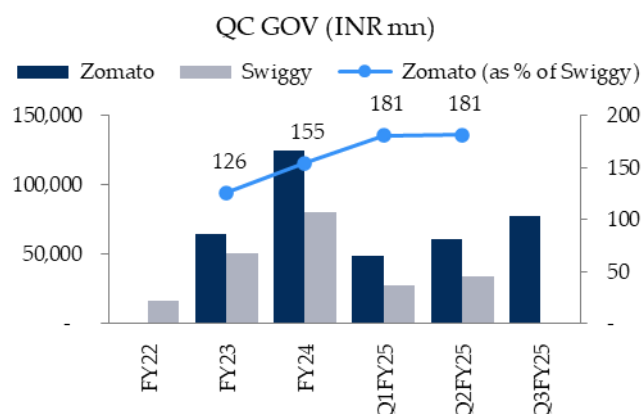
	FY26E	EBITDAM break-even	To achieve 5% adj. EBITDAM	FY26E	EBITDAM break-even	To achieve 5% adj. EBITDAM
GoV (INR mn)	4,96,621	6,00,084	11,38,090	2,63,009	9,48,518	18,38,883
GoV per day per store ('000)	823	995	1,886	574	2,070	4,013
Orders per day per store (#)	1,200	1,450	2,750	1,060	3,550	6,500
Orders (mn)	724	875	1,659	486	1,627	2,979
AoV (INR)	686	686	686	541	583	617
No. of Dark stores	2,126	2,126	2,126	1,523	1,523	1,523
Avg. dark stores	1,676	1,676	1,676	1,273	1,273	1,273
Adj. revenue	91,875	1,14,016	2,50,380	43,397	1,70,733	3,95,360
Take rate (%)	18.5	19.0	22.0	16.5	18.0	21.5
Variable cost (INR mn)	74,493	90,141	1,70,713	46,027	1,51,967	2,85,027
As % of GoV	15.0	15.0	15.0	17.5	16.0	15.5
<b>Contribution</b>	<b>17,382</b>	<b>23,874</b>	<b>79,666</b>	<b>(2,630)</b>	<b>18,767</b>	<b>1,10,333</b>
Contribution margin (%)	3.5	4.0	7.0	(0.5)	2.0	6.0
<b>Fixed Costs</b>	<b>23,140</b>	<b>23,140</b>	<b>23,140</b>	<b>18,543</b>	<b>18,543</b>	<b>18,543</b>
<b>Adj EBITDAM</b>	<b>(5,758)</b>	<b>734</b>	<b>56,526</b>	<b>(21,173)</b>	<b>224</b>	<b>91,790</b>
<b>Adj EBITDAM (%)</b>	<b>(1.2)</b>	<b>0.1</b>	<b>5.0</b>	<b>(8.1)</b>	<b>0.0</b>	<b>5.0</b>

Source: Companies, HSIE Research; Note these profitability points are on FY26 estimated fixed cost base for the respective platforms

## Quick Commerce—Blinkit vs Instamart

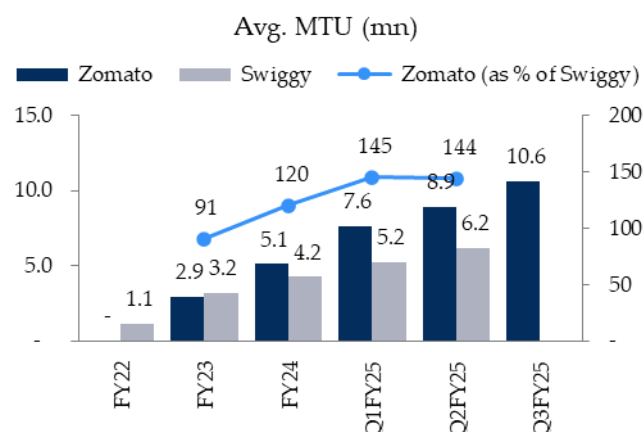
- While Swiggy and Zepto have been building their QC vertical organically, Zomato benefitted from the Grofers (Blinkit now) acquisition in FY23 as (1) Blinkit in its earlier avatar was a stock-up online grocer (High AoVs) and (2) the extreme concentration (~43% of GoV in Q4FY24; 40% now) of Blinkit in Delhi-NCR region ensured a higher GoV/day per store to begin with. It continues to gain share from the other two, courtesy better execution.

### Blinkit has consistently gained GOV share vs Instamart over FY22-H2FY25 in QC...



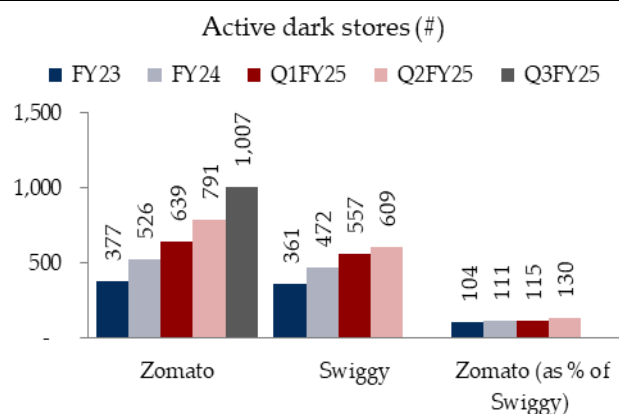
Source: Companies, HSIE Research

### ...as it continues to remain aggressive on MTU additions post-acquisition



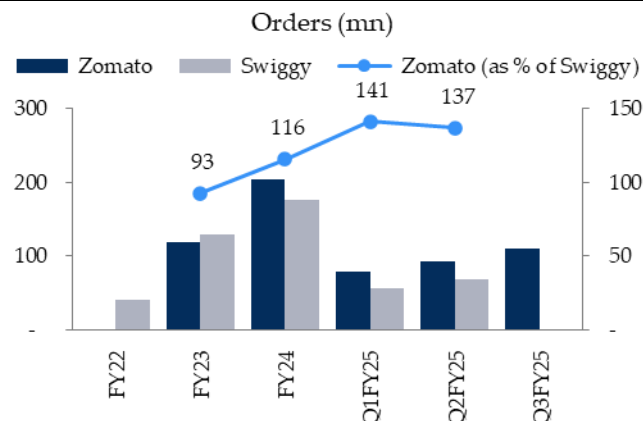
Source: Companies, HSIE Research

### ...on the back of aggressive dark store addition



Source: Companies, HSIE Research

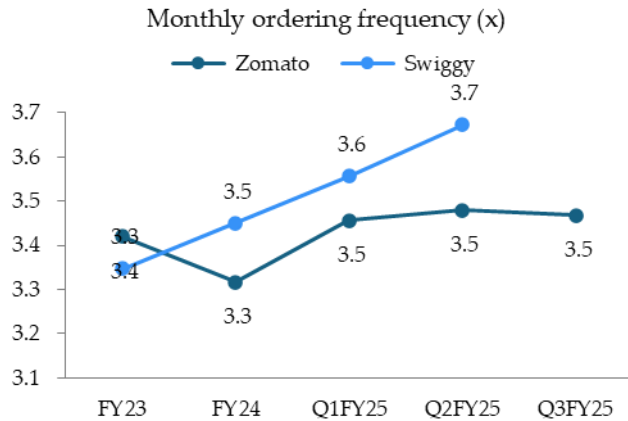
### ...ergo, it outpaced Instamart in order growth over FY22-25E (85% vs Instamart's 50%)



Source: Companies, HSIE Research

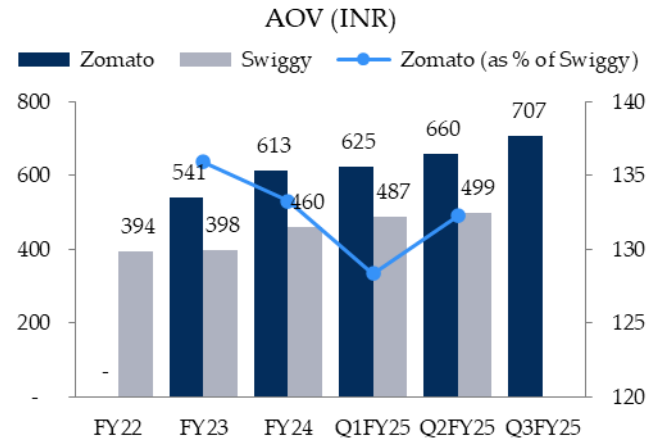


### Instamart leads on monthly ordering frequency...but Blinkit catching up



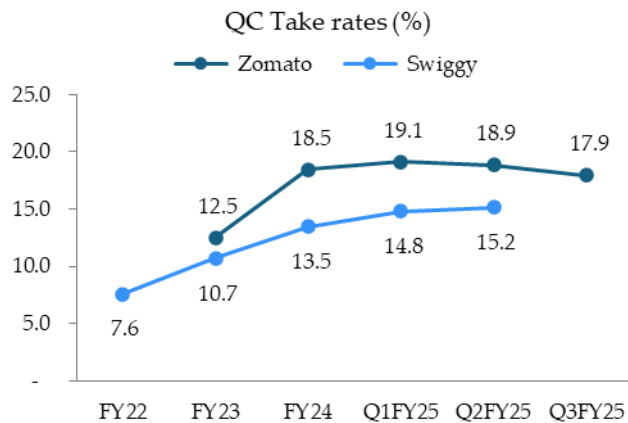
Source: Companies, HSIE Research

### Blinkit's AOVs (discretionary salience-led) is ~33% higher vs Instamart; the latter is catching up though



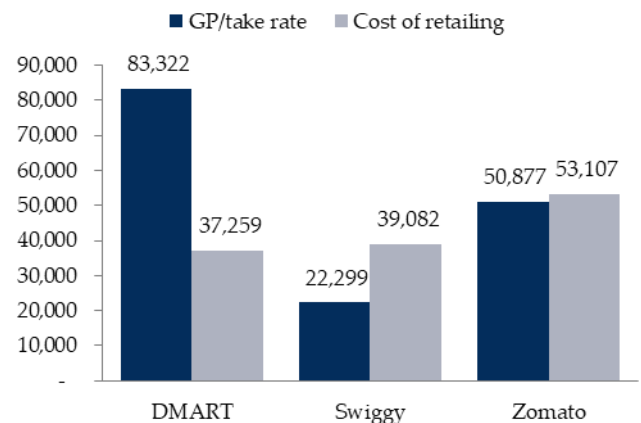
Source: Companies, HSIE Research

### Blinkit enjoys ~400bps higher take rates vs Instamart (H1FY25) courtesy the higher discretionary salience in mix



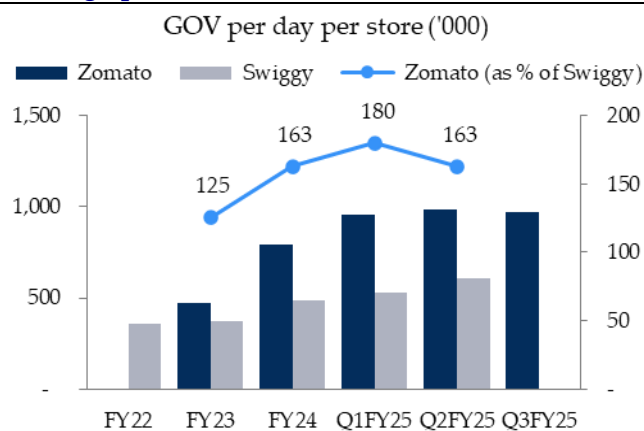
Source: Companies, HSIE Research

### Stock up vs Quick commerce: Current Gross profit/take rate to cover cost of retailing

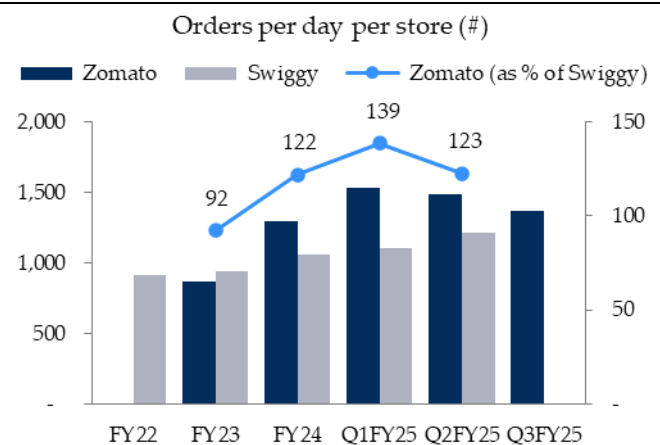


Source: Companies, HSIE Research

### Blinkit's GOV/order/sales density continues to remain meaningfully higher vs peers; however, peers are gradually catching up



Source: Companies, HSIE Research



Source: Companies, HSIE Research

## The 2024 QIP – the offer and its objects

### The offer

Issue Price	INR 252.62/sh (including a premium of ₹ 251.62/sh) – a discount of 5% to the floor price (INR 265.91/sh)
QIP Issue Size	Issue of 33,64,73,755 equity shares, aggregating to 8,500 crore, at a premium of ₹ 251.62 per equity share.
Equity share post issue/(pre-issue)	9,17,28,15,802 Equity Shares/(8,83,63,42,047 Equity Shares)

Source: Company RHP, HSIE Research

### Proposed schedule of implementation and deployment of net proceeds (INR bn)

Particulars (INR mn)	Estimated amount proposed to be financed from Net Proceeds	FY25	FY26	FY27
Expenditure towards setting up and running operations of Dark Stores and Warehouses	21.37	5.09	6.86*	9.42*
Advertising, marketing and branding initiatives across our business offerings	24.92	8.39	7.87	8.66
Investment in our technology infrastructure and capabilities, including cloud infrastructure and software and towards development of our technological capabilities	17.69	6.64	5.32	5.73
General corporate purposes*	20.38	10.19	8.15	2.04
<b>Total</b>	<b>84.36</b>	<b>30.31</b>	<b>28.2</b>	<b>25.85</b>

Source: Company, HSIE Research

Note: The abovementioned amounts are subject to an inflation rate of approximately 4% with respect to the expenditure towards setting up and running operations of Dark Stores and warehouses in Fiscals 2027 and 2028.

### Estimated cost to set up a Dark Store (INR mn) with an avg. built-up area of 3,100 sq ft

Particulars	Amount Per dark store (INR mn)
Civil (inclusive of tax)	0.6
Loose Asset	0.3
Cold Room	2.2
UPS and Stabilizer	0.1
Rack	1.4
CCTV	0.6
Network and IT Assets	0.5
<b>Total (in ₹ crore)</b>	<b>5.8</b>

### Cost for operational expenditure for running a dark store per month (INR mn) with an avg. built-up area of 3,100 sq. ft

Rental expense	0.2
General and Administrative expenses	0.4
Manpower Cost	0.4
Management Overheads	0.1
<b>Total</b>	<b>1.2</b>

### Capex and expenditure incurred towards stated objects over FY22-H1FY25

INR mn	FY22	FY23	FY24	H1FY25
Capex incurred on dark stores (INR mn)		170	1,300	1,820
Operational expenditure on dark stores (INR mn)		2,640	5,680	4,800
Dark stores (#)		377	526	791
Capex incurred on warehousing	170	260	620	1,420
Operational expenditure on warehousing	530	2,580	4,080	3,080
Advertising	3,210	4,060	4,960	2,790
Cloud infrastructure cost software costs, and other information technology related expenses	2,880	3,870	4,850	3,040

Source: Company, HSIE Research

## Food delivery now a cozy duopoly

- While food delivery is now a cozy duopoly between Zomato and Swiggy; the former has consistently gained market share over FY22-H1FY25 courtesy the aggressive expansion of its Zomato Gold membership.
- The scale difference (Zomato is ~34% bigger than Swiggy now) can be explained largely due to the MTU and city presence.
- Both platforms are evenly matched in FD on most KPIs; we expect market shares to largely remain stable over FY25-27
- The sustenance/improvement in FD profitability has become even more imperative now as it is likely to act as a lever to balance company level operational cash burn in the event competition in the quick commerce (QC) segment continues to remain intense.

### Survivors have nestled into a cozy duopoly

- Post an intense competitive period from FY15 to FY18 during which multiple food delivery offerings (Zomato, Swiggy, Faasos, Foodpanda, Uber Eats) contended to stay afloat, the Indian online food delivery market has effectively settled into a comfortable duopoly (Zomato and Swiggy's) as most others were either bought out or had to shut shop. Note: It took both Zomato and Swiggy USD3-3.5bn each to reach this phase.
- The survivor duo have inherited a sizeable market to milk (organized food services are pegged at INR5,600bn in CY23, which is expected to grow at 12-13% over CY23-28E). Underpinnings for this growth are (1) rising online commerce user base and (2) increasing ATU to MTU conversion as disposable income increases.
- Within food services, online food delivery is estimated to be ~INR640bn in CY23 (as per Redseer) and it is likely to compound at ~18% over CY23-28 (HSIE). However, post the CY23-28 period, pace of growth could moderate significantly, as restaurant supply remains limited beyond the top cities.

### FY17-20 marked a phase of consolidation in the Indian food delivery space

Zomato	Survivor
Swiggy	Survivor
Tinyowl	Acquired Roadrunnr - a company formed from the merger of RoadRunnr (Hyperlocal logistics start-up) and food delivery platform Tinyowl in Sep-17
Foodpanda	Ola had announced the acquisition of Foodpanda from Delivery Hero (Germany) for ~USD 200mn in In Dec-17 and shut it down in 2019
Scootsy	Swiggy acquired the on-demand delivery startup Scootsy for USD 7.3mn in Aug-18 and merged it in 2020
UberEats India	In Jan-2020, Zomato acquired Uber Eats' India operations in a non-cash deal for INR 13.76 bn, excluding an amount of INR 2.48 bn payable towards GST. Uber Eats got 9.99% stake in Zomato post-acquisition.
Google Areo	Marketplace app launched by Google in 2017, did not gain traction
FAASOS	Operational; mainly a cloud kitchen brand (Rebel Foods); available on Zomato/Swiggy
TastyKhana & Just East	Acquired by Foodpanda

Source: Industry reports, news articles, HSIE Research

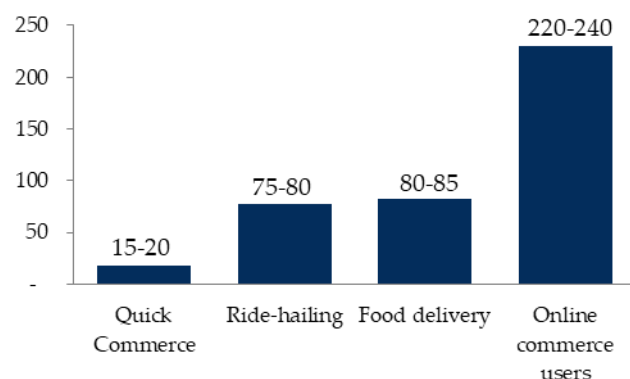
### Healthy user growth headroom left to milk in India

	India		China
	CY23	CY28	CY23
Population (mn)	144		1,419
Access to internet (a)	800-830	1040-1080	1,070
Smartphone users (b)	670-680	950-990	1,040
Online commerce users (c)	220-240	320-350	850
(a) as % of sales	58	70-73	75
(b) as % of sales	47	64-67	73
(c) as % of sales	17	21-23	60

Source: Swiggy RHP, HSIE Research

### Annual transacting users across online use-cases

CY23 Online &amp; Hyperlocal shoppers (ATUs; in mn)



Source: Swiggy RHP, HSIE Research

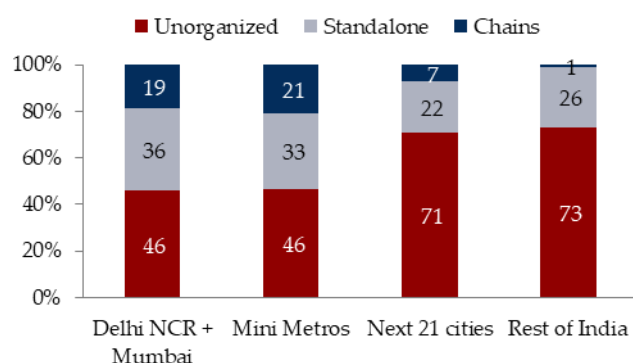
### Indian food service market sizeable at INR5,600bn but there are supply-side bottlenecks to overcome; online food delivery already enjoys a sizeable share

	FY15	FY16	FY17	FY18	FY19	FY20	CY23	CY28E
<b>Organized</b>	<b>915</b>	<b>1,014</b>	<b>1,151</b>	<b>1,325</b>	<b>1,561</b>	<b>1,717</b>	<b>2,380</b>	<b>4,308</b>
Standalone Licensed Restaurants	660	722	820	935	1,096	1,203	1,646	2,835
Chain Restaurants	175	204	236	285	350	398	610	1,301
Restaurants in Hotels	80	88	95	105	115	116	123	173
<b>Unorganized</b>	<b>1,950</b>	<b>2,076</b>	<b>2,225</b>	<b>2,381</b>	<b>2,535</b>	<b>2,519</b>	<b>3,220</b>	<b>4,308</b>
<b>Total</b>	<b>2,865</b>	<b>3,090</b>	<b>3,376</b>	<b>3,706</b>	<b>4,096</b>	<b>4,236</b>	<b>5,600</b>	<b>8,616</b>
<b>Contribution (%)</b>								
<b>Organized</b>	<b>32</b>	<b>33</b>	<b>34</b>	<b>36</b>	<b>38</b>	<b>41</b>	<b>43</b>	<b>50</b>
Standalone Licensed Restaurants	23	23	24	25	27	28	29	33
Chain Restaurants	6	7	7	8	9	9	11	15
Restaurants in Hotels	3	3	3	3	3	3	2	2
<b>Unorganized</b>	<b>68</b>	<b>67</b>	<b>66</b>	<b>64</b>	<b>62</b>	<b>59</b>	<b>58</b>	<b>50</b>
<b>Online food delivery (INR bn)</b>				<b>112</b>			<b>640</b>	<b>1,372</b>
<b>Online food delivery (As % of org. Food services)</b>				<b>8.5</b>			<b>27.5</b>	<b>34.7</b>

Source: Swiggy RHP, Barbeque Nation RHP, HSIE Research

### Geographic split of food service market across restaurant type

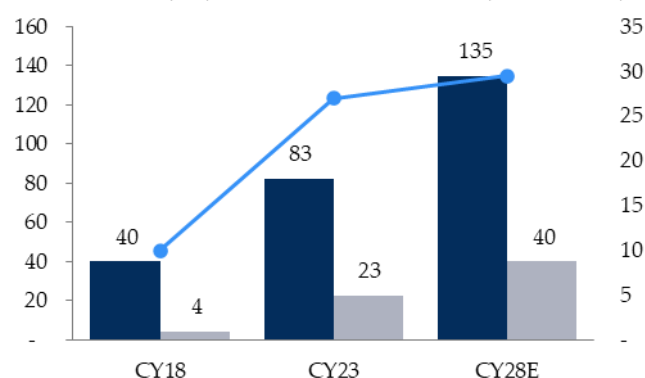
Geographic split of food service market across restaurant type



Source: Swiggy RHP, HSIE Research

### ATU-to-MTU conversion meaningfully improved over CY18-23; trend to continue, albeit at a slower pace

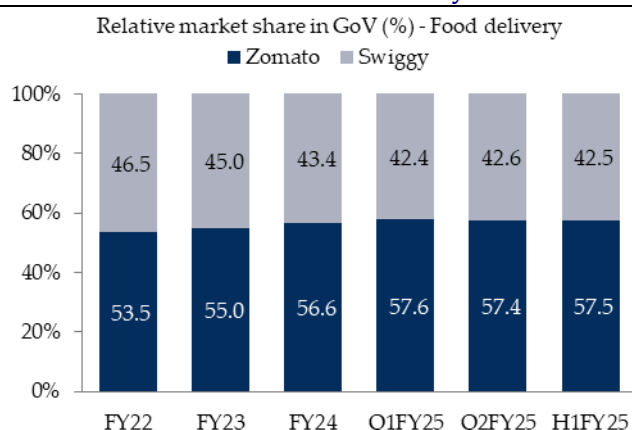
■ ATUs (Mn) ■ MTUs — MTUs (as % of ATUs)



Source: Swiggy RHP, HSIE Research

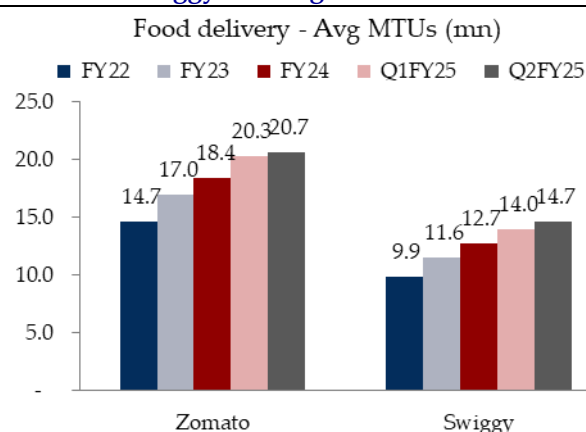
- Food delivery finally graduating from “cash burn” to “cash earn” phase:** Over a decade (encompassing multiple business model iterations and market consolidation) and >USD7bn cash burn later, FD is finally earning cash. Over FY22-H2FY25, all FD KPIs improved (avg, MTUs, ordering frequencies and AoVs) for both platforms (Zomato & Swiggy). However, Zomato did a better job at that (potentially given public market expectations). Zomato seems to be 4-6 quarters ahead of Swiggy on most KPIs. We suspect given that market shares seem largely settled in FD, both platforms are likely to focus on improving unit economics by improving (1) ATU-to-MTU conversions, (2) average order values (AoVs) and (3) fixed cost absorption (via lower marketing spends) to achieve their targeted 5% adj. EBITDAM in the medium term (Note: Zomato has already achieved an ~8% contribution margin and 3.7% adj. EBITDAM in 9MFY25; Q3FY25 adj. EBITDAM stands at 4.3% of GOV).
- The sustenance/improvement of FD profitability has become even more imperative now as it is likely to act as a lever to balance company-level operational cash burn in the event competition in the quick commerce (QC) segment remains intense.** Note: Tata Group (via Tata Neu Flash), Reliance Retail, Flipkart (via Flipkart minutes), and Amazon via Tez have either launched or are expected to launch their QC services and the incumbents (Blinkit, Instamart, and Zepto) have all raised capital to defend their market shares.

### Relative market share in food delivery



Source: Companies, HSIE Research

### Zomato vs Swiggy – average MTUs



Source: Companies, HSIE Research



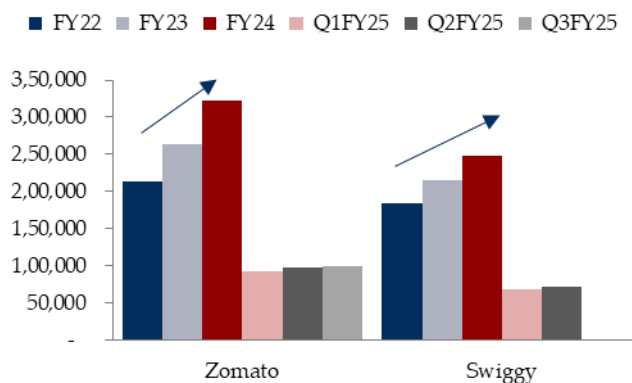
## Food delivery – Zomato vs Swiggy

Focus will be on hitting 5% adj. EBITDAM

- **Zomato edged Swiggy out on efficiency over FY22-H1FY25:** Post an aggressive expansion of its food delivery operations in FY22 (from 455 to 1,000+ cities), FY22-24 marked a phase of driving efficiency for Zomato wherein (1) operations were withdrawn from low user-density cities, (2) restaurant, delivery partner, order densities, and ATU-to-MTU conversions were improved upon, and (3) consequently, monthly ordering frequency (MoF) and AoV improved.
- Across most efficiency KPIs, Swiggy initially performed better in AoVs, MoF, ATU-to-MTU conversions, order, restaurant partner, and delivery partner densities. However, over FY22-H1FY25, Zomato has not only caught up but has outshone Swiggy. This has led to better fixed cost absorption and lower platform-funded discounts for the leader vs Swiggy. Note: Swiggy's FD take rate was ~40bps higher than Zomato in FY24 (~100bps higher in H1FY25) which partially makes up for the higher discounts Swiggy offers.
- In food delivery, we suspect that over FY25-27, with the benign competitive environment and settled market shares, both platforms will focus on improving fixed cost absorption and hitting their 5% of GOV target. While Zomato is already quite efficient in fixed cost management (4% of GOV), Swiggy is likely to catch up with the same (it has already managed to improve fixed cost absorption significantly as its fixed costs have come down to 5.3% of GoV vs Zomato's 4% in H1FY25; 6% of GoV in H1FY24).

### Zomato gained GoV share over FY22-H1FY25 as it remained aggressive with its subscription programme

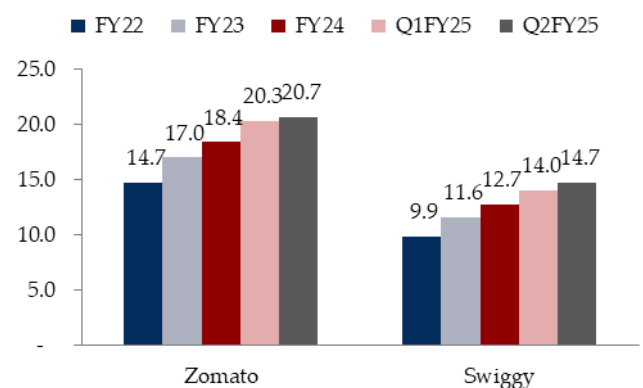
FY22-Q2FY25 GOV performance



Source: Companies, HSIE Research

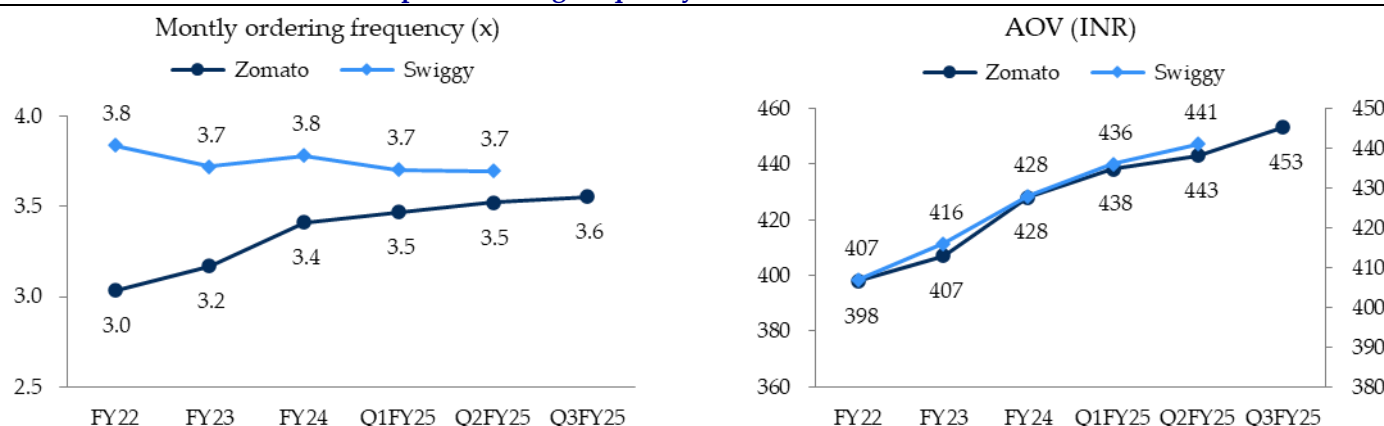
### Zomato vs Swiggy Avg. MTU

Food delivery - Avg MTUs (mn)



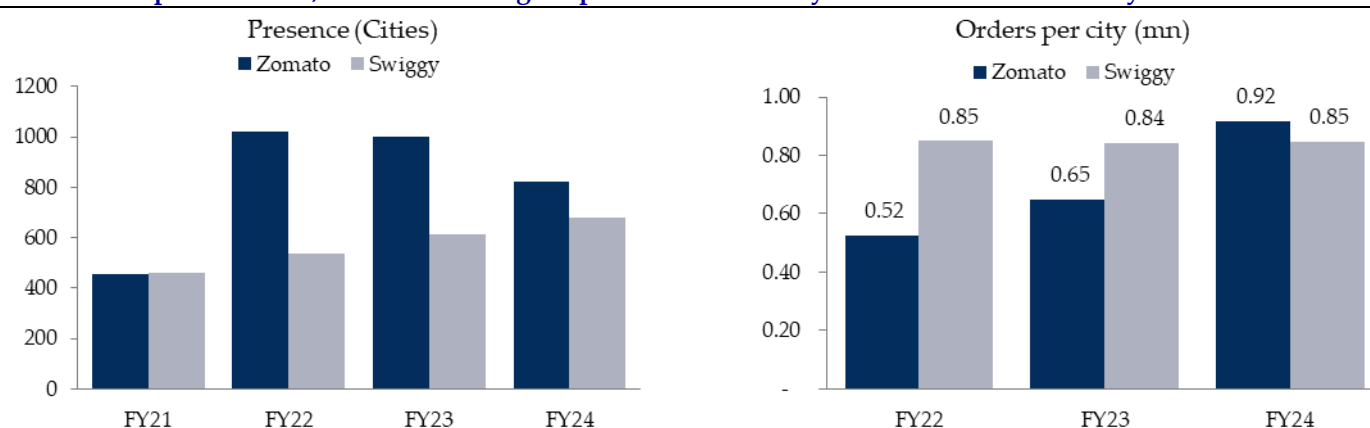
Source: Companies, HSIE Research

### ...as Zomato continued to catch up on ordering frequency and AoVs



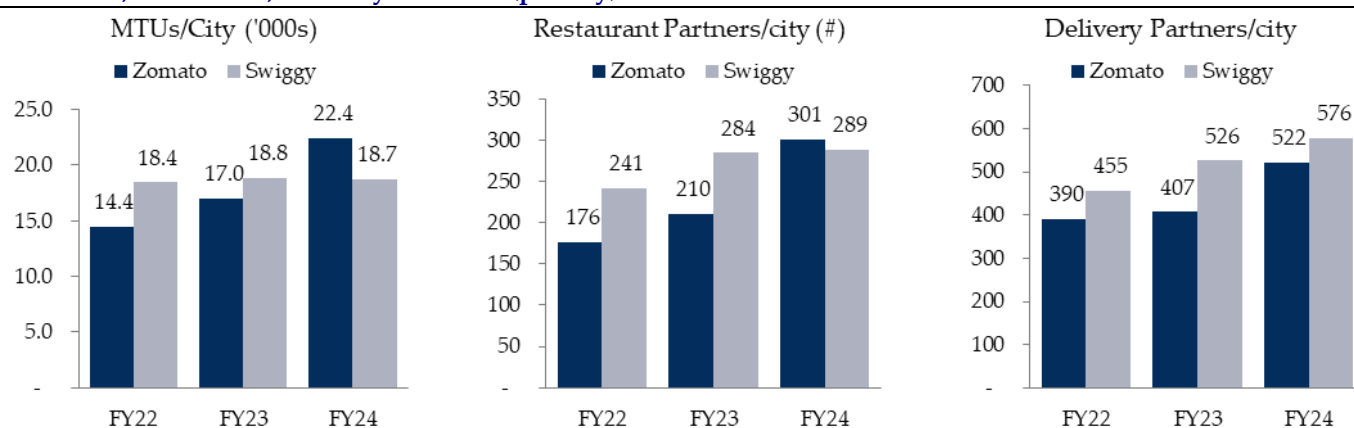
Source: Companies, HSIE Research, Note: Q1,Q2 & Q3FY25 figures are estimates for Zomato

### Across all input variables, Zomato has caught up on most efficiency KPIs...be it order density...



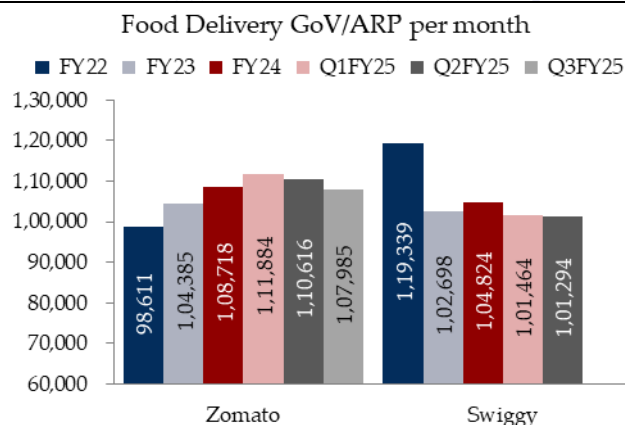
Source: Companies, HSIE Research

### ...Or MTU, Restaurant, Delivery densities (per city)

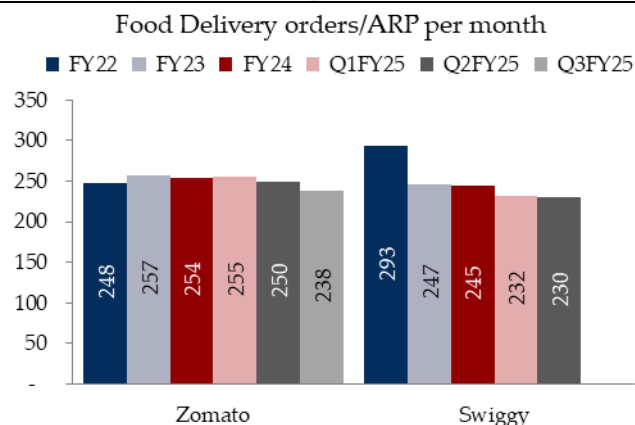


Source: Companies, HSIE Research

## Zomato vs Swiggy –Food delivery GoV/ARP per month

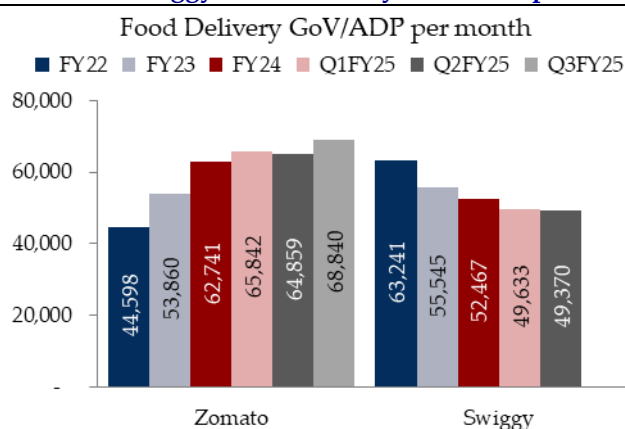


## Food delivery orders/ARP per month

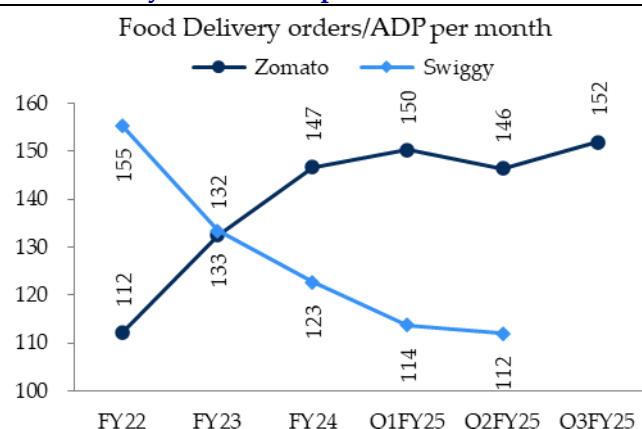


Source: Companies, HSIE Research, Note: ARP stands for Avg. monthly restaurant partners

## Zomato vs Swiggy -Food delivery GoV/ADP per month

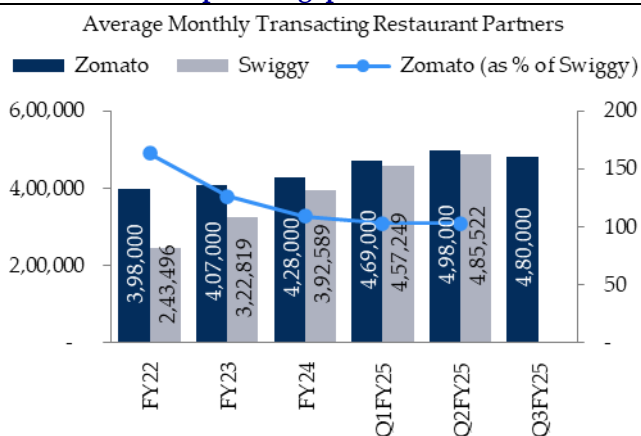


## Food delivery orders/ADP per month

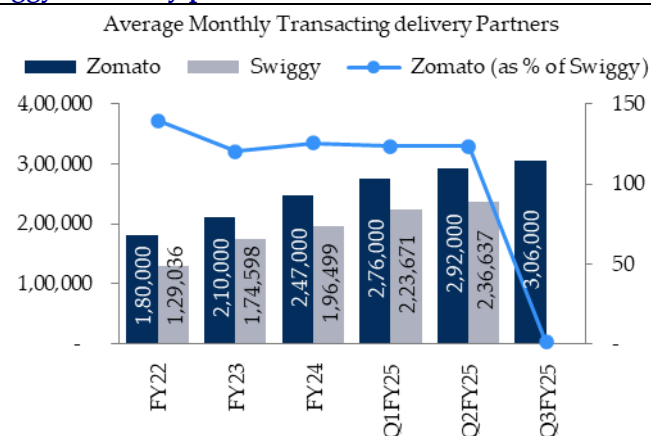


Source: Companies, HSIE Research, Note: ADP stands for Avg. monthly delivery partners

## While restaurant partner gap isn't much between the two, Swiggy's delivery partner base is ~80% of Zomato's



Source: Companies, HSIE Research



Source: Companies, HSIE Research

Across food delivery KPIs, both platforms are evenly matched, though Zomato does a better job at fixed cost management. Swiggy seems ~3-4 quarters away from catching up on fixed cost absorption

	Zomato						Swiggy						Zomato CAGR (%)		Swiggy CAGR (%)	
	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY22-25E	FY25-27E	FY22-25E	FY25-27E
<b>Food Delivery</b>																
Gross order value (GoV) - INR mn	2,13,000	2,63,050	3,22,240	3,87,815	4,55,569	5,38,029	1,84,788	2,15,171	2,47,174	2,89,427	3,45,808	4,09,609	22	18	16	19
YoY (%)	-	23	23	20	17	18	-	16	15	17	19	18				
Avg. MTUs	15	17	18	21	24	28	10	12	13	15	17	20	13	14	14	15
YoY (%)	-	16	8	15	15	14	-	17	10	15	16	15				
Ordering frequency/month	3.0	3.2	3.4	3.4	3.5	3.5	3.8	3.7	3.8	3.7	3.7	3.7	4	1	(1)	-
Orders (mn)	535	647	753	871	1,003	1,151	454	517	578	652	756	870	18	15	13	15
YoY (%)	-	21	16	16	15	15	-	14	12	13	16	15				
AoV (INR)	398	407	428	445	454	468	407	416	428	444	457	471	4	2	3	3
YoY (%)	-	2	5	4	2	3	-	2	3	4	3	3				
Adjusted/Gross revenue	47,600	61,470	77,920	94,132	1,11,489	1,32,476	44,298	51,792	60,816	73,006	87,400	1,03,730	26	19	18	19
YoY (%)	-	29	27	21	18	19	-	17	17	20	20	19				
QoQ (%)																
Take rate (As % of GoV)	22.3	23.4	24.2	24.3	24.5	24.6	24.0	24.1	24.6	25.2	25.3	25.3				
-1 Commission & ad income	16.0	17.2	19.7	20.8	20.9	21.0	-	18.1	19.3	20.0	20.1	20.2				
-2 Cust. Delivery charge/user fee	6.3	6.1	4.4	3.4	3.5	3.6	5.6	6.0	5.3	5.2	5.2	5.1				
Variable cost (as % of GoV)	20.7	18.8	17.3	16.4	16.3	16.2	22.4	21.1	18.9	18.6	18.2	17.9				
Contribution profit/(loss)	3,523	11,962	22,235	30,412	37,183	45,096	2,938	6,305	14,124	19,230	24,360	30,492				
Contribution margin (%)	1.7	4.5	6.9	7.8	8.2	8.4	1.6	2.9	5.7	6.6	7.0	7.4				
Fixed Cost (FC)	11,223	12,062	13,115	15,737	18,098	20,813	17,033	16,655	14,596	14,742	15,184	15,640				
YoY (%)	66	7	9	20	15	15	-	(2)	(12)	1	3	3				
FC (As % of GoV)	5.3	4.6	4.1	4.1	4.0	3.9	9.2	7.7	5.9	5.1	4.4	3.8				
Adjusted EBITDA	(7,700)	(100)	9,120	14,674	19,084	24,284	(14,095)	(10,350)	(472)	4,488	9,175	14,853				
Adj. EBITDAM (as % of GoV)	(3.6)	(0.0)	2.8	3.8	4.2	4.5	(7.6)	(4.8)	(0.2)	1.6	2.7	3.6				
GoV/Avg.MTU	1,207	1,289	1,459	1,527	1,567	1,623	1,562	1,550	1,618	1,648	1,697	1,748				

Source: Companies, HSIE Research, Note: Variable costs for Zomato are estimates

### Zomato vs Swiggy: Food delivery unit economics (per order basis)

	Zomato						Swiggy						Zomato		Swiggy	
	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY22	FY23	FY24	FY25E	FY26E	FY27E	Q1 FY25	Q2 FY25	Q1 FY25	Q2 FY25
AoV	398	407	428	445	454	468	407	416	428	444	457	471	438	443	436	441
Revenue	89	95	103	108	111	115	98	100	105	112	116	119	107	107	111	111
-Commission & ad income	64	70	84	93	95	98	-	75	82	89	92	95			89	90
-Cust. Delivery charge/user fee	25	25	19	15	16	17	-	25	23	23	24	24			22	20
Variable Costs	82	77	74	73	74	76	91	88	81	82	83	84	75	73	83	82
-Delivery Costs	59	59	59	60	60	62	-	61	59	62	63	64			62	61
-Platform-funded discounts	11	8	8	7	7	7	-	15	14	13	13	13			14	13
-Other variable costs	12	10	7	7	7	7	-	12	7	7	7	7			7	7
Contribution profit/(loss)	7	18	30	35	37	39	6	12	24	29	32	35	32	34	28	29
Fixed Cost (FC)	21	19	17	18	18	18	38	32	25	23	20	18	17	18	24	22
Adjusted EBITDA	(14)	(0)	12	17	19	21	(31)	(20)	(1)	7	12	17	15	16	4	7

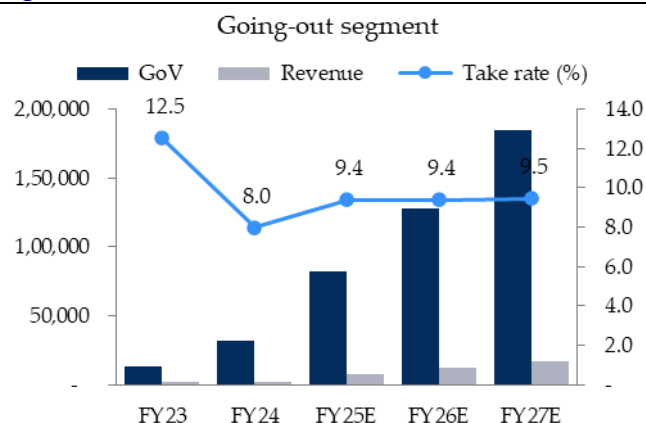
Source: Companies, HSIE Research, Note: Variable costs for Zomato are estimates

## Other segments

Zomato's other revenue segments include:

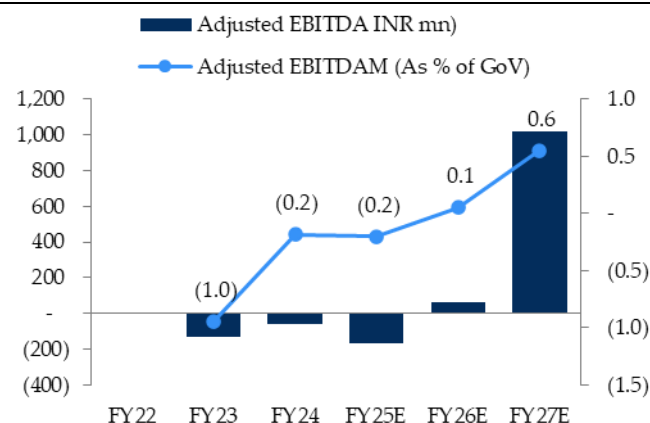
1. **Going-out** aids users/customers to discover and book going-out experiences including dining-out (India and UAE), movies, sports, live performances and concerts. In Aug-24, Zomato acquired the entertainment ticketing business from Paytm, which helped it scale its presence in the movies, sports and events ticketing space. The company recently launched a new app under the brand name 'District', which brings all going-out offerings under a single destination. The immediate focus will be to transition its going-out customers from the existing platforms and the acquired entertainment ticketing business to the District app and focus on scaling both the dining-out and ticketing segments. The vertical accounts for >10% of Zomato's B2C GOV and is likely to be in investment mode; ergo loss-making (marginal losses) for the next couple of fiscals. Management has highlighted that this segment could potentially grow at 40-50% CAGR in the foreseeable future.
2. **Hyperpure is Zomato's B2B supplies business** provides quality food ingredients and other products to restaurants and other B2B buyers. It solves sourcing for restaurants through its end-to-end B2B supply chain for food ingredients and other products. It operates a 1P model (i.e., owns inventory) where it sources directly from farmers, farmer producer organizations, traders and brands and supplies to restaurants and other B2B buyers. Hyperpure offers a portfolio of products and services including (a) end-to-end fourth-party logistics warehousing and supply chain services for restaurants including procurement, warehousing and final supply at restaurants, (b) supply of value-added food products including sauces, spreads, pre-cut and semi-finished perishable products, and (c) quick delivery (within a few hours) of quality products to address the immediate needs of customers.

**We build in a 50% GOV CAGR for the going-out segment over FY25-27...**



Source: Company, HSIE Research

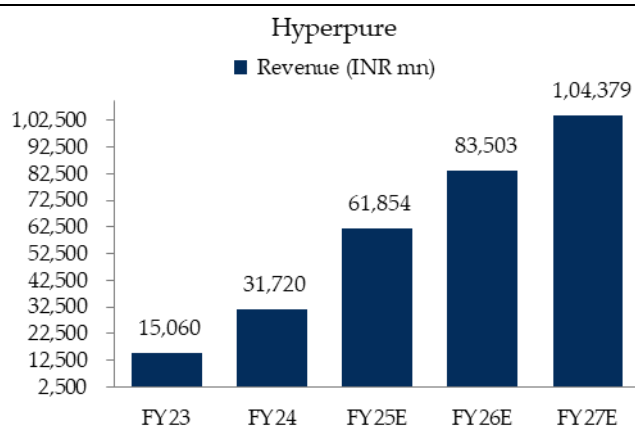
**...operating at near-break-even point**



Source: Company, HSIE Research

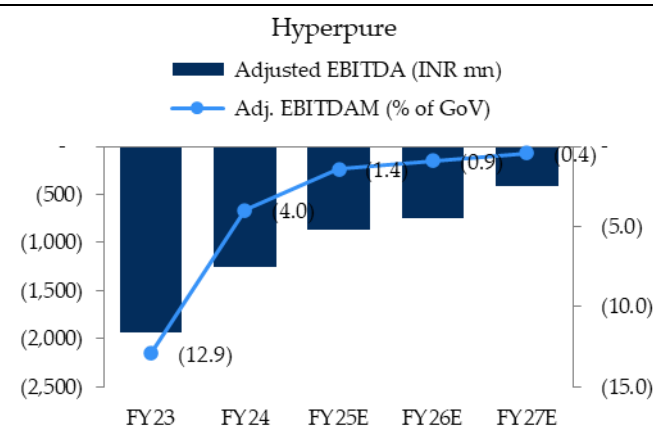


For Hyperpure, we pencil in a 30% GOV CAGR over FY25-27...



Source: Company, HSIE Research

...operating at near-break-even point



Source: Company, HSIE Research

### Segment-wise snapshot (INR mn)

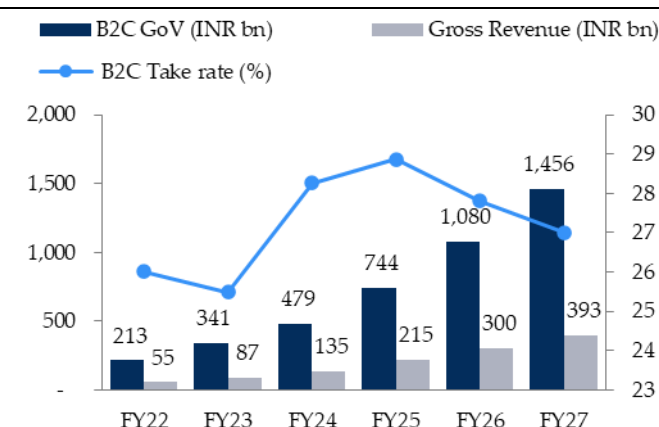
INR mn	FY22	FY23	FY24	FY25	FY26	FY27	FY25-27 CAGR
<b>GoV (B2C)</b>	<b>2,13,000</b>	<b>3,41,200</b>	<b>4,79,180</b>	<b>7,44,324</b>	<b>10,79,708</b>	<b>14,56,468</b>	<b>40</b>
Food Delivery	2,13,000	2,63,050	3,22,240	3,87,815	4,55,569	5,38,029	18
Quick Commerce	-	64,490	1,24,690	2,74,272	4,96,671	7,33,611	64
Going-out	-	13,660	32,250	82,238	1,27,468	1,84,829	50
<b>Growth - YoY (%)</b>		<b>60</b>	<b>40</b>	<b>55</b>	<b>45</b>	<b>35</b>	
Food Delivery		23	23	20	17	18	
Quick Commerce			93	120	81	48	
Going-out			136	155	55	45	
<b>Gross Revenue</b>	<b>55,400</b>	<b>86,930</b>	<b>1,35,460</b>	<b>2,14,869</b>	<b>3,00,168</b>	<b>3,93,328</b>	<b>35</b>
Food Delivery	47,600	61,470	77,920	94,132	1,11,489	1,32,476	19
Quick Commerce		8,060	23,020	50,877	92,878	1,38,652	65
Going-out		1,710	2,580	7,730	11,982	17,466	50
Hyperpure	5,400	15,060	31,720	61,854	83,503	1,04,379	30
Others	2,400	630	220	275	316	354	13
<b>B2C Take rate (%)</b>	<b>22.3</b>	<b>20.9</b>	<b>21.6</b>	<b>20.5</b>	<b>20.0</b>	<b>19.8</b>	
Food Delivery	22.3	23.4	24.2	24.3	24.5	24.6	
Quick Commerce		12.5	18.5	18.6	18.7	18.9	
Going-out		12.5	8.0	9.4	9.4	9.5	
<b>Gross Revenue mix (%)</b>							
Food Delivery	86	71	58	44	37	34	
Quick Commerce		9	17	24	31	35	
Going-out		2	2	4	4	4	
Hyperpure	10	17	23	29	28	27	
Others	4	1	0	0	0	0	
<b>Adjusted EBITDA</b>	<b>(9,800)</b>	<b>(7,820)</b>	<b>3,720</b>	<b>11,455</b>	<b>11,839</b>	<b>17,336</b>	<b>23</b>
Food Delivery	(7,700.0)	(100)	9,120	14,674	19,084	24,284	29
Quick Commerce		(5,620)	(3,840)	(2,230)	(6,589)	(7,583)	
Going-out		(130)	(60)	(164)	64	1,017	
Hyperpure	(1,400)	(1,940)	(1,260)	(866)	(752)	(418)	
Others	(700)	(30)	(240)	41	32	36	
<b>Adjusted EBITDAM (%)</b>	<b>(17.7)</b>	<b>(9.0)</b>	<b>2.7</b>	<b>5.3</b>	<b>3.9</b>	<b>4.4</b>	
Food Delivery	(3.6)	(0.0)	2.8	3.8	4.2	4.5	
Quick Commerce		(8.7)	(3.1)	(0.8)	(1.3)	(1.0)	
Going-out		(1.0)	(0.2)	(0.2)	0.1	0.6	
Hyperpure	(25.9)	(12.9)	(4.0)	(1.4)	(0.9)	(0.4)	
Others	(29.2)	(4.8)	(109.1)	15.0	10.0	10.3	

Source: Company, HSIE Research

## Financial analysis

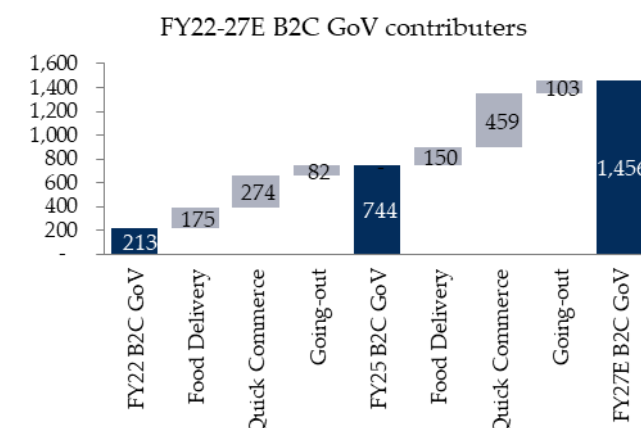
- We build in a B2C GOV CAGR of 40% for Zomato (~INR1,456bn), with the biggest needle-mover being quick commerce. Zomato plans to deploy its cash reserves (incl. QIP proceeds; total ~INR192bn) for aggressively expanding its QC footprint through dark store network and warehousing investments (INR21.37bn), brand/marketing investments (INR 24.92bn earmarked) over FY24-27E, and tech-related investments (INR17.69bn). Note: The figures in parentheses represent the breakdown of the QIP proceeds. We expect QC to account for ~64% of the incremental GOV growth (64% CAGR) over FY25-27.

### We build in a 40% B2C GOV CAGR over FY25-27...



Source: Company, HSIE Research

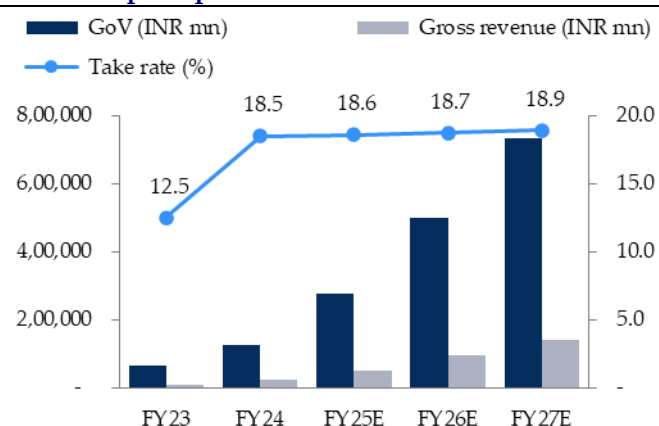
### ...fueled by the quick commerce vertical (contributing nearly two-thirds the incremental GOV over FY25-27E)



Source: Company, HSIE Research

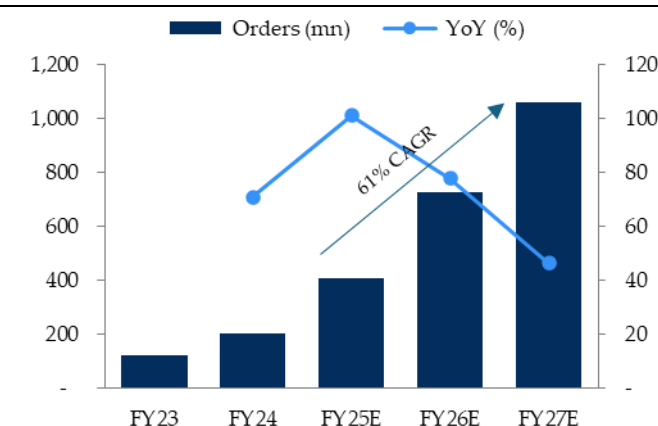
- QC growth is likely to be dictated by average MTU additions, with order growth broadly mimicking the average MTU growth at 59% CAGR over FY25-27E. We build in stable monthly ordering frequencies and ~1.5% AoV CAGR over FY25-27E as discretionary salience increases in the GOV mix.

### We build 64% QC GOV CAGR and largely stable take rates (35bps improvement) over FY25-27



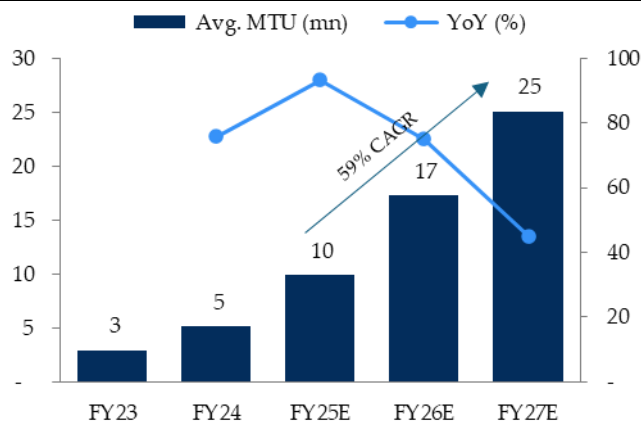
Source: Company, HSIE Research

### Building in ~61% order CAGR over FY25-27...



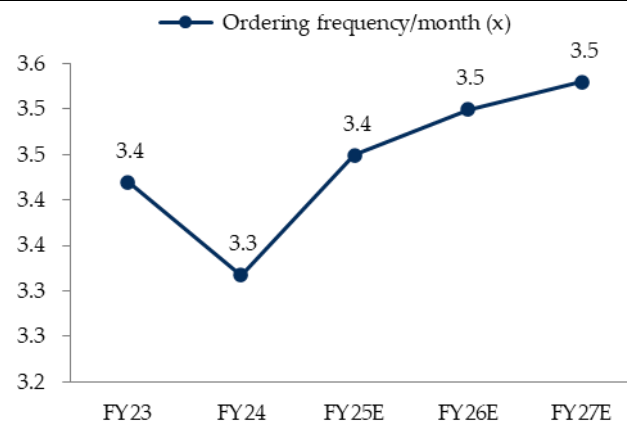
Source: Company, HSIE Research

## ...broadly mimicking avg. MTU growth...



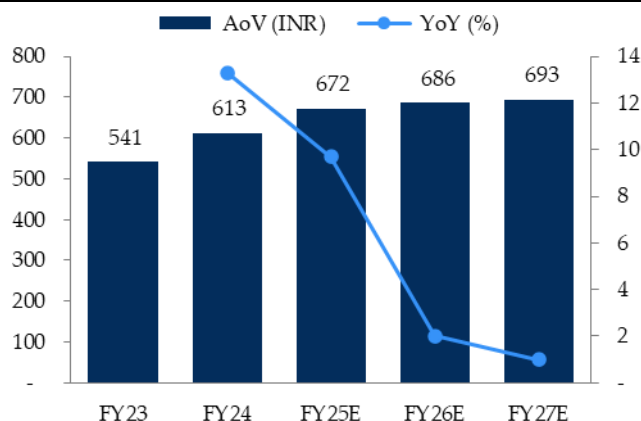
Source: Company, HSIE Research

## ...with broadly stable monthly ordering frequency



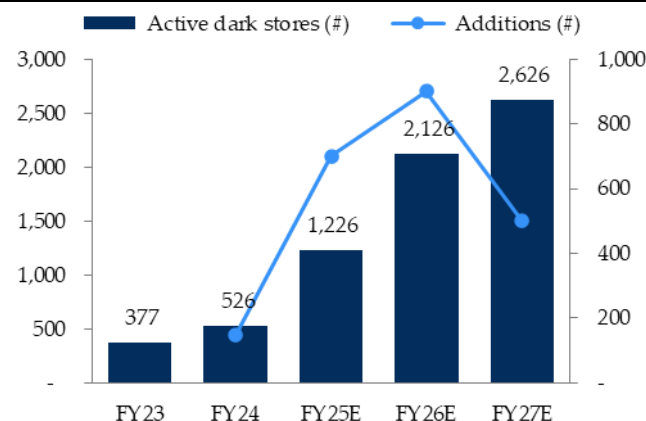
Source: Company, HSIE Research

## We build in a marginal sales mix-led improvement in AOV (~1.5% CAGR)...



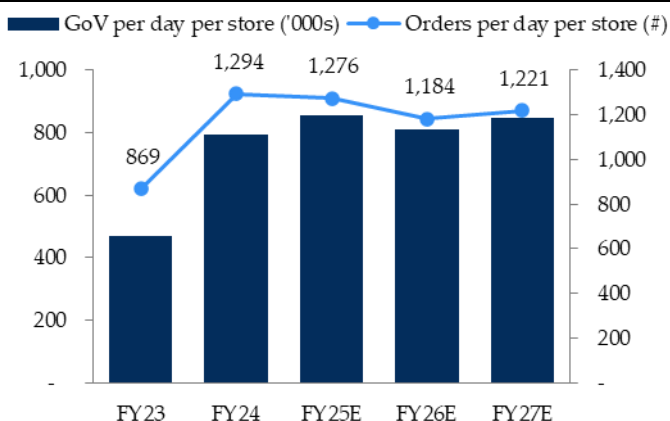
Source: Company, HSIE Research

## ...as focus likely to be on ramping up dark store network



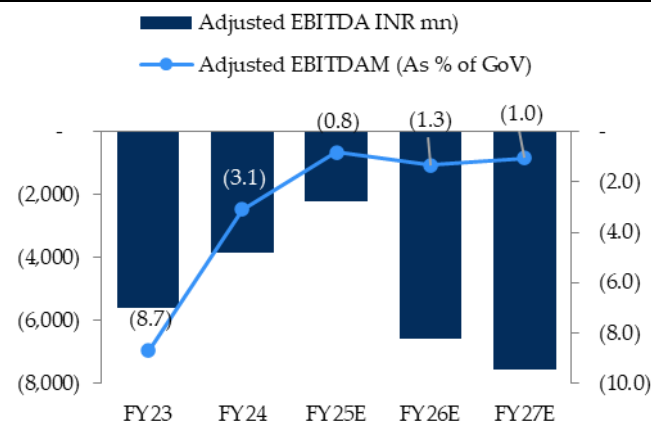
Source: Company, HSIE Research

## GoV and order density to moderate over FY25-27 led by the aggressive network expansion plans



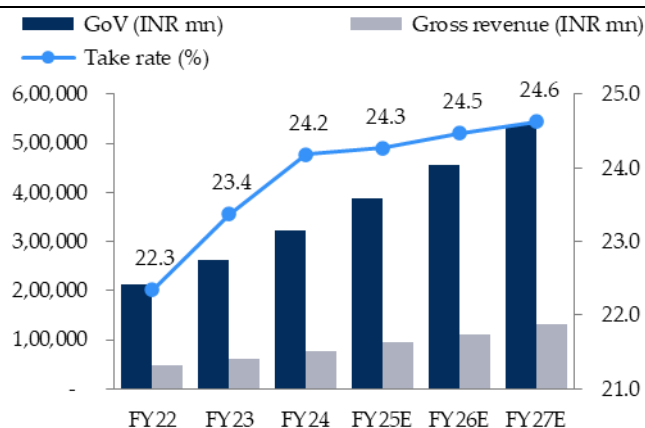
Source: Company, HSIE Research, Note: The GOV and orders per day/store calculated is on an avg store base for the year and will not match with reported numbers

## QC margins to deteriorate courtesy elevated competitive intensity



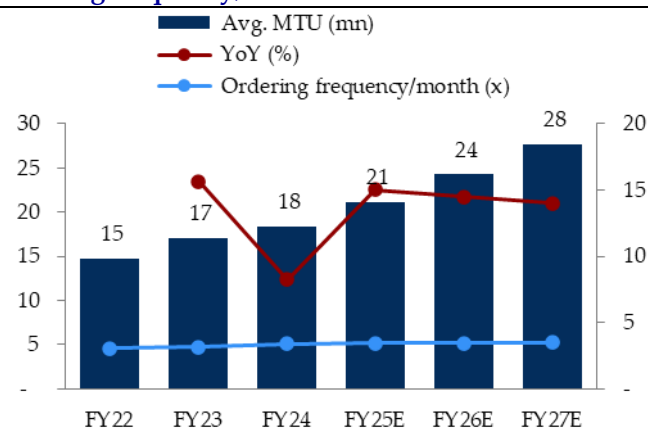
Source: Company, HSIE Research

### Food delivery GOV expected to grow at ~18% CAGR over FY25-27...



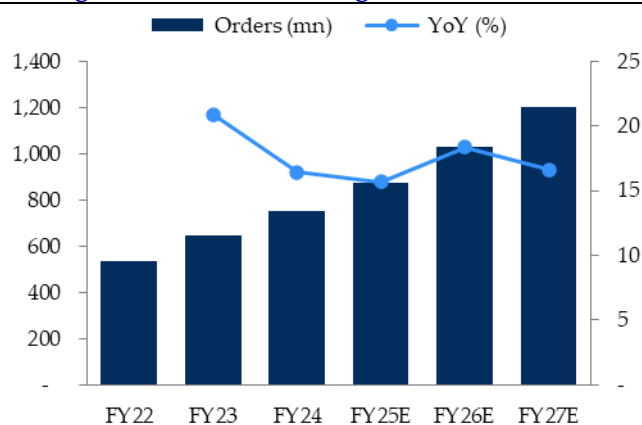
Source: Company, HSIE Research

### ...backed by 14% MTU growth (at stable monthly ordering frequency)...



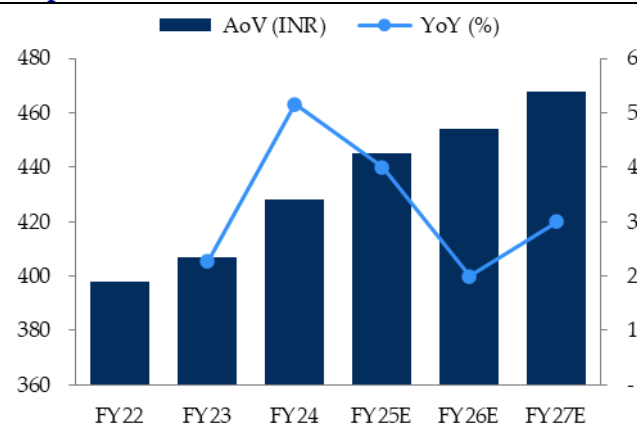
Source: Company, HSIE Research

### Order growth to mimic MTU growth (15% CAGR)



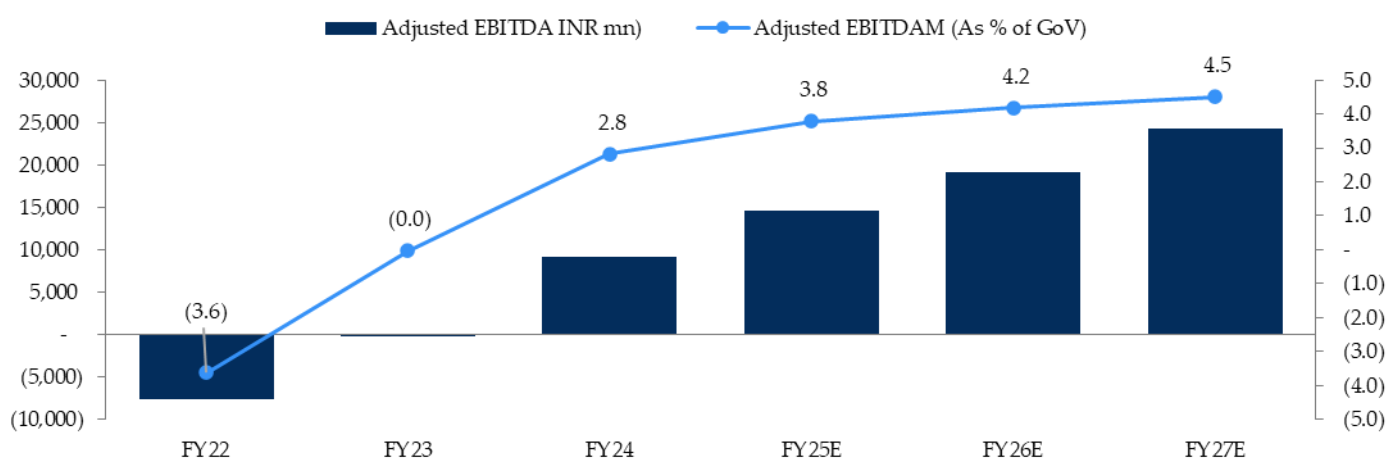
Source: Company, HSIE Research

### We pencil in 2.5% CAGR in AOV over FY25-27



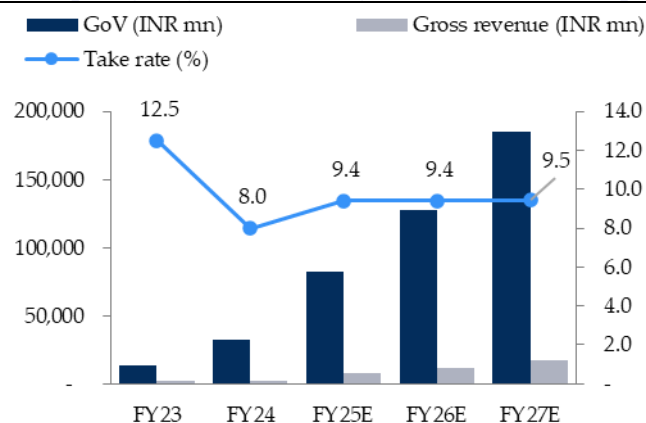
Source: Company, HSIE Research

**In food delivery, focus is likely to shift on hitting targeted profitability (5% of GOV) as this could help balance the overall company burn led by quick commerce**

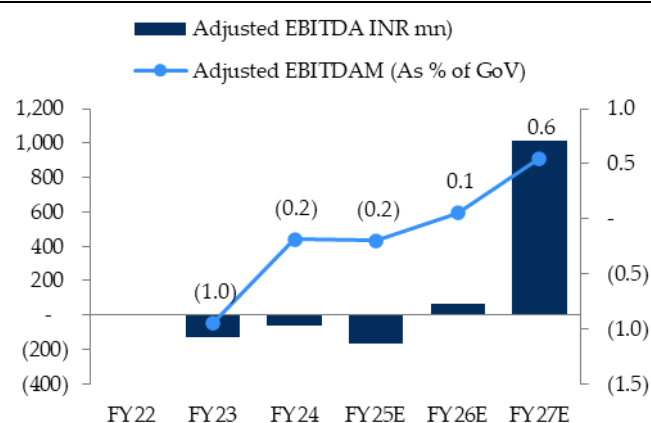


Source: Company, HSIE Research

### We expect going-out GOV to grow at 50% CAGR; operating at near EBITDA-breakeven over FY25-27

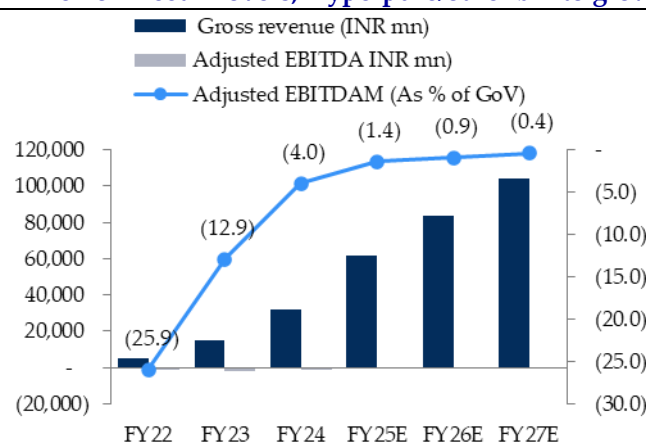


Source: Company, HSIE Research

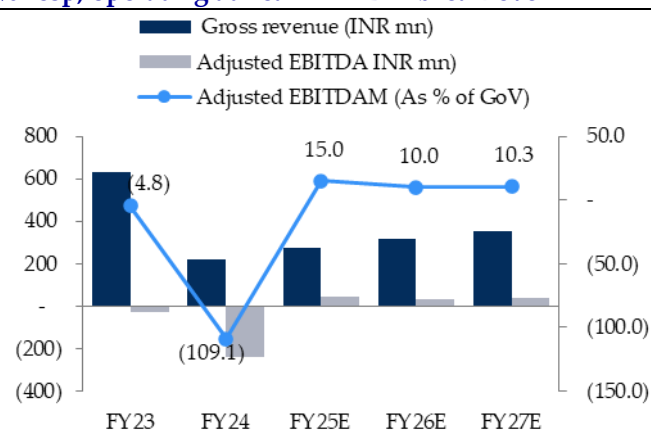


Source: Company, HSIE Research

### While non-need-movers, Hyperpure/other biz to grow at ~30% resp; operating at near EBITDA-break-even

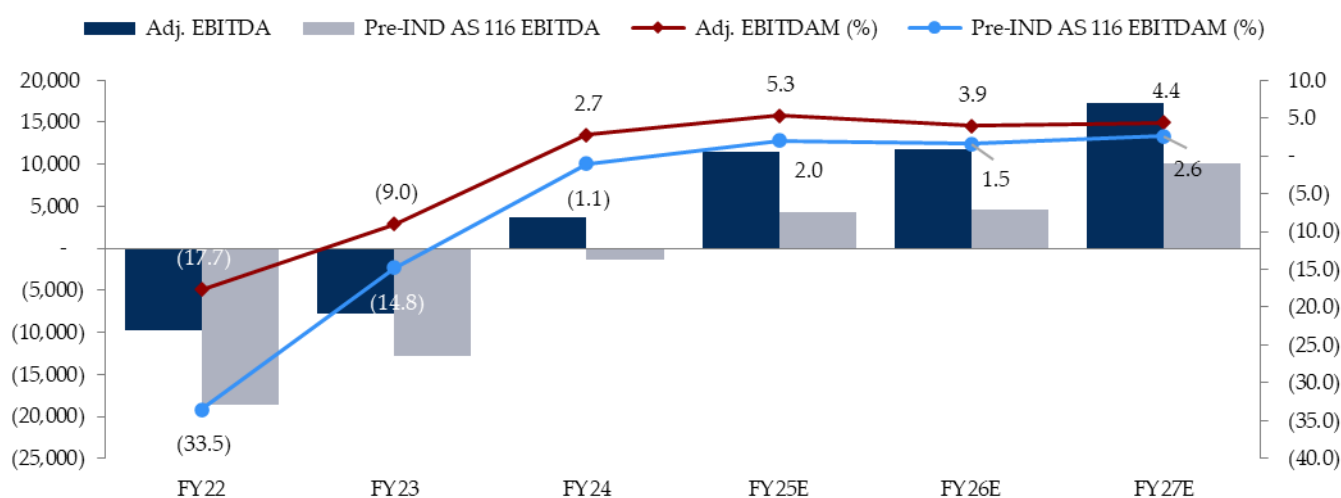


Source: Company, HSIE Research



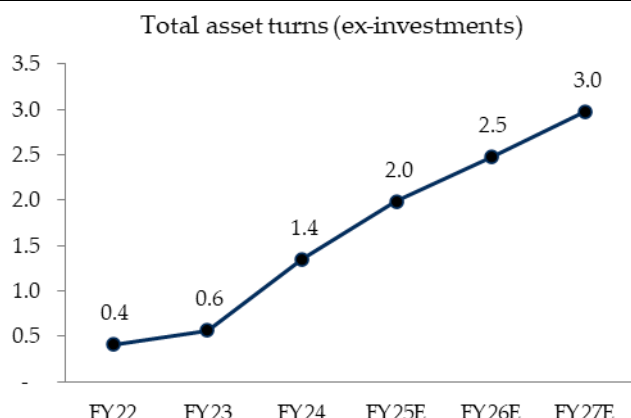
Source: Company, HSIE Research

**Rising delivery subsidies, marketing investments and expansion-led infra costs (competition-led) are likely to keep margin expansion at bay at a consolidated level; Zomato offers most margin protection given better fixed cost management**



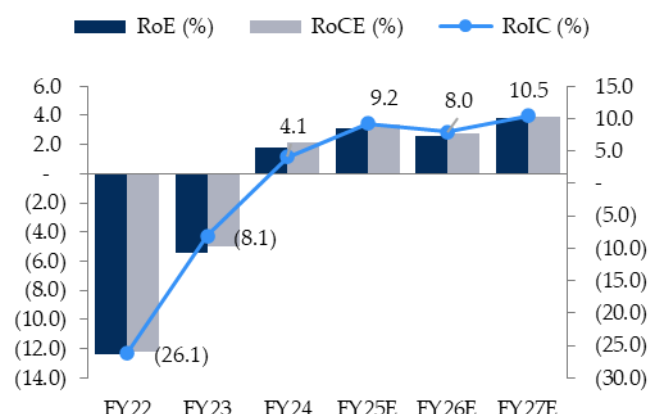
Source: Company, HSIE Research

### Zomato: Total asset turns likely to inch up as QC ramp-up gains steam



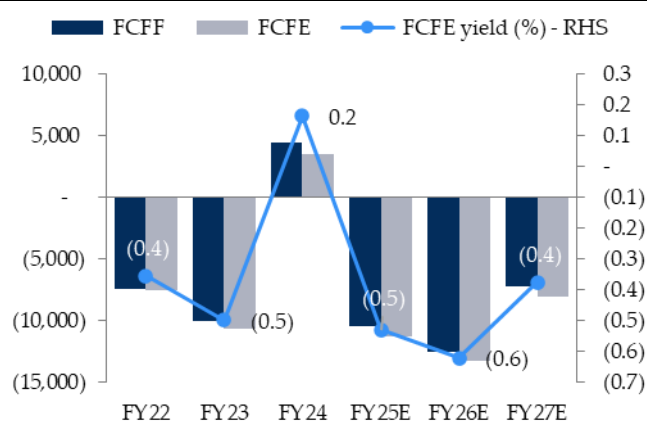
Source: Company, HSIE Research

### Zomato: Return Ratios (%)

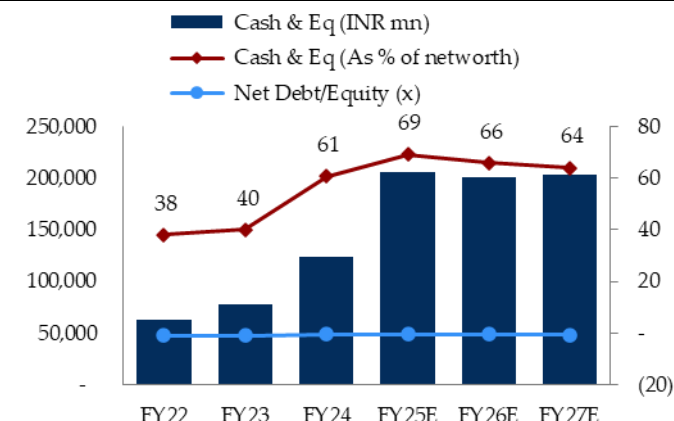


Source: Company, HSIE Research

### Free cash generation likely to be missing even in FY27; however, cash on books remains healthy to fund the gap



Source: Company, HSIE Research



Source: Company, HSIE Research

### Peer-wise core cash conversion cycle

	FY22	FY23	FY24	FY25	FY26	FY27
<b>Zomato</b>						
Inventory days	3	4	3	3	3	3
Receivables days	14	24	24	24	24	24
Other Current Assets (days)	360	247	77	77	77	77
Payables days	37	35	27	27	27	27
Other Current Liab & Provns (days)	29	36	34	34	34	34
<b>Core CC Cycle</b>	<b>(20)</b>	<b>(7)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
<b>CC Cycle</b>	<b>312</b>	<b>203</b>	<b>43</b>	<b>44</b>	<b>44</b>	<b>44</b>
<b>Swiggy</b>						
Inventory days	1	0	2	2	2	2
Receivables days	71	47	31	30	29	28
Other Current Assets (days)	57	49	39	38	38	37
Payables days	61	39	29	29	29	29
Other Current Liab & Provns (days)	42	32	31	31	31	31
<b>Core CC Cycle</b>	<b>11</b>	<b>9</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>CC Cycle</b>	<b>26</b>	<b>26</b>	<b>12</b>	<b>10</b>	<b>9</b>	<b>7</b>
<b>Zepto</b>						
Inventory days	177	28	10			
Receivables days	38	13	27			
Other Current Assets (days)	333	33	21			
Payables days	353	64	47			
Other Current Liab & Provns (days)	97	38	22			
<b>Core CC Cycle</b>	<b>(138)</b>	<b>(23)</b>	<b>(10)</b>			
<b>CC Cycle</b>	<b>98</b>	<b>(28)</b>	<b>(11)</b>			

Source: Companies, HSIE Research



## Valuation

We value Zomato on an SOTP basis (TP: INR235/sh) and assign (1) 40x FY27 EV/EBITDA to the mature food delivery business, (2) 1.5x FY27 EV/GOV to the fast-growing quick commerce segment, (3) 0.5x FY27 GOV for the OOH consumption segment, and (4) 0.5x FY27 sales each for Hyperpure/others verticals. This translates to ~6x FY27 market cap/sales for the consolidated operations. Given most goodies are priced in; we await a more palatable price tag to get constructive on the name. Initiate coverage with a Reduce rating.

Note: For food delivery, our benchmarks are listed QSR companies. Depending on the quality of the franchise, HSIE values the QSR pack between 25-35x. Since Zomato is a demand aggregator/platform, (1) the scope/pace of growth is by definition higher and (2) the ability to earn non-linear income (ad income, etc.) is higher. Hence, we believe one can afford to pay a premium to the multiples enjoyed by the QSR pack.

### FY27E SOTP

Swiggy	Methodology	Multiple	GoV/Gross sales/EBITDA	EV (Rs mn)	Per share
Food Delivery	EV/EBITDA	40.0	21,284	8,51,343	88
Quick Commerce	EV/GoV	1.5	7,33,611	10,63,735	110
Going-out	EV/Sales	0.5	1,84,829	92,414	10
Hyperpure	EV/Sales	0.5	1,04,379	52,189	5
Others	EV/Sales	0.5	354	177	0
<b>Consol Enterprise Value</b>				<b>20,59,860</b>	<b>213</b>
<b>Net Debt</b>		<b>182</b>	<b>11,336</b>	<b>(2,05,691)</b>	<b>-21</b>
<b>Consol Equity Value</b>				<b>22,65,551</b>	<b>235</b>
No. of shares (#)					9,650
<b>CMP</b>					<b>238</b>
<b>Upside (%)</b>					<b>(1.4)</b>

Source: HSIE Research

### Valuations for QSR pack ranges between 25-35x FY27 EV/EBITDA

Name	Mcap (Rs bn)	CMP	Rating	TP	TP X	P/E (x)			EV/EBITDA (x)			% CAGR FY24-FY27E			ROE		
						FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	Rev	Ebitda	PAT	FY25e	FY26e	FY27e
<b>QSR*</b>																	
Jubilant	479	740	ADD	690	35	166	102	79	67	49	40	12	21	25	13	19	21
Westlife	127	780	RED.	680	30	240	164	83	60	48	34	10	11	10	9	15	41
Devyani	223	182	RED.	150	25	218	131	79	43	36	29	23	26	34	9	12	17
Sapphire	106	316	ADD	345	25	90	72	61	37	28	22	12	14	6	8	10	11

Source: Company, HSIE Research

## Company profile

- Zomato is a modern technology company creating products and offering services that cater to India's evolving lifestyles. It has developed distinct brands for its core business offerings. Key Business Offerings - (1) Food Delivery, (2) Quick Commerce, (3) Going-out and (4) B2B Supplies.
- The Food Delivery business operates under the "Zomato" brand. It offers a membership program called Zomato Gold, which provides customers with a range of benefits, including free delivery on orders that meet specific criteria and exclusive offers from restaurant partners for both food delivery and dining-out experiences.
- The Quick Commerce business functions under the "Blinkit" brand. It offers on-demand delivery of daily essentials and products across various categories within minutes. Blinkit's operating model is powered by proprietary technology and an optimized supply chain, with Dark Stores positioned within a few kilometers of customers to ensure rapid delivery.
- Zomato's Going-Out business helps customers explore and book experiences like dining (in India and UAE), movies, sports, live performances, and concerts. In August 2024, Zomato expanded this segment by acquiring an entertainment ticketing business, strengthening its presence in movies, sports, and events ticketing. In November 2024, Zomato launched the "District" app, consolidating all going-out services into a single platform.

Its B2B Supplies business operates under the "Hyperpure" brand. Hyperpure has recently broadened its range of offerings to enhance its portfolio of products and services. These include: (a) comprehensive fourth-party logistics, warehousing, and supply chain services for restaurants, encompassing procurement, storage, and final delivery to restaurant locations; (b) the supply of value-added food products such as sauces, spreads, pre-cut, and semi-finished perishable items; and (c) rapid delivery services, ensuring high-quality products are delivered within a few hours to meet customers' immediate needs.

- Through its various business verticals, Zomato creates earning opportunities for its wide range of partners. For instance, in its food delivery business, Zomato equips restaurant partners with marketing tools tailored to the industry, enabling customer engagement and business growth, while also ensuring efficient last-mile delivery through third-party delivery partners. In the Quick Commerce business, Zomato collaborates with 'partners' like sellers and brands, helping them scale their operations and generate income. The company also fosters transparent and flexible earning opportunities for delivery partners and supply chain workers across its Dark Stores and warehouses.

### Key Milestones

2008	Incorporation
2011	First institutional fund raise
2015	Launch of food delivery in India
2016	Launch of table reservation
2017	Launch of customer membership program
2018	Added capability of hyperlocal delivery platform by acquisition of Carthero Technologies Private Limited
2019	Launch of Hyperpure, a B2B supplies business for restaurant partners
2020	Expansion of food delivery business across 500 cities in India
2020	Acquisition of 'Uber Eats India Assets' of 'Uber Eats India Business' from Uber India
2021	Got listed on stock exchange
2022	Acquisition of Blinkit
2024	Acquisition of Paytm's movie and ticketing business
2024	Launch of the "District" app

Source: Company RHP, HSIE Research

### Key personnel

Name	Designation	Description
<b>Board of Directors</b>		
Mr. Kaushik Dutta	Chairman of the Board of Directors and Independent Director	He is a fellow member of the Institute of Chartered Accountants of India with over 28 years of experience. He is co-founder of Thought Arbitrage Research Institute, an independent not-for-profit research think tank working in areas of corporate governance, public policy and sustainability. He was also associated with Price Waterhouse & Co., Chartered Accountants LLP, and Lovelock & Lewes, Chartered Accountants as Partner for over 28 years. He has been retained as an expert on corporate governance by the Indian Institute of Corporate Affairs of the Ministry of Corporate Affairs in matters relating to future of corporate governance in India.
Mr. Deepinder Goyal	Founder, Managing Director and the Chief Executive Officer	He holds an integrated master's degree of technology in mathematics and computing from the Indian Institute of Technology, Delhi. Prior to founding Zomato, he worked with Bain and Company.
Sanjeev Bikhchandani	Non-Executive Director	He holds a bachelor's degree of arts in economics from the University of Delhi and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He is the founder and an executive director on the board of directors of Info Edge.
Sutapa Banerjee	Independent Director	She holds post graduate honours diploma in personnel management and industrial relations from the XLRI School of Management, Jamshedpur and is an advanced leadership fellow at the Harvard University. She also has extensive experience in the financial services industry having worked at ABN AMRO Bank and Ambit Capital Private Limited for several years.
Namita Gupta	Independent Director	She holds an integrated master's degree of technology in mathematics and computing from the Indian Institute of Technology, Delhi. She has previously worked with Facebook, Inc. and Microsoft for several years. She is the founder and currently on the board of directors of Airveda Technologies Private Limited.
Aparna Popat Ved	Independent Director	She holds a bachelor's degree in commerce from the University of Mumbai and a master's degree of business administration from the Sikkim Manipal University. She is a professional badminton player having represented India at various international forums including the Commonwealth Games (where she also won a silver and three bronze medals) and the Olympics in 2000 and 2004.
<b>Key Managerial Personnel</b>		
Akshant Goyal	Chief Financial Officer	He joined Zomato on April 1, 2017. He holds a bachelor's degree in Computer Science Engineering from the University of Delhi and a postgraduate diploma in management from the Indian Institute of Management, Bangalore. Before joining Zomato, he gained experience in various roles at Kotak Mahindra Capital Company Limited and a fintech startup.
Sandhya Sethia	Company Secretary and Compliance Officer	She joined Zomato on January 10, 2019, and was appointed as the Company Secretary on January 21, 2019. She holds a bachelor's degree in Commerce (Honours) from the University of Delhi and is an associate member of the Institute of Company Secretaries of India. Before joining Zomato, she accumulated over six years of experience in various roles at JHS Svendgaard Laboratories Limited, Mideast Integrated Steels Limited, and Affle India Private Limited.

Name	Designation
<b>Senior Management</b>	
Albinder Singh Dhindsa	Founder & CEO - Blinkit
Rakesh Ranjan	CEO-Food Ordering and Delivery Business
Rishi Arora	CEO-Hyperpure
Rinshul Chandra	COO- Food Ordering and Delivery Business
Damini Bhalla	General Counsel
Hemal Jain	Head-Business Finance
Kunal Swarup	Head-Corporate Development
Deepak Ahluwalia	Global Head- Governance, Risk and Compliance, and Internal Auditor
Ali Kausar Siddiqui	Global Controller - Finance
Anjali Ravi Kumar	Chief Sustainability Officer

## Key Risks

Risk to sustain growth	The company's growth may be impacted by slowing customer demand, rising competition, and insufficient expansion of partners, Dark Stores, or product categories. Declining demand for event tickets or failure to leverage growth opportunities could further hinder progress. Additionally, regulatory compliance and the integration of advanced technologies in warehouses, such as racking systems, cold storage, and inventory management, may increase costs, limiting investments in other business initiatives.
Risk in Retaining and Attracting Partners and Customers	The company risks losing partners and customers if it fails to offer attractive earning opportunities or maintain service quality. Many partners lack exclusivity, making them vulnerable to switching to competitors. Rising costs could lead to higher prices or partner withdrawals, impacting profitability. Changing customer preferences or economic conditions may also affect business performance if the company fails to adapt.
Competition	The company operates in highly competitive industries with low entry barriers and frequent innovations. Competitors with stronger resources, market expertise, and aggressive marketing may attract customers and partners. This could force the company to lower fees, increase incentives, or spend more on marketing, impacting its financial performance.
Macro challenges	The company's performance is heavily dependent on the Indian economy, which is influenced by global uncertainties, policy changes, and macroeconomic factors. Global slowdowns, financial instability, or adverse domestic developments like rising deficits or policy shifts could impact India's economy, affecting the company's business and growth prospects.
Risk of Inefficient Expansion of Dark Stores and Warehouses	The company's Quick Commerce and B2B Supplies (Hyperpure) businesses rely on expanding and optimizing its network of Dark Stores and warehouses. Strategic location selection is essential to enhance supply chain efficiency, reduce costs, and improve customer experience. Challenges in identifying suitable locations, expanding the network, or maintaining efficient operations could impact order fulfilment, customer satisfaction, and overall business performance.
Risk of Food and Product Quality Issues	Hygiene or quality issues with food or products delivered by partners, Hyperpure, or sold at events could harm the company's reputation and disrupt operations. Food-related incidents, such as illnesses or spoilage, may lead to litigation, regulatory penalties, and customer mistrust, despite quality controls and inspections. Despite quality controls and inspections, incidents like the July 2024 criminal complaint linked to a food-related death underline the potential for significant operational and financial impact.

Source: Company, HSIE Research

## Financials

### Income Statement

Year End (March)	FY23	FY24	FY25	FY26	FY27
<b>Net Revenues</b>	<b>70,800</b>	<b>1,21,150</b>	<b>2,01,557</b>	<b>2,84,075</b>	<b>3,74,052</b>
Growth (%)	69.0	71.1	66.4	40.9	31.7
Material Expenses	13,952	28,820	55,978	75,545	94,400
Employee Expense	14,650	16,590	23,788	28,764	42,521
A&P Expense	12,274	14,320	17,636	24,857	32,730
Outsourced support cost	2,969	3,300	5,490	7,738	10,189
Delivery and related charges	25,369	39,150	58,684	77,028	1,01,425
Other Expenses	13,683	18,540	31,845	59,447	75,918
<b>EBITDA</b>	<b>(12,097)</b>	<b>430</b>	<b>8,136</b>	<b>10,696</b>	<b>16,869</b>
EBITDA Growth (%)	(34.7)	(103.6)	1,792.1	31.5	57.7
EBITDA Margin (%)	(17.1)	0.4	4.0	3.8	4.5
<b>Adjusted EBITDA</b>	<b>(7,820)</b>	<b>3,720</b>	<b>11,455</b>	<b>11,839</b>	<b>17,336</b>
<b>Adjusted EBITDAM (% of GoV)</b>	<b>(2.3)</b>	<b>0.8</b>	<b>1.5</b>	<b>1.1</b>	<b>1.2</b>
<b>Pre-IND AS 116 EBITDA</b>	<b>(12,880)</b>	<b>(1,430)</b>	<b>4,255</b>	<b>4,639</b>	<b>10,136</b>
<b>Pre-IND AS 116 EBITDAM (%)</b>	<b>(18.2)</b>	<b>(1.2)</b>	<b>2.1</b>	<b>1.6</b>	<b>2.7</b>
Depreciation	4,369	5,260	7,396	9,672	11,911
<b>EBIT</b>	<b>(16,466)</b>	<b>(4,830)</b>	<b>740</b>	<b>1,024</b>	<b>4,958</b>
Other Income (Including EO Items)	6,816	8,470	9,970	10,476	11,859
Interest	487	720	1,102	974	1,069
<b>PBT</b>	<b>(10,137)</b>	<b>2,920</b>	<b>9,608</b>	<b>10,526</b>	<b>15,749</b>
Total Tax	(436)	(600)	1,729	2,649	3,964
<b>PAT before share of associate earnings</b>	<b>(9,701)</b>	<b>3,520</b>	<b>7,878</b>	<b>7,877</b>	<b>11,785</b>
Share of associate earnings	(3)	-	-	-	-
<b>RPAT</b>	<b>(9,704)</b>	<b>3,520</b>	<b>7,878</b>	<b>7,877</b>	<b>11,785</b>
Exceptional Gain/(loss)	1	-	-	-	-
<b>Adjusted PAT</b>	<b>(9,705)</b>	<b>3,520</b>	<b>7,878</b>	<b>7,877</b>	<b>11,785</b>
<b>APAT Growth (%)</b>	<b>(36.2)</b>	<b>(136.3)</b>	<b>123.8</b>	<b>(0.0)</b>	<b>49.6</b>
<b>Adjusted EPS (Rs)</b>	<b>(1.0)</b>	<b>0.4</b>	<b>0.8</b>	<b>0.8</b>	<b>1.2</b>
<b>EPS Growth (%)</b>	<b>(75.2)</b>	<b>(136.3)</b>	<b>123.8</b>	<b>(0.0)</b>	<b>49.6</b>

### Balance Sheet

Year End (March)	FY23	FY24	FY25	FY26	FY27
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	8,364	8,680	9,173	9,173	9,173
Reserves	1,86,234	1,95,450	2,87,992	2,95,869	3,07,653
<b>Total Shareholders Funds</b>	<b>1,94,598</b>	<b>2,04,130</b>	<b>2,97,165</b>	<b>3,05,041</b>	<b>3,16,826</b>
<b>Minority Interest</b>	<b>(66)</b>	<b>(70)</b>	<b>(70)</b>	<b>(70)</b>	<b>(70)</b>
Long Term Debt	58	-	-	-	-
Short Term Debt	346	-	-	-	-
<b>Total Debt</b>	<b>404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Deferred Taxes</b>	<b>2,495</b>	<b>1,880</b>	<b>1,880</b>	<b>1,880</b>	<b>1,880</b>
<b>Other Non-current Liabilities &amp; Provns</b>	<b>4,710</b>	<b>7,520</b>	<b>7,935</b>	<b>8,961</b>	<b>9,854</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>2,02,141</b>	<b>2,13,460</b>	<b>3,06,910</b>	<b>3,15,813</b>	<b>3,28,490</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	11,990	10,410	12,862	17,019	18,082
CWIP	75	180	180	180	180
Other Non-current Assets	72,816	64,740	64,039	63,331	62,641
<b>Total Non-current Assets</b>	<b>84,881</b>	<b>75,330</b>	<b>77,081</b>	<b>80,530</b>	<b>80,903</b>
Inventories	827	880	1,464	2,063	2,717
Debtors	4,569	7,940	13,253	18,679	24,595
Other Current Assets	47,896	25,650	42,674	60,145	79,195
<b>Cash &amp; Equivalents</b>	<b>77,814</b>	<b>1,23,760</b>	<b>2,05,691</b>	<b>2,01,262</b>	<b>2,02,792</b>
<b>Total Current Assets</b>	<b>1,31,106</b>	<b>1,58,230</b>	<b>2,63,082</b>	<b>2,82,149</b>	<b>3,09,299</b>
Creditors	6,798	8,860	14,740	20,775	27,355
Other Current Liabilities & Provns	7,048	11,240	18,513	26,092	34,356
<b>Total Current Liabilities</b>	<b>13,846</b>	<b>20,100</b>	<b>33,253</b>	<b>46,867</b>	<b>61,712</b>
<b>Net Current Assets</b>	<b>1,17,260</b>	<b>1,38,130</b>	<b>2,29,829</b>	<b>2,35,282</b>	<b>2,47,588</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>2,02,141</b>	<b>2,13,460</b>	<b>3,06,910</b>	<b>3,15,813</b>	<b>3,28,490</b>

Source: Company, HSIE Research

### Cash Flow Statement

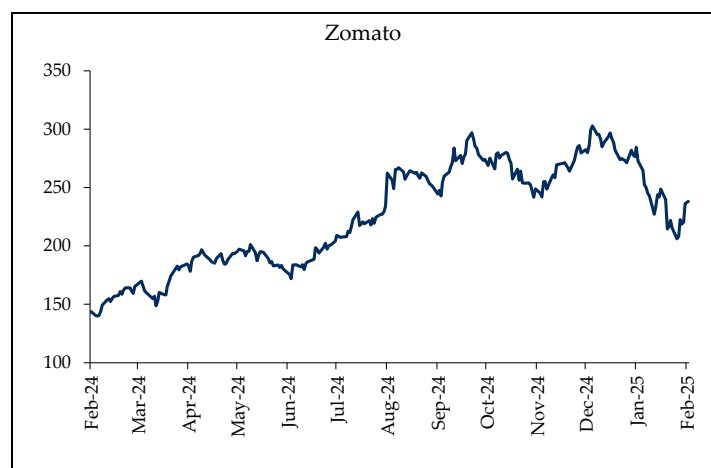
Year ending March	FY23	FY24	FY25	FY26	FY27
Reported PBT	(10,146)	2,910	9,608	10,526	15,749
Non-operating & EO Items	(646)	(1,860)	(9,970)	(10,476)	(11,859)
Interest Expenses	50	20	1,102	974	1,069
Depreciation	4,369	5,260	7,396	9,672	11,911
Working Capital Change	(1,759)	1,180	(9,768)	(9,882)	(10,775)
Tax Paid	(308)	(1,050)	(1,729)	(2,649)	(3,964)
<b>OPERATING CASH FLOW ( a )</b>	<b>(8,440)</b>	<b>6,460</b>	<b>(3,361)</b>	<b>(1,835)</b>	<b>2,130</b>
Capex	(1,621)	(2,020)	(7,130)	(10,701)	(9,379)
Free Cash Flow (FCF)	(10,061)	4,440	(10,491)	(12,536)	(7,249)
Investments	8,794	(7,630)	(75,000)	-	-
Non-operating Income	(2,600)	6,180	7,952	8,055	8,954
<b>INVESTING CASH FLOW ( b )</b>	<b>4,573</b>	<b>(3,470)</b>	<b>(74,177)</b>	<b>(2,646)</b>	<b>(425)</b>
Debt Issuance/(Repaid)	(324)	(420)	(1,102)	(974)	(1,069)
FCFE	(4,191)	2,570	(78,640)	(5,455)	637
Share Capital Issuance	-	310	85,156	-	-
Dividend	-	-	-	-	-
Others	(1,055)	(1,960)	415	1,026	893
<b>FINANCING CASH FLOW ( c )</b>	<b>(1,379)</b>	<b>(2,070)</b>	<b>84,470</b>	<b>52</b>	<b>(175)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(5,246)</b>	<b>920</b>	<b>6,931</b>	<b>(4,429)</b>	<b>1,530</b>
EO Items, Others					
Closing Cash & Equivalents	2,181	3,090	10,021	5,592	7,122

### Key Ratios

	FY23	FY24	FY25	FY26	FY27
<b>PROFITABILITY (%)</b>					
GPM	80.3	76.2	72.2	73.4	74.8
EBITDA Margin	(17.1)	0.4	4.0	3.8	4.5
Pre-IND-AS EBITDA Margin (%)	(18.2)	(1.2)	2.1	1.6	2.7
Adj. EBITDAM (%)	(11.0)	3.1	5.7	4.2	4.6
EBIT Margin	(23.3)	(4.0)	0.4	0.4	1.3
APAT Margin	(13.7)	2.9	3.9	2.8	3.2
RoE	(5.4)	1.8	3.1	2.6	3.8
RoIC (or Core RoCE)	(8.1)	4.1	9.2	8.0	10.5
RoCE	(5.0)	2.1	3.4	2.8	3.9
<b>EFFICIENCY</b>					
Tax Rate (%)	4.3	(20.5)	18.0	25.2	25.2
Fixed Asset Turnover (x)	19.5	22.9	16.6	12.6	11.9
Inventory (days)	4.3	2.7	2.7	2.7	2.7
Debtors (days)	23.6	23.9	24.0	24.0	24.0
Other Current Assets (days)	246.9	77.3	77.3	77.3	77.3
Payables (days)	35.0	26.7	26.7	26.7	26.7
Other Current Liab & Provns (days)	36.3	33.9	33.5	33.5	33.5
Cash Conversion Cycle (days)	203.4	43.3	43.7	43.7	43.7
Net D/E (x)	(0.4)	(0.6)	(0.7)	(0.7)	(0.6)
Interest Coverage (x)	(33.8)	(6.7)	0.7	1.1	4.6
<b>PER SHARE DATA (Rs)</b>					
EPS	(1.0)	0.4	0.8	0.8	1.2
CEPS	0.2	1.8	2.8	3.4	4.4
Dividend					
Book Value	51.8	54.4	79.2	81.3	84.4
<b>VALUATION</b>					
P/E (x)	(236.7)	652.5	291.5	291.6	194.9
P/BV (x)	4.6	4.4	3.0	2.9	2.8
EV/EBITDA (x)	(172.3)	(1,519.6)	491.4	451.7	206.6
EV/Revenues (x)	31.3	17.9	10.4	7.4	5.6
OCF/EV (%)	(0.4)	0.3	(0.2)	(0.1)	0.1
FCF/EV (%)	(0.5)	0.2	(0.5)	(0.6)	(0.3)
FCFE/Mkt Cap (%)	(0.2)	0.1	(3.4)	(0.2)	0.0
Dividend Yield (%)	-	-	-	-	-

Source: Company, HSIE Research



**Price movement****Rating Criteria**

BUY: >+15% return potential  
ADD: +5% to +15% return potential  
REDUCE: -10% to +5% return potential  
SELL: >10% Downside return potential

**Disclosure:**

We, **Jay Gandhi, MBA and Vedant Mulik, CA** authors and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

**Any holding in stock – No**

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: [customercare@hdfcsec.com](mailto:customercare@hdfcsec.com) Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Mutual Fund Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

---

**HDFC Securities****Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)