

Zomato



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AUG 2024 NSE: ZOMATO.NS
BSE: 543320 CMP: 262.00 BUY BELOW: 300.00

ABOUT

Zomato Limited is one of the leading online Food Service platforms in terms of the value of food sold. Its offerings include food delivery, dining-out services, Loyalty programs, and others.

Zomato has established a strong footprint across 23 countries with 131,233 active food delivery restaurants, 161,637 active delivery partners, and an average monthly food order of 10.7 million customers. Zomato had 389,932 Active Restaurant Listings. ~~Zomato is active in 1000+ cities with 500+ cities added in FY22.~~

Its mobile application is the most downloaded food and drinks application in India in each of the last three fiscal years on iOS App Store and Google Play combined. App gets 90 billion monthly visits as of FY23 In India. Deepinder Goyal is the Founder, MD & CEO.



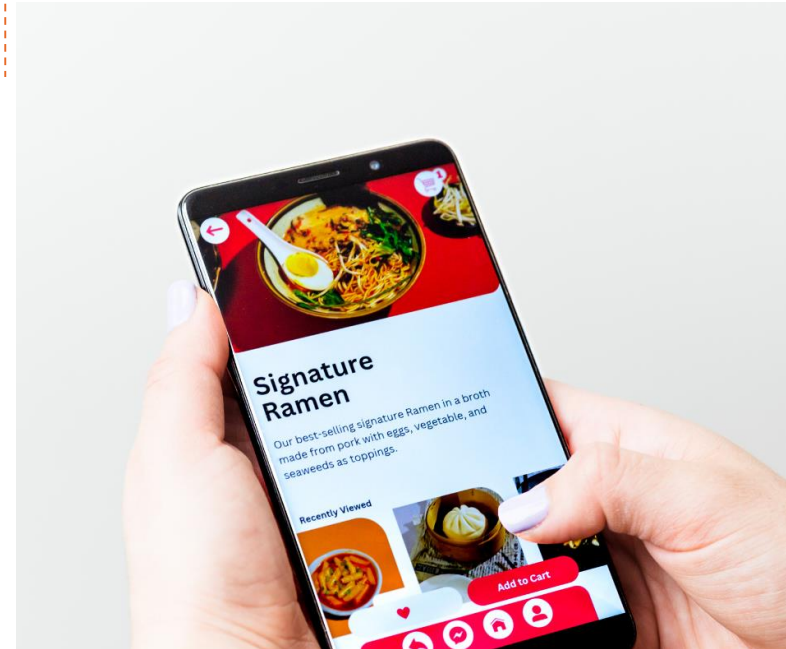
POSITIVES

- Relaunched Zomaland, food and entertainment carnival in FY23, post the pandemic, across 7 cities in India. Average monthly active delivery partners grew by 14% YoY to 326k in FY23.
- Zomato collaborates with restaurants to provide exclusive deals and offers to its customers. These promotions can range from discounts on food bills to special set menus or limited time offers.
- In FY23, Others primarily included (1) dining-out offering in India and UAE, (2) Zomato Live and (3) other initiatives including food delivery services offered to Talabat in UAE, among others.
- Adjusted Revenue grew 57% Year-on-Year (“YoY”) to INR 86.9 billion in FY23 from INR 55.4 billion in FY22.



Contd...

- Adjusted EBITDA margin improved to -9% in FY23 from -18% in FY22, largely driven by the improving profitability in the food delivery business.
- In FY23, the Company reported a positive Adjusted EBITDA for the Zomato business (excluding quick commerce) of INR 0.28 billion as compared to a loss of INR 2.25 billion a year ago in Q4FY22.
- Average monthly active food delivery restaurant partners increased by 17% YoY to 210k in FY23. ended this fiscal with 215k average monthly active food delivery restaurant partners in Q4FY23.



Contd...

- Hyperpure revenues grew to INR 15.1 billion (180% YoY) in FY23 driven by both addition of new customers as well as increase in spends of existing customers on platform.
- ZOMATO is having expanding presence in India through the Rapid Urbanization, Availability of Faster & Affordable Internet facilities thereby 30% CAGR future growth possible in Revenue & Profits.



Contd..

- ZOMATO has Revenue Growth of 20% CAGR in past 5 years. This growth will help to cool down the PE ratio in upcoming years.
- ZOMATO have moderate valuation on Book Value in the order of 10X compared with other franchisee giants.
- Company is debt-free and the Profit shortages managed through internal accruals.
- Zomato is forecast to grow earnings and revenue by 54.8% and 23.9% per annum respectively.



FY23 key metrics

GOV

INR 263.1 billion

YoY growth: 24%

Orders

647.0 million

YoY growth: 21%

Average monthly
transacting customers

17.0 million

YoY growth: 16%

Average monthly active
delivery partners

326k

YoY growth: 14%

Average monthly active
food delivery restaurant
partners

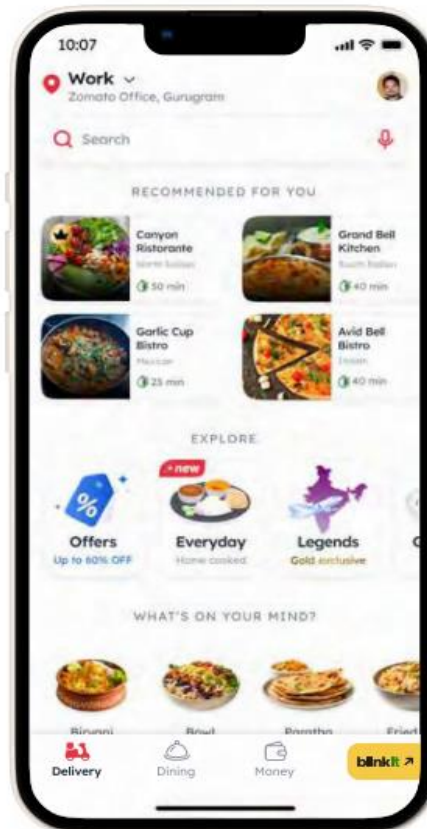
210k

YoY growth: 17%

Zomato Gold active members
(Mar-23)

1.8 million

Launched in Jan-23



FY23 key metrics

GOV

INR 64.5 billion

Q4FY23: INR 20.5 billion

Orders

119.1 million

Q4FY23: 39.2 million

Average monthly
transacting customers

2.9 million

Q4FY23: 3.9 million

GOV per day, per dark store

INR 470k

Q4FY23: INR 625k

of dark stores
(Mar-23)

377

Dark stores

of active cities
(Mar-23)

19

Cities



Negatives

- Company is trading at 300+ PE Ratio due to the Low Profit margin it make.
- Zomato may face a loss of brand perception and reputation due to several factors, including negative publicity or feedback on various platforms.
- ZOMATO's share price has been volatile over the past 3 months.
- ZOMATO (₹262.34) is trading above our estimate of fair value (₹70.91).
- Promoter holdings is 0% for Zomato given the fact of selling holdings.



Negatives

- ZOMATO is expensive based on its Price-To-Sales Ratio (16.3x) compared to the peer average (5.6x).
- ZOMATO's Return on Equity is forecast to be low in 3 years time (15.4%).
- ZOMATO has become profitable in the last year, making the earnings growth rate difficult to compare to its 5-year average:-----
- ZOMATO's Return on Equity (3%) is considered low.



Profit & Loss

	Mar-21	Mar-22	Mar-23	CY	TTM
Sales	1,994	4,192	7,079	12,114	13,904
Expenses	2,461	6,043	8,290	12,072	13,637
Operating Profit	-467	-1,851	-1,211	42	267
OPM %	-23%	-44%	-17%	0%	2%
Other Income	-200	793	682	847	902
Interest	10	12	49	72	79
Depreciation	138	150	437	526	545
Profit before tax	-815	-1,220	-1,015	291	545
Tax %	0%	0%	-4%	-21%	
Net Profit	-816	-1,222	-971	351	602

WARREN BUFFETT CHECKLIST

Type	Value
ECONOMIC MOAT	GOOD
GROWTH	GOOD
VALUATION	HIGH
DEBT	GOOD
INTEGRITY	GOOD

MULTIBAGGER

The company has the potential to become multibagger in the order of 200-300% in 5-10 year term.

BUYING STRATEGY

70% on current price levels, Remaining on 30% correction levels
[Conservative Investors can Buy 50% then remaining on 30% correction levels]

HOLDING PERIOD

5 Years

[We are into LONG TERM INVESTING and Investor should not expect quick up movements in price. Incremental Investing is advised & Any corrections should be considered as Opportunity to add more – Remember our focus should be the 500% Future returns – so any price correction investments will zoom the returns

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