

ZOMATO LTD.

Buy at CMP: Rs 270 | Target: Rs 305 (13%) | SL: Rs 250

Sector

Nov 11, 2024

Retailing

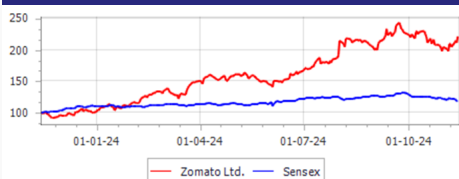
Script Details

BSE Group	A
BSE Code	543320
NSE Code	ZOMATO
Bloomberg Code	ZOMATO IN
Market Cap (INR Cr.)	2,38,228
Free Float (%)	100.0%
52wk Low/High	298/113
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0
Total paid Up Shares (Mn.)	8836.3

Share Holding Pattern (%)

Promoters	Public	Others
0.0%	100.0%	-

Share Price Relative Performance



Zomato Limited is a leading food service platform offering food delivery, dining-out, and its B2B service Hyperpure. Its customer loyalty program, Zomato Pro, and all offerings enhance customer engagement, driving growth in the restaurant industry by improving food assortment, affordability, accessibility, and quality.

Investment Rationale

- ◆ **Focusing on steady growth, margin stability, and strategic expansion across food delivery and quick commerce:** The management aims for 20%+ GOV growth in food delivery with stable margins (-3.5%) despite seasonality and higher marketing costs in Q2FY25. They are focusing on reducing delivery times and expanding restaurant availability, with the 10-minute delivery model still in the experimental phase. The quick commerce business is targeting a 4-5% long-term EBITDA margin, with short-term adj. EBITDA break-even. The QoQ 28bps decline in take rate is attributed to rapid store expansion, diluting short-term margins. New stores are breaking even at the contribution level. Expansion is focused on top eight cities before moving to smaller markets, with consistent AOV across major cities. Management is sticking to a marketplace model and does not plan loyalty programs or private labels in quick commerce.
- ◆ **Blinkit drives strong growth with robust store expansion and improved AOV in Q2FY25:** Blinkit is demonstrating robust growth, with a 20% QoQ increase in Q2FY25, driven by store expansion (152 net new stores) and a 122.2% YoY GOV increase to INR 61.3bn. New stores are reaching Rs 7 Lc GOV per day and achieving contribution break-even. Quick commerce's adjusted revenue rose 22.7% QoQ, reaching INR 11.6bn, while AOV improved 5.6% QoQ to INR 660. Despite a slight 20bps QoQ decline in contribution margin to 3.8%, the adjusted EBITDA margin remained stable. Blinkit's continued expansion and strong growth in GOV and AOV make it a promising investment opportunity.
- ◆ **Zomato's strong GOV growth and Blinkit's promising 20%+ growth outlook make for a solid investment:** Zomato's B2C business saw strong GOV growth of 14% QoQ and 55% YoY, reaching Rs 17,670 in Q2FY25, with a consistent 30% CAGR from FY20 to FY24. The company expects continued strong demand for food delivery in the top 10 cities. Blinkit is forecasted to achieve 20% growth over the next five years, driven by increasing demand, improved brand positioning, and superior execution, poised it well for feature growth.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 20%/3% and estimate ZOMATO to clock PAT of Rs 822 Cr by FY27E. ZOMATO is trading at forward PE (x) of 289 and we value at 327(x) FY27E and Recommend BUY on ZOMATO with Target Price of Rs. 305 (15%) .

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	15,855	1,110	742	321.1	163.8
FY25E	19,026	951	571	417.4	18.4
FY26E	22,831	1,142	685	347.8	15.4
FY27E	27,397	1,370	822	289.8	12.8

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- ZOMATO has exhibited a robust price structure across timeframes. Since January 2023, the stock has been in a clear uptrend, consistently forming higher bottoms. Notably, in June 2024, the stock experienced a change in polarity, where the prior resistance level from November 2021 transitioned into a support zone, signaling its readiness to move into new uncharted positive territory.
- In the most recent week, ZOMATO showcased a bullish mean reversion from its 20-week moving average, a level it has consistently respected since the onset of its uptrend. This reinforces the stock's ongoing bullish sentiment.
- From a momentum perspective, the RSI stands firmly above 60, further confirming bullish strength. On the weekly scale, the RSI also displayed a change in polarity, with the resistance level from November 2022 now acting as support, solidifying the bullish momentum.
- This confluence of a price pullback from key averages and polarity shifts on the RSI front underscores the positive sentiment surrounding the stock.



Inference & Expectations

- Considering these factors, it can be inferred that ZOMATO stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 305 level.
- The stop loss must be at 250 level, strictly on the closing basis.

[Invest Now →](#)



Name	Designation	Email	Contact
Mr. Vidnyan Sawant	AVP – Technical Research	Vidnyan@geplcapital.com	+91 (22) 48934000
Mr. Dibandu Maji	Research Analyst, Fundamental Desk	dibandumaji@geplcapital.com	+91 (22) 66142689
Mr. Neel Parekh	Research Associate, Technical Desk	neelparekh@geplcapital.com	+91 (22) 66182687

Terms & Conditions – For Investors

We, Research Analyst of GEPL Capital, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. 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.

Disclosure: -

This document has been prepared by Research Department of GEPL Capital Pvt. Ltd. (hereinafter referred to as GEPL Capital) and this report is for personal information of the selected recipient/s and does not construe to be any investment, recommendation, prospectus, offering circular or legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and GEPL Capital is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. GEPL Capital makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability or obligation with respect to, the fairness, accuracy, completeness or correctness of any information or update information or opinions contained herein. All investments including Future and Options are involving risks and investor should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or GEPL Capital as a result of using different assumptions and criteria. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. The information contained in this report has been obtained from sources that are considered to be reliable. However, GEPL Capital has not independently verified the accuracy or completeness of the same. Neither GEPL Capital nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. GEPL Capital and its affiliates and/or their officers, directors and employees may have similar position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment. GEPL Capital specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL Capital and GEPL Capital accepts no liability whatsoever for the actions of third parties in this regard. GEPL Capital or its director or its research analysts or its associates or his relatives and/or its affiliates and/or employees do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report. Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Disclaimers in respect of jurisdiction:

This report is not directed to, or intended 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 GEPL Capital its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently send or has reached any individual the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of GEPL Capital.

Analyst Certification:

The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

GEPL Capital Private Limited is a SEBI registered Research Analyst entity bearing SEBI Reg. No. "INH000000081" under SEBI (Research Analysts) Regulations, 2014.

Reg./Corp. Office: D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

SEBI Reg. No. NSE/NSEF&O/CD - INB230993934, INF230993934 & INE230993934. BSE/BSE F&O- INB010993934 & INF010993934,

For more information visit us at: www.geplcapital.com

Disclaimer: Investments in securities market are subject to market risks, read all the related documents carefully before investing. Investors must make their own investment decisions based on their specific goals, financial position & risk appetite. The content provided herewith is purely for investor awareness only.