

# Should you take the **Zomato** order?



**ZOMATO LIMITED (ZOMATO) IS AN INDIA-BASED COMPANY THAT WAS FOUNDED IN 2010 AND IS ONE OF THE LEADING ONLINE FOOD SERVICE PLATFORMS IN TERMS OF FOOD SOLD VALUE.**

**ITS SERVICES INCLUDE FOOD DELIVERY, DINING OUT, AND LOYALTY PROGRAMMES, AMONG OTHERS. ITS TECHNOLOGY PLATFORM CONNECTS CUSTOMERS, RESTAURANT PARTNERS, AND DELIVERY PARTNERS.**



# What exactly is Zomato's business model?

**Food delivery and dining out** are the company's two main business-to-customer offerings.

Furthermore, there are business-to-business offerings:

**Hyper Cure** - A company that provides ingredients to restaurant partners.

**Zomato Pro** - The Company's operations also include a customer loyalty programme.

# What caused Zomato's initial fall?

1. Revenue has increased by 73 percent over the last four years, but expenses have increased by 81 percent over the same period. **Sales > Expenses** ( 7 percent more than)
2. **GOV (Gross order value)** rises, but **AOV (Average order value)** rises only 397–398 points in the last year. **(The weaker side)**
3. The IPO upper band was around INR 76, and the stock was listed at 126 with a 66 percent premium, reaching an all-time high of 169 on November 16, 2021, and has since **dropped more than 100 percent.**
4. Zomato has no peers in the Indian market, but when we compare the valuation metric of **EV/Revenue** from all of the world's peers, it is too high, at 14x, far exceeding their **average of 8.55x.**

# Acquisition of Blinkit

First, understand **zomato's own experience** in the grocery delivery market. In April 2020, the company began delivering groceries and basic essentials under a service called zomato market in more than 80 cities in India. And management stated that the grocery delivery business was **not expandable.**

**Zomato re-entered** the grocery delivery space with a pilot launch in July 2021. This allows users to place orders with nearby stores using the marketplace model. **The service was stopped again** in September 2021.

This is how Zomato itself has been testing the waters of the second quick trading industry for the past two years. Therefore, the question arises as to why **Zomato wants to re-enter the industry,** which has already finished twice in a short period of time.

# UNDERSTAND THROUGH NUMBERS

Implicit value of Blinkit-4945.8Cr

Agreed on remaining shares-4475.5cr

Already had 9.16% share = 518.2 Cr

financed debt = 1132.8Cr

Subtotal = 6098.5cr (6098.5 - 4945.8)

Excessive consideration for implicit value = 1152.7Cr

Zomato FY21-22 loss-1208.7Cr

January 2021 Loss - 130 cr

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