

## Zomato : Good Issue

**IPO Note : Leading Food Services Platforms in India. High Risk High Valuation : First-mover advantage : Ranking\*\*\***



### Issue details

Price band (Rs)	Rs.72-76
IPO Opening Date	14/07/21
IPO Closing Date	16/07/21
Issue Size	Rs.9375 Cr.

### Financial Summary/Recommendation

- Sales Growth yoy is (-23)% (2 year cagr is 23%)
- EBITDA Growth yoy is negative (2 year cagr is negative)
- PAT Growth yoy is negative (2 year cagr is negative)
- Debt to Networth Ratio is Negligible.

**Valuation:** Upper band is 76 per share. (FV=1). As Profit is negative, P/e is Not applicable. At upper band, Zomato is valued at \$8 Bn or 60000 Crores (1USD = 75 INR)

**Utilization:** Issue Size of 9375 Cr., Fresh Issue of 9000 Crore – Growth Initiatives, OFS of 375 Cr.

**Risks:** Rapid Technology Change.

**Overall, It's difficult to give this company a rating only on fundamentals that are not good. It's a High-Risk investment with IPO valuation that is higher than the global peers. It will have a first mover's advantage in this segment of internet platforms. And, as it is one of the leading food services platforms in India, high risk investors may apply.**

### Highlights

- Zomato Ltd. is, one of the leading Food Services platforms in India in terms of the value of food sold
- The offer is costly based on negative earnings and uncertain future prospects.
- The company has been incurring losses in its operations globally and off late started pruning its international ventures.
- While it had a footprint across 23 countries outside India as of March 31, 2021, the company has taken a conscious strategic call to focus only on the Indian market going forward.
- The company has been incurring losses in its operations globally and off late started pruning its international ventures

### Company Introduction

Incorporated in 2010, Zomato Limited is one of the leading online Food Service platforms in terms of the value of food sold as of Dec 31, 2020. Its B2C offerings include food delivery and dining-out services where customers can search and discover restaurants, order food delivery, book a table, and make payments for dining out at restaurants while under the B2B segment, it generates revenue from Hyperpure (supply of high-quality ingredients and kitchen products to restaurants) and Zomato Pro, customer loyalty program.

As of December 31, 2020, 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.



[www.zomato.com](http://www.zomato.com)

## Company Promoters:

Zomato is a professionally managed company with no identifiable promoters under the SEBI ICDR Regulations and Companies Act.

## Objects of the Issue:

- The net proceeds from the IPO will be utilized towards the following objectives;
- Funding organic and inorganic growth initiatives.
- Meet general corporate purposes.

## IPO Issue Proceed

To part finance its plans for funding organic and inorganic growth initiatives (Rs. 6750.00 cr.) and general corpus needs, Zomato is coming out with a maiden equity issue worth Rs. 9375.00 cr. It has fixed a price band of Rs. 72 - Rs. 76 per share having a face value (FV) of Re. 1. The issue opens for subscription on July 14, 2021, and will close on July 16, 2021. Minimum application is to be made for 195 shares and in multiples thereon, thereafter. The issue consists of a fresh equity issue worth Rs. 9000.00 cr. and an offer for sale worth Rs. 375.00 cr. At the upper price band of the issue, Zomato will issue totally 1233552730 shares including a fresh equity issue of 1184210625 shares. Post allotment, shares will be listed on BSE and NSE. Zomato has reserved 6500000 equity shares for its eligible employees. From the residual portion, it has allocated 75% for QIBs, 15% for HNIs and 10% for retail investors. It has also issued bonus shares in the ratio of 6699 shares for every 1 share held in April 2021. Post issue, Zomato's current issued and paid-up capital of Rs. 666.10 cr. will stand enhanced to Rs. 784.52 cr. Based on the upper band price of the IPO, the company is looking for a market cap of Rs. 59623.37 cr.

## Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
<b>Total Income</b>	2118.42	2742.73	1397.71
<b>Net Profit</b>	<b>-816.42</b>	<b>-2385.60</b>	<b>-1010.51</b>
<b>EPS (Rs)</b>	-	-	-

\*EPS not annualized

Source: RHP and ACE Equity

## RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

## DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.