

## Internet | Q2FY24 Result Update

## Strong Beat; Challenges Overcome to Deliver Positive Surprises

- Zomato reported revenue growth of 18% QoQ (DE: +1%), at Rs. 28.5Bn. Food Delivery Biz. topline growth remained robust, growing 12.7% QoQ, Hyper pure and Quick Commerce grew 21%/32% QoQ respectively.
- For Food Delivery, GOV was up 9% QoQ, while MTU increased by 5.1%, leading to Adj. Rev. of Rs. 19.3Bn, up 10.5% QoQ. Management reiterated overall Revenue growth of 40%+ for next couple of years, led by superior growth performance from Blinkit with, continued improved economics.
- EBITDA Margin loss narrowed further to 1.7% (DE: +2%) from -2% in Q1. Higher implied Food delivery charges (due to Gold) and Sales promotion (in Food Delivery as well as Blinkit led to miss.
- Robust performance and commentary in Q2 has led to significant uptick in our forecasts but nevertheless we continue to mark the growth way below guided rate given past volatility, and would rather wait to see current traction sustaining. Maintain our Sell rating with DCF based TP of Rs.80.

## Overcoming Challenges to Maintain Demand and Engagement

Despite seasonally lean quarter, Zomato surprised with a high single-digit volume growth, led by strong pick-up in Gold program, adding 1.8mn users (now 3.8mn) over Q1. Gold users achieve ARPU/order frequency that's 2.5x higher than Non-Gold users. (Exhibit: 5). Introduction of platform fee during Q2 (Rs. 2-5 per order), further boosted topline, along with restaurant led advertisement income. Although few announcements (such as Platform fee) were known -the pace of order pick-up, demand robustness and Gold addition has been a positive surprise, which we acknowledge and has led to upgrade in our estimates.

## Positive Contribution at Blinkit; Store Addition Key Monitorable

Blinkit posted strong Vol. and AOV (24%/4% QoQ) that led to +ve contribution margin of 1.3% of GOV for first time, despite 28 net store addition. Further AOV uptick, better dark store economics (60% stores contribution +ve), infuse confidence on Blinkit achieving positive Adj. EBITDA position by Q1'FY25. Co. is confident on achieving profitability with 100+ new store additions.

## Q2FY24 Result (Rs Mn)

| Particulars       | Q2FY24  | Q2FY23  | YoY (%) | Q1FY24  | QoQ (%) |
|-------------------|---------|---------|---------|---------|---------|
| Revenue           | 28,480  | 16,613  | 71.4    | 24,160  | 17.9    |
| Total Expense     | 28,950  | 19,727  | 46.8    | 24,640  | 17.5    |
| EBITDA            | (470)   | (3,114) | (84.9)  | (480)   | (2.1)   |
| Depreciation      | 1,280   | 1,067   | 20.0    | 1,300   | (1.5)   |
| EBIT              | (1,750) | (4,181) | (58.1)  | (1,780) | (1.7)   |
| Other Income      | 2,120   | 1,695   | 25.1    | 1,810   | 17.1    |
| Interest          | 160     | 119     | 34.5    | 180     | (11.1)  |
| EBT               | 210     | (2,605) | (108.1) | (150)   | (240.0) |
| Tax               | (150)   | (97)    | 54.6    | (170)   | (11.8)  |
| RPAT              | 360     | (2,508) | (114.4) | 20      | 1700.0  |
| APAT              | 360     | (2,508) | (114.4) | 20      | 1700.0  |
|                   |         |         | (bps)   |         | (bps)   |
| Gross Margin (%)  | 13.0    | 4.2     | 878     | 12.0    | 99      |
| EBITDA Margin (%) | (1.7)   | (18.7)  | 1709    | (2.0)   | 34      |
| NPM (%)           | 1.3     | (15.1)  | 1636    | 0.1     | 118     |
| Tax Rate (%)      | (71.4)  | 3.7     | (7515)  | 113.3   | (18476) |
| EBIT Margin (%)   | (6.1)   | (25.2)  | 1902    | (7.4)   | 122     |

|                   |             |
|-------------------|-------------|
| CMP               | Rs 117      |
| Target / Downside | Rs 80 / 31% |
| NIFTY             | 19,231      |

## Scrip Details

|                  |                   |
|------------------|-------------------|
| Equity / FV      | Rs 8,519mn / Rs 1 |
| Market Cap       | Rs 996bn          |
|                  | USD 12.1bn        |
| 52-week High/Low | Rs 120/ 44        |
| Avg. Volume (no) | 83,314,100        |
| Bloom Code       | ZOMATO IN         |

| Price Performance | 1M | 3M | 12M |
|-------------------|----|----|-----|
| Absolute (%)      | 16 | 22 | 85  |
| Rel to NIFTY (%)  | 17 | 24 | 79  |

## Shareholding Pattern

|                 | Mar'23 | Jun'23 | Sep'23 |
|-----------------|--------|--------|--------|
| Promoters       | 0.0    | 0.0    | 0.0    |
| MF/Banks/FIs    | 8.0    | 10.2   | 13.0   |
| FIs             | 60.9   | 66.2   | 54.7   |
| Public / Others | 31.1   | 23.6   | 32.3   |

## Valuation (x)

|           | FY24E | FY25E | FY26E |
|-----------|-------|-------|-------|
| P/E       | 281.5 | 105.7 | 32.9  |
| EV/EBITDA | 986.4 | 114.0 | 53.8  |
| ROE (%)   | 1.8   | 4.7   | 8.4   |
| RoACE (%) | 2.1   | 4.9   | 0.0   |

## Estimates (Rs bn)

|           | FY24E | FY25E | FY26E |
|-----------|-------|-------|-------|
| Revenue   | 111.8 | 137.9 | 170.0 |
| EBITDA    | 1.0   | 8.3   | 17.0  |
| PAT       | 3.6   | 9.8   | 19.0  |
| EPS (Rs.) | 0.4   | 1.1   | 3.5   |

VP - Research: Rahul Jain

Tel: +9122 40969771

E-mail: rahulj@dolatcapital.com

Associate: Deepesh Lakhani

Tel: +9122 4096 9773

E-mail: deepeshl@dolatcapital.com

Associate: Ayur Bohra

Tel: +9122 40969624

E-mail: ayurb@dolatcapital.com

**Exhibit 1: Quarterly performance versus estimates**

| Particulars (Rs mn) | Actual  | Estimates |           | % Variation |           | Comment   |
|---------------------|---------|-----------|-----------|-------------|-----------|---|
|                     |         | Dolat     | Consensus | Dolat       | Consensus |   |
| INR Revenue         | 28,480  | 24,387    | 25,593    | 16.8        | 11.3      | Rev beat was led by robust traction in FD biz.            |
| EBIT                | (1,750) | (1,021)   | (1,567)   | 71.4        | 11.7      | OPM miss from higher delivery and promotion exp. in Gold. |
| EBIT, margin        | (6.1)   | (4.2)     | (6)       | (200 bps)   | 0 bps     |   |
| Adjusted PAT        | 360     | 487       | (131)     | (26.1)      | (374.8)   | Higher Tax outgo led PAT miss                             |

Source: Company, DART

### Change in Estimates

Strong recovery in Q2 and improving metrics in Food delivery biz. as well as Quick commerce has led to increasing our overall revenue estimates by ~13% for FY24E/FY25E. Improving unit economics leads us to lower OPM loss materially. Overall, expect PAT to turn positive in FY24 and to clock ~Rs10bn PAT in FY25E. Introduced FY26 estimates with 23% revenue growth and EPS of Rs2.1.

**Exhibit 1: Change in Estimates**

| Particulars (Rs. mn)        | FY23             | FY24E           |                 |                | FY25E           |                 |             | FY26E           |
|-----------------------------|------------------|-----------------|-----------------|----------------|-----------------|-----------------|-------------|-----------------|
|                             | New              | Old             | New             | Chg.(%)        | Old             | New             | Chg.(%)     | Introduced      |
| <b>INR Revenue</b>          | <b>70,794</b>    | <b>98,838</b>   | <b>111,806</b>  | <b>13.1</b>    | <b>121,452</b>  | <b>137,880</b>  | <b>13.5</b> | <b>170,045</b>  |
| YoY growth (%)              | 68.9             | 39.6            | 57.9            | 1832 bps       | 22.9            | 23.3            | 44 bps      | 23.3            |
| Food Delivery Rev.          | 45,333           | 53,193          | 60,510          | 13.8           | 61,605          | 71,659          | 16.3        | 86,284          |
| Dining Out Revenue          | 15,061           | 26,612          | 29,046          | 9.1            | 33,656          | 35,237          | 4.7         | 41,911          |
| Hyperpure Revenue           | 2,342            | 1,765           | 2,045           | 15.9           | 2,025           | 2,340           | 15.6        | 2,690           |
| Blinkit Revenues            | 8,058            | 17,267          | 20,205          | 17.0           | 24,167          | 28,644          | 18.5        | 39,160          |
| <b>Contribution Zomato</b>  | <b>12,001.2</b>  | <b>17,147.9</b> | <b>21,367.1</b> | <b>24.6</b>    | <b>20,148.7</b> | <b>24,764.6</b> | <b>22.9</b> | <b>32,077.8</b> |
| <b>Contribution Blinkit</b> | <b>(1,997.2)</b> | <b>19.6</b>     | <b>1,351.8</b>  | <b>6,805.5</b> | <b>2,521.1</b>  | <b>4,741.6</b>  | <b>88.1</b> | <b>7,824.0</b>  |
| EBIT                        | (16,472)         | (5,283)         | (4,447)         | (15.8)         | (411)           | 2,127           | (616.9)     | 10,647          |
| EBIT margin (%)             | (23.3)           | (5.3)           | (4.0)           | 137 bps        | (0.3)           | 1.5             | 188 bps     | 6.3             |
| PAT                         | (9,707)          | 1,470           | 3,596           | 144.6          | 5,560           | 9,774           | 75.8        | 19,057          |
| EPS (Rs)                    | (1.2)            | 0.2             | 0.4             | 145.1          | 0.6             | 1.1             | 76.1        | 2.1             |

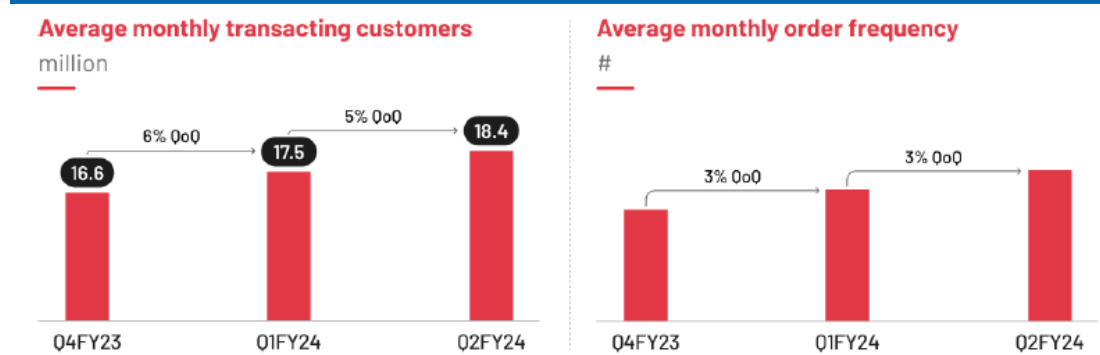
Source: Company, DART

## Earnings Call KTAs

### Pick-up in Gold Subscription Improves Volumes; Favorable Mix Primes Blinkit

- **Food Delivery business (54% of Rev):** Reported Revenue was up 12.7% QoQ, and stood at Rs.15.5Bn. GOV stood at Rs.79.Bn, increased by 9% QoQ, while MTUs increased by 5.1% to 18.4mn. While Order Volumes/AOV metrics are not shared for Q2, management stated that GOV growth was almost entirely led by growth in order volumes, while average order volumes remained largely flat.
- **GOV growth**, apart from above factors, was attributed to better execution, and growing adoption of Gold program, which drove high frequency of orders. Zomato reported that it had 3.8mn Gold users (21% of MTUs, 6% of ATU). Gold users scaled significantly from 2mn in previous quarter and 1.8mn in Q4'FY23. Gold users formed 40% of Q2'FY24 GOV.
- Zomato shared the following exhibit (Exhibit 2), reflecting Average MTUs and Average monthly order frequency (Actual frequency not shared).

### Exhibit 2: Increased MTUs and Order Frequency



Source: DART, Company

- Order growth was led by improved MTUs as well as increased frequency, with the latter being led by growing Gold user base. Zomato is confident on improving conversion of Annual transacting users (60mn in Q2), into greater no. of monthly users. At the end of FY'23, Zomato had 58mn Annual transacting users, of which 29% were MTUs. For Q2, 31% of ATUs have become MTUs.
- **For upcoming Q3'FY24, management expects a mixed outlook-** on one hand, order frequency of certain users will see an uptick, another set of users will undertake greater travel/dine-out experience during the quarter. Additionally, Cricket World Cup order volumes should be moderate due to limited no. of important match days. Overall, management expects GOV growth in food delivery in the Q3 to be ~ high single digit (9% in Q2), resulting in 25-30% GOV growth for FY'2024.
- **Adjusted EBITDA** improvement continued, maintaining positive trajectory from Rs.1,810mn in Q1FY24 to Rs. 2,040mn in Q2FY24. Q2 was a wage hike quarter, which led to employee expenses rise by 23% QoQ to Rs. 4.2Bn. Management expects current employee expense to be the new base going forward. *Note: Adjusted EBITDA adds back ESOP but excludes rental expense.* ESOP cost stood at Rs. 1.3Bn, up 32% QoQ, but management expects full-year FY24 ESOP to be at Rs. 4.5Bn, in-line with earlier guidance.
- **Customer Delivery Charges** (not included P&L, but gets adjusted at revenue line) grew by 2.4% QoQ at Rs. 3.8Bn, further suggesting gold subscription impact of nearly 6% on customer delivery charges (should hover around Rs. 21.1/order).
- **Gold Program:** Management shared that Gold program, at its present state is less profitable than Non-gold user due to: a) Higher delivery cost owing to longer average delivery distance (on account of free delivery within a 10km radius), b) Priority service to Gold members during peak hours, and c) Cost on account of the no-delay guarantee benefit available to Gold members. Additionally, management stated that Subscription fees collected from the members cover only a small part of the incremental costs.

### Exhibit 3: Food Ordering Metrics

| Particulars   | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 |
|---|--------|--------|--------|--------|--------|--------|
| Avg. MTUs (mn)  | 16.7   | 17.5   | 17.4   | 16.6   | 17.5   | 18.4   |
| Avg. Monthly Active Food Delivery Restaurant Partners (000's) | 208    | 207    | 209    | 215    | 226    | 238    |
| Avg. Monthly Active Delivery Partners (000's)                 | 319    | 341    | 330    | 316    | 352    | 410    |

Source: Company

### Exhibit 4: MTUs and Order Frequency Growing, AOV Relatively expanded

| Particulars                           | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 |
|---------------------------------------|--------|--------|--------|--------|--------|--------|
| Avg MTU (Mn)                          | 16.7   | 17.5   | 17.4   | 16.6   | 17.5   | 18.4   |
| Orders (Mn) – calculated              | 174.2  | 178.8  | 160.8  | 143.0  | 164.4  | 179.3  |
| AOV (Rs) - calculated                 | 369.0  | 370.9  | 415.3  | 459.2  | 445.0  | 445.0  |
| GOV (Rs bn)                           | 64,300 | 66,310 | 66,800 | 65,690 | 73,180 | 79,800 |
| HyperPure Restaurants                 | 37,000 | 40,000 | 44,000 | 42,000 | NA     | NA     |
| Customer delivery Charges (Rs/order)* | 23.0   | 24.9   | 25.8   | ~27    | NA     | NA     |

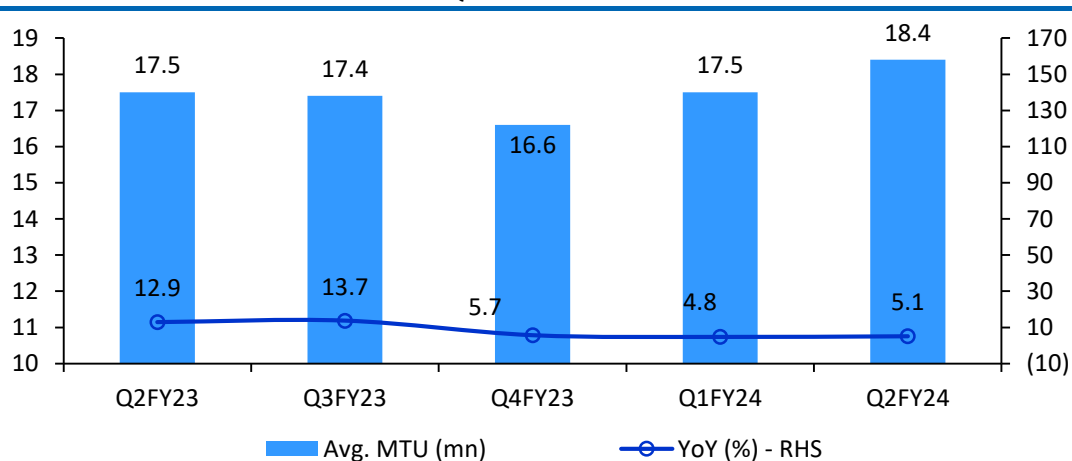
Source: Company, \* values are not given and rather derived based on available data

### Exhibit 5: Economics of Gold vs. Normal Users

| User Type                | Gold   | Normal |
|--------------------------|--------|--------|
| Overall GMV (Rs. mn)     | 79,800 | 79,800 |
| Share of GMV             | 31,920 | 47,880 |
| Members (# mn)           | 3.8    | 14.6   |
| ARPU/Qtr (Rs.)           | 8,400  | 3,279  |
| Order Frequency /Monthly | 6.1    | 2.4    |

Source: DART, Company

### Exhibit 6: MTU tractions continues in Q2'FY24



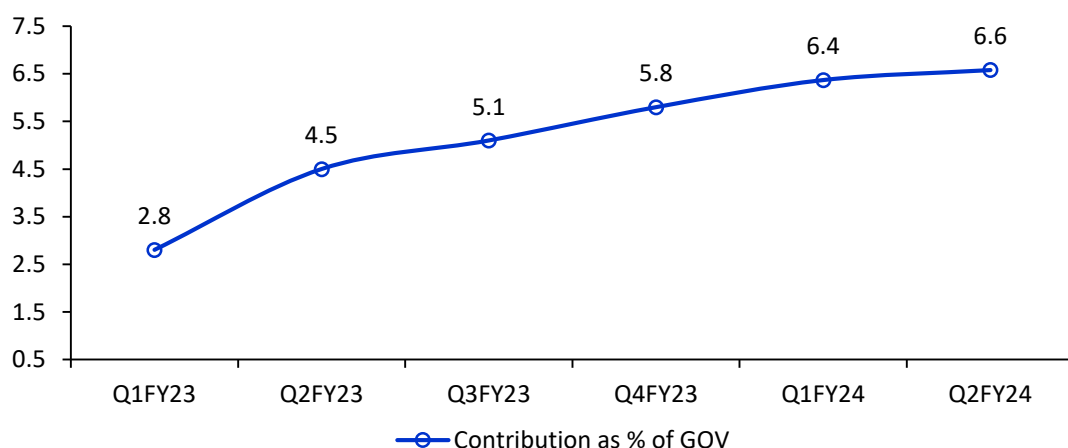
Source: Company, DART

**Contribution margins:** Contribution as % of GOV continued to see positive momentum, although at a slightly lower pace to 6.6% in Q2FY24 vs 6.4% in Q1FY24. Contribution improvement was led by healthy growth in GOV, platform fee levied (Rs. 3-5 per order) and better advertisement led monetization.

In-line with competitor Swiggy, Zomato added platform fee to all orders, ranging from Rs.2-Rs.5 per order. Management mentioned that fee was too nominal to affect user behavior. Income from advertising was led by more no. of restaurants advertising on the platform.

Management also reiterated its long term goal of achieving Adjusted EBITDA Margin of 4 - 5% of GOV (Q2FY24: 2.6%).

### Exhibit 7: Contribution as % of GOV Rises Further to 6.6%



Source: Company, DART

### HyperPure posted strong growth, Lowered Losses

**HyperPure (26% of Rev):** Revenue for Q1FY24 stood at Rs.7.5bn growing 20% QoQ and 123% YoY. Adjusted EBITDA loss was at Rs. 0.34Bn, narrowing slightly over Q1FY24 loss of Rs.0.35Bn.

Management did not specifically comment on the business for Q2, but reiterated that Hyperpure as a strategic back-end for restaurant partners is now seeing improved success, and is confident of strong growth momentum in this business.

### Exhibit 8: Revenue performance is improving, Cost stable

| Particulars (Rs. Bn) | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 |
|----------------------|--------|--------|--------|--------|--------|--------|
| Restaurants serviced | 37,000 | 40,000 | 44,000 | 42,000 | NA     | NA     |
| HyperPure Revenue    | 2.7    | 3.3    | 4.2    | 4.8    | 6.2    | 7.5    |
| Cost of Goods Sold   | 2.5    | 3.1    | 3.9    | 4.4    | 6.5    | 7.8    |
| Adj EBITDA           | (0.4)  | (0.5)  | (0.5)  | (0.5)  | (0.4)  | (0.3)  |

Source: Company, Cost of Goods Sold is Purchase of stock in trade and Changes in inventories of traded goods

### Blinkit Metrics Improving steadily; New stores expansion to be key

**Quick Commerce (18% of Revenue):** On reported basis, Blinkit saw Revenue of Rs.5.05Bn for Q2FY24, up 32%. Adjusted EBITDA loss trimmed to Rs.1.25Bn in Q2FY24 from Rs. 1.33Bn in Q1FY24.

GOV stood at Rs. 27.6Bn, up 29% QoQ. Based on Revenue of Rs.3.8Bn, implied take rate now stands at 18.3%, (17.9% in Q1FY24). Adjusted EBITDA Margin (as a % of GOV) also improved from -6.2% to -4.5%. Orders increased to 45.5mn, up 24%.

GOV growth was largely driven by same store sales growth as from serving more customer needs, and aided by net addition of 28 new stores over Q1'FY24 (411 stores at end of Q2'FY24). Strong order volume was also led by revival from base effect of Q1, which was affected by temporary 1-week closure and delayed gig-partner re-joining. Management surpassed its target of achieving 20%+ QoQ GOV growth for Q2FY24. Blinkit announced tie-up with Apple for sale of iPhone 15 via Blinkit, but only included its Net revenues from the sale to avoid unnecessary skew to business metrics.

For Q3FY24, Blinkit expects even stronger growth (as compared to Food Delivery) in festival season.

**Store Addition:** Management outlined its rationale for new store opening: a) When demand in a particular neighborhood exceeds the capacity of the store servicing that location, (2) Cover more neighborhoods in existing cities of operation (Currently, Blinkit operates in primarily in 15 largest cities in India), and (3) To expand into new cities. Additionally, management shared that most of their current network expansion till date was led by factors (1) and (2), and is looking out for (3) markets where it can expect a high potential. Management expects to end FY'24 with Net store count of ~480 (From 411 currently).



**Contribution margins – Blinkit:** Loss in Contribution Margin (as a % of GOV), improved significantly, reporting a positive margin of 1.3% from -0.6% in Q1FY24. This is attributed to improved order volumes, better AOV and mix (higher ASP products such as electronics, toys, books, beauty products, home décor products, festive needs, etc). ASP of such products is 3-4x than other categories. Management did not comment on sustainable AOV level going forward, but stated that it would continue to optimize the mix.

On new store addition, management is positive on achieving Adjusted EBITDA break-even by Q1FY25. However, Blinkit would prioritize existing stores improving their contribution profit and at the same time, new stores ramping up sales faster. Overall focus is on good quality expansion.

Espousing positive momentum from Blinkit - Management stated that Blinkit's GOV as % of Zomato's GOV had risen from 31% in Q2FY23 to 47% in Q2FY24. Blinkit's GOV is growing at 80%+ YoY, and more than 60% stores are now contribution positive (with many stores already at 5% contribution margin).

#### Exhibit 9: Blinkit Metrics

| Particulars                          | Jan'22  | May'22  | July'22 | Q1FY23  | Q2FY23  | Q3FY23  | Q4FY23  | Q1FY24  | Q2FY24  |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>KPIs</b>                          |         |         |         |         |         |         |         |         |         |
| Orders                               | 5.1     | 7.9     | 8.3     | 22.2    | 26.1    | 31.6    | 39.2    | 36.8    | 45.5    |
| AOV                                  | 575     | 509     | 580     | 528     | 568     | 553     | 522     | 582     | 607     |
| MTU                                  | 1.5     | 2.3     | 2.5     | 2.2     | 2.6     | 3.1     | 3.9     | 3.9     | 4.7     |
| Monthly order frequency per customer | 3.45    | 3.5     | 3.3     | 3.4     | 3.3     | 3.4     | 3.4     | NA      | 3.2     |
| GOV per day, per dark store          | 206     | 312     | 402     | 309     | 422     | 524     | 625     | 620     | 757     |
| Orders per day, per dark store       | 359     | 613     | 694     | 585     | 743     | 947     | 1197    | NA      | 1217    |
| Number of Dark Stores                | 474     | 430     | 399     | 417     | 386     | 367     | 377     | 383     | 411     |
| <b>Key Financial Metrics</b>         |         |         |         |         |         |         |         |         |         |
| GOV                                  | 2,955   | 4,028   | 4,827   | 11,720  | 14,820  | 17,490  | 20,460  | 21,400  | 27,600  |
| Revenues                             | 221     | 580     | 749     | 1,640   | 2,360   | 3,010   | 3,630   | 3,840   | 5,050   |
| Contribution                         | (1,619) | (661)   | (463)   | (2,030) | (1,080) | (790)   | (560)   | (140)   | 360     |
| Adj EBITDA                           | (2,040) | (1,077) | (929)   | (3,260) | (2,590) | (2,270) | (2,030) | (1,330) | (1,250) |
| Contribution margin (% of GOV)       | (55)    | (16)    | (10)    | (17)    | (7)     | (4.50)  | (2.70)  | (0.6)   | 1.30%   |
| Adj EBITDA (% of GOV)                | (69)    | (27)    | (19)    | (28)    | (18)    | (13)    | (9.9)   | (6.2)   | (4.5)   |
| <b>Derived metrics</b>               |         |         |         |         |         |         |         |         |         |
| Take Rate/Commission rate            | 7.5     | 14.4    | 15.5    | 14.0    | 15.9    | 17.2    | 17.7    | 17.9    | 18.3    |
| Rev/order                            | 43.3    | 73.4    | 90.2    | 73.9    | 90.4    | 95.3    | 92.6    | 104.3   | 111.0   |
| Cost total                           | 2,261   | 1,657   | 1,678   | 4900    | 4950    | 5280    | 5660    | 5170    | 6300    |
| Cost/order                           | 443     | 210     | 202     | 221     | 190     | 167     | 144     | 140     | 138     |
| Contribution/order                   | (317)   | (84)    | (56)    | (91)    | (41)    | (25)    | (14)    | (4)     | 8       |
| OPH/Dark Store                       | 19.9    | 34.1    | 38.6    | 98.6    | 125.2   | 159.5   | 201.8   | 179.7   | 205.0   |

Source: Company, DART

#### Going Out Segment remained flat; Dining out to scale up

**Going Out Segment (2% of Rev):** Zomato renamed Others' segment to 'Going Out' to reflect Dine-Out and Live Events. Revenue was up 16.7% QoQ at Rs. 40mn. For Dine-out, positive momentum continued, with business reporting a GOV of Rs. 6.8Bn, up 11% QoQ and up 128% YoY. Gross Take rate improved to 7.2% in Q2 vs. 6.8% in Q1. Adjusted EBITDA lowered to Rs. 10mn, down 67% QoQ. Management did not provide additional commentary on this business. Q3'FY24 is expected to see 'Zomaland' festival in 8 cities.

**Cash Balance:** Zomato's cash balance stood at Rs.117.6Bn (up from Rs. 115.7Bn in Q1FY24).

**OPM:** On an overall basis the company achieved Operating margins of -6.1%, below our estimate of -4.2%. OPM loss was up by 122bps on QoQ basis and stood at Rs. -1.75bn. Limited contribution margin improvement from Gold subscriber addition and forgo of delivery charge, along with higher employee spend (wage hike quarter), led to lower OPM. Zomato reported Adjusted EBITDA (Ex. Blinkit), positive, at Rs. 1,660mn, and Adj. EBITDA margin of 6%.

**PAT:** Profit for the quarter stood at Rs. 360mn, due to higher other income of Rs. 2.1Bn. Profit was below our estimate of Rs. 487mn.

#### Exhibit 10: Quarterly and YTD Trend

| Particulars (Rs mn) | Q2FY23  | Q3FY23  | Q4FY23  | Q1FY24  | Q2FY24  | YoY (%)      | QoQ (%)      | H1FY23  | H1FY24  | YoY (%)      |
|---------------------|---------|---------|---------|---------|---------|--------------|--------------|---------|---------|--------------|
| INR Revenue         | 16,613  | 19,482  | 20,560  | 24,160  | 28,480  | 71.4         | 17.9         | 30,752  | 52,640  | 71.2         |
| Operating Exp.      | 19,727  | 23,144  | 22,814  | 24,640  | 28,950  | 46.8         | 17.5         | 36,939  | 53,590  | 45.1         |
| Employee Exp.       | 3,813   | 3,950   | 3,398   | 3,380   | 4,170   | 9.4          | 23.4         | 7,302   | 7,550   | 3.4          |
| as % of sales       | 23.0    | 20.3    | 16.5    | 14.0    | 14.6    | N.M          | 65 bps       | 23.7    | 14.3    | (940 bps)    |
| Other Expenses      | 15,914  | 19,194  | 19,416  | 21,260  | 24,780  | 55.7         | 16.6         | 29,637  | 46,040  | 55.3         |
| as % of sales       | 95.8    | 98.5    | 94.4    | 88.0    | 87.0    | N.M          | (99 bps)     | 96.4    | 87.5    | (891 bps)    |
| EBITDA              | (3,114) | (3,662) | (2,254) | (480)   | (470)   | LTP          | LTP          | (6,187) | (950)   | LTL          |
| Depreciation        | 1,067   | 1,548   | 1,338   | 1,300   | 1,280   | 20.0         | (1.5)        | 1,483   | 2,580   | 74.0         |
| EBIT                | (4,181) | (5,210) | (3,592) | (1,780) | (1,750) | LTL          | LTL          | (7,670) | (3,530) | LTL          |
| Other Income        | 1,695   | 1,734   | 1,705   | 1,810   | 2,120   | 25.1         | 17.1         | 3,376   | 3,930   | 16.4         |
| Finance Cost        | 119     | 161     | 158     | 180     | 160     | 34.5         | (11.1)       | 168     | 340     | 102.4        |
| Exceptional items   | 0       | 0       | 1       | 0       | 0       | N.M          | N.M          | 0       | 0       | N.M          |
| PBT                 | (2,605) | (3,637) | (2,044) | (150)   | 210     | LTP          | LTP          | (4,462) | 60      | LTP          |
| Tax                 | (97)    | (171)   | (168)   | (170)   | (150)   | N.M          | N.M          | (97)    | (320)   | LTL          |
| Reported PAT        | (2,508) | (3,466) | (1,876) | 20      | 360     | LTP          | N.M          | (4,365) | 380     | LTP          |
| MI                  | 0       | 0       | 0       | 0       | 0       | N.M          | N.M          | (3)     | 0       | NM           |
| PAT after MI        | (2,508) | (3,466) | (1,876) | 20      | 360     | LTP          | N.M          | (4,362) | 380     | LTP          |
| Reported EPS        | (0.3)   | (0.4)   | (0.2)   | 0.0     | 0.0     | LTP          | N.M          | (0.6)   | 0.0     | LTP          |
| <b>Margins (%)</b>  |         |         |         |         |         | <b>(bps)</b> | <b>(bps)</b> |         |         | <b>(bps)</b> |
| EBIDTA              | (18.7)  | (18.8)  | (11.0)  | (2.0)   | (1.7)   | LTL          | LTL          | (20.1)  | (1.8)   | LTL          |
| EBIT                | (25.2)  | (26.7)  | (17.5)  | (7.4)   | (6.1)   | LTL          | LTL          | (24.9)  | (6.7)   | LTL          |
| PBT                 | (15.7)  | (18.7)  | (9.9)   | (0.6)   | 0.7     | LTL          | LTL          | (14.5)  | 0.1     | LTP          |
| PAT                 | (15.1)  | (17.8)  | (9.1)   | 0.1     | 1.3     | LTL          | LTL          | (14.2)  | 0.7     | LTP          |
| Effective Tax rate  | 3.7     | 4.7     | 8.2     | 113.3   | (71.4)  | N.M          | N.M          | 2.2     | (533.3) | N.M          |

Source: Company, DART

#### What to expect next quarter

We expect revenue growth of 3% QoQ, led by a strong festive season demand for both - Food Delivery and Quick Commerce. Expect Q3 to improve further on cost efficiency measures and, expect margin expansion sequentially (by 485bps QoQ).

#### Exhibit 11: What to expect next quarter

| Particulars (Rs Mn) | Q3FY24E | Q2FY24  | Q3FY23  | QoQ (%) | YoY (%)  |
|---------------------|---------|---------|---------|---------|----------|
| INR Revenue         | 29,237  | 28,480  | 19,482  | 2.7     | 50.1     |
| EBIT                | (378)   | (1,750) | (5,210) | (78.4)  | (92.7)   |
| PAT                 | 1,634   | 360     | (3,466) | 353.9   | (147.1)  |
| EPS (Rs)            | 0.2     | 0.0     | (0.4)   | 372.4   | (145.0)  |
| EBIT Margin (%)     | (1.3)   | (6.1)   | (26.7)  | 485 bps | 2545 bps |

Source: Company

## Valuation

As Present performance metrics have seen improvement, we believe growth in all of the variables (orders, AOV, MTU, new user acquisition), can drive further profitability ahead. We have currently factored in Revenue CAGR of 25% over FY23-30E & 17% over FY30-40E in its hyper-growth stage with exit EBIT Margin of 14% in FY30E, Cost of Capital of 11% and terminal growth rate of 2%. Taking these assumptions, we value Zomato with TP to Rs.80 per share and assign our **SELL** rating on the stock.

### Exhibit 12: Key Assumptions In Our Estimates

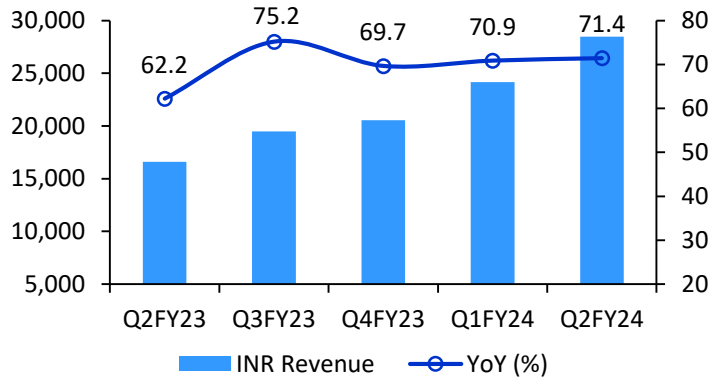
| Key Assumption                                     | FY21A  | FY22     | FY23A   | FY24E   | FY25E   | FY26E   |
|--|--------|----------|---------|---------|---------|---------|
| <b>Food Delivery Metrics</b>                       |        |          |         |         |         |         |
| GOV (Rs. Mn)                                       | 94,829 | 2,13,000 | 263,100 | 319,628 | 384,418 | 457,606 |
| Orders (Mn)  | 239    | 535      | 646     | 692     | 816     | 952     |
| AOV (Rs. Abs)                                      | 396.9  | 398.0    | 407.0   | 461.7   | 471.3   | 480.8   |
| Net Take Rates (%)                                 | 14.9   | 16.0     | 17.2    | 18.9    | 18.6    | 18.9    |
| Commissions earned                                 | 59.1   | 63.8     | 70.1    | 87.4    | 87.9    | 90.7    |
| Customer Delivery Charge (Rs. Abs, per order)      | 27.6   | 25.3     | 25.0    | 21.7    | 21.5    | 22.0    |
| Delivery Cost Borne by Zomato (Rs. Abs, per order) | 18.7   | 27.9     | 28.1    | 31.4    | 31.8    | 31.4    |
| Discounts Borne by Zomato (Rs. Abs, per order)     | 8.3    | 11.7     | 9.0     | 10.2    | 10.8    | 10.6    |
| Other Variable Cost (Rs. Abs, per order)           | 15.3   | 14.8     | 14.5    | 15.0    | 14.8    | 14.9    |
| Contribution (Rs. Abs, per order)                  | 20.5   | 9.4      | 18.6    | 30.9    | 30.4    | 33.7    |
| MTU (mn)   | 6.8    | 14.7     | 17.1    | 18.6    | 20.9    | 22.6    |
| Monthly order frequency (x)                        | 2.9    | 3.0      | 3.2     | 3.1     | 3.3     | 3.5     |
| Food Delivery Revenue Growth (YoY)                 | (18.5) | 141.7    | 32.8    | 33.5    | 18.4    | 20.4    |
| Annual Realisation per subs (Rs. Abs)              | 199.0  | 193.2    | 197.1   | 203.5   | 201.6   | 201.6   |
| <b>HyperPure Metrics</b>                           |        |          |         |         |         |         |
| HyperPure Restaurants                              | 5,438  | 16,984   | 33,996  | 40,249  | 44,937  | 48,109  |
| Order value per restaurants (in Mn)                | 0.37   | 0.32     | 0.44    | 0.72    | 0.78    | 0.87    |
| HyperPure Revenue Growth (YoY)                     | 86.1   | 168.5    | 180.2   | 92.9    | 21.3    | 18.9    |
| <b>Company Level Assumptions</b>                   |        |          |         |         |         |         |
| INR Revenue Growth (YoY)                           | (23.5) | 110.3    | 68.9    | 57.9    | 23.3    | 23.3    |
| EBIT Margin (%)                                    | (30.3) | (47.7)   | (23.3)  | (4.0)   | 1.5     | 6.3     |
| <b>Blinkit</b>                                     |        |          |         |         |         |         |
| GOV (Rs. Mn)                                       | NA     | NA       | 46,095  | 111,718 | 158,908 | 215,993 |
| Orders (Mn)  | NA     | NA       | 86.6    | 183.1   | 251.6   | 336.0   |
| AOV (Rs. Abs)                                      | NA     | NA       | 533     | 610     | 632     | 643     |
| Net Take Rates (%)                                 | NA     | NA       | 14.4    | 18.1    | 18.0    | 18.1    |

Source: Company, DART



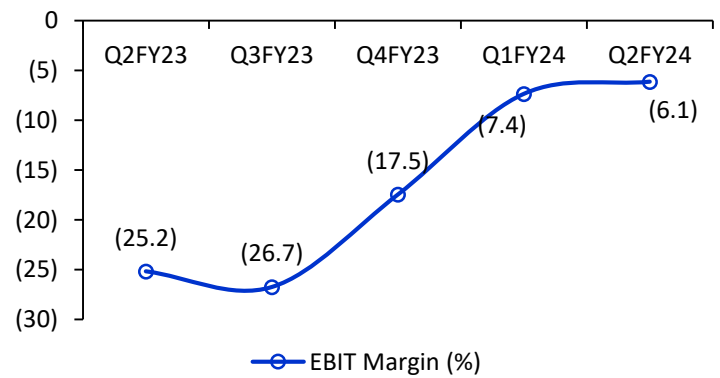
## Story in Charts

**Exhibit 13: Revenue growth momentum continues**



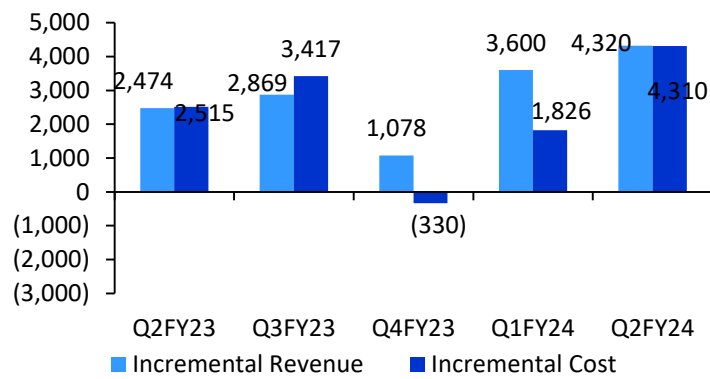
Source: Company, DART

**Exhibit 14: EBIT loss narrowed further to 6.1%**



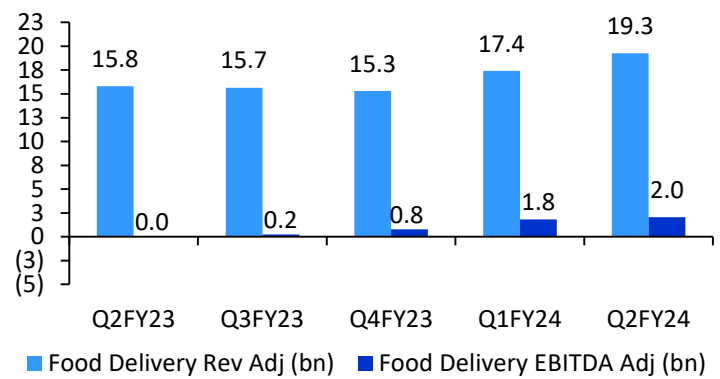
Source: Company, DART

**Exhibit 15: Incremental Revenue & Cost Flat**



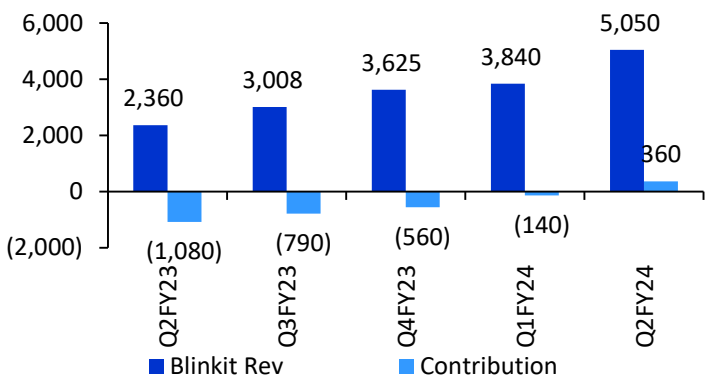
Source: Company, DART

**Exhibit 16: Adj. EBITDA in Food Delivery Improves**



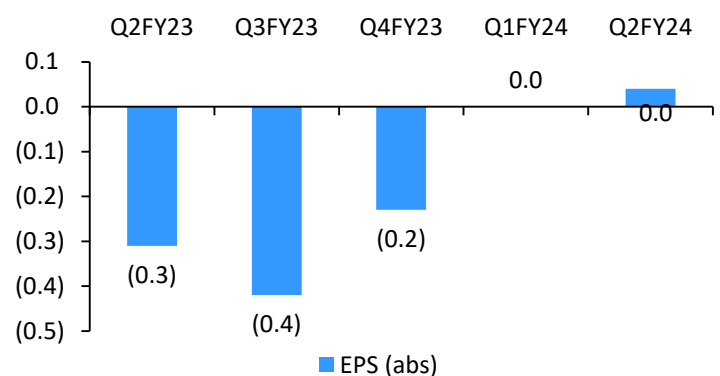
Source: Company, DART

**Exhibit 17: Blinkit Posts a Surprise Contribution Profit**



Source: Company, DART

**Exhibit 18: PAT Improvement from Higher Other Income**



Source: Company, DART

## Financial Performance

### Profit and Loss Account

| (Rs Mn)                                | FY23A           | FY24E          | FY25E          | FY26E          |
|--|-----------------|----------------|----------------|----------------|
| <b>Revenue</b>                         | <b>70,794</b>   | <b>111,806</b> | <b>137,880</b> | <b>170,045</b> |
| <b>Total Expense</b>                   | <b>82,897</b>   | <b>110,829</b> | <b>129,614</b> | <b>153,007</b> |
| COGS                                   | 68,247          | 94,701         | 111,402        | 133,438        |
| Employees Cost                         | 14,650          | 16,129         | 18,213         | 19,569         |
| Other expenses                         | 0               | 0              | 0              | 0              |
| <b>EBIDTA</b>                          | <b>(12,103)</b> | <b>977</b>     | <b>8,266</b>   | <b>17,038</b>  |
| Depreciation                           | 4,369           | 5,424          | 6,139          | 6,391          |
| <b>EBIT</b>                            | <b>(16,472)</b> | <b>(4,447)</b> | <b>2,127</b>   | <b>10,647</b>  |
| Interest                               | 487             | 650            | 550            | 620            |
| Other Income                           | 6,815           | 8,406          | 8,711          | 9,177          |
| Exc. / E.O. items                      | 1               | 0              | 0              | 0              |
| <b>EBT</b>                             | <b>(10,143)</b> | <b>3,309</b>   | <b>10,288</b>  | <b>19,204</b>  |
| Tax                                    | (436)           | (288)          | 514            | 192            |
| RPAT                                   | (9,707)         | 3,596          | 9,774          | 19,012         |
| Minority Interest                      | (3)             | 0              | 0              | 0              |
| <b>Profit/Loss share of associates</b> | <b>(3)</b>      | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| <b>APAT</b>                            | <b>(9,708)</b>  | <b>3,596</b>   | <b>9,774</b>   | <b>19,012</b>  |

### Balance Sheet

| (Rs Mn)                       | FY23A          | FY24E          | FY25E          | FY26E          |
|-------------------------------|----------------|----------------|----------------|----------------|
| <b>Sources of Funds</b>       |                |                |                |                |
| Equity Capital                | 8,364          | 8,519          | 8,699          | 8,879          |
| Minority Interest             | (66)           | (66)           | (66)           | (66)           |
| Reserves & Surplus            | 186,234        | 194,447        | 207,677        | 228,768        |
| <b>Net Worth</b>              | <b>194,598</b> | <b>202,966</b> | <b>216,376</b> | <b>237,647</b> |
| Total Debt                    | 404            | 404            | 404            | 404            |
| Net Deferred Tax Liability    | 0              | 0              | 0              | 0              |
| <b>Total Capital Employed</b> | <b>194,936</b> | <b>203,304</b> | <b>216,714</b> | <b>237,985</b> |

### Applications of Funds

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Net Block   | 63,428         | 62,654         | 61,464         | 60,524         |
| CWIP  | 75             | 75             | 75             | 75             |
| Investments                                       | 67,650         | 63,400         | 59,900         | 59,400         |
| <b>Current Assets, Loans &amp; Advances</b>       | <b>84,834</b>  | <b>100,547</b> | <b>120,409</b> | <b>145,496</b> |
| Inventories                                       | 827            | 1,727          | 2,877          | 2,907          |
| Receivables                                       | 4,569          | 6,739          | 7,555          | 8,386          |
| Cash and Bank Balances                            | 10,168         | 33,331         | 54,671         | 80,618         |
| Loans and Advances                                | 0              | 0              | 0              | 0              |
| Other Current Assets                              | 69,270         | 58,751         | 55,306         | 53,630         |
| <b>Less: Current Liabilities &amp; Provisions</b> | <b>21,051</b>  | <b>23,372</b>  | <b>25,135</b>  | <b>27,555</b>  |
| Payables  | 6,798          | 8,562          | 9,156          | 10,967         |
| Other Current Liabilities                         | 14,253         | 14,810         | 15,979         | 16,587         |
| <i>sub total</i>                                  |                |                |                |                |
| Net Current Assets                                | 53,615         | 43,844         | 40,603         | 117,941        |
| <b>Total Assets</b>                               | <b>194,936</b> | <b>203,304</b> | <b>216,714</b> | <b>237,985</b> |

E – Estimates

### Important Ratios

| Particulars                               | FY23A   | FY24E   | FY25E   | FY26E   |
|---|---------|---------|---------|---------|
| <b>(A) Margins (%)</b>                    |         |         |         |         |
| Gross Profit Margin                       | 3.6     | 15.3    | 19.2    | 21.5    |
| EBIDTA Margin                             | (17.1)  | 0.9     | 6.0     | 10.0    |
| EBIT Margin                               | (23.3)  | (4.0)   | 1.5     | 6.3     |
| Tax rate                                  | 4.3     | (8.7)   | 5.0     | 1.0     |
| Net Profit Margin                         | (13.7)  | 3.2     | 7.1     | 11.2    |
| <b>(B) As Percentage of Net Sales (%)</b> |         |         |         |         |
| COGS                                      | 96.4    | 84.7    | 80.8    | 78.5    |
| Employee                                  | 20.7    | 14.4    | 13.2    | 11.5    |
| Other                                     | 0.0     | 0.0     | 0.0     | 0.0     |
| <b>(C) Measure of Financial Status</b>    |         |         |         |         |
| Gross Debt / Equity                       | 0.0     | 0.0     | 0.0     | 0.0     |
| Interest Coverage                         | (33.8)  | (6.8)   | 3.9     | 17.2    |
| Inventory days                            | 4       | 6       | 8       | 6       |
| Debtors days                              | 24      | 22      | 20      | 18      |
| Average Cost of Debt                      | 241.1   | 160.9   | 136.1   | 153.5   |
| Payable days                              | 35      | 28      | 24      | 24      |
| Working Capital days                      | 220     | 125     | 92      | 253     |
| FA T/O                                    | 1.1     | 1.8     | 2.2     | 2.8     |
| <b>(D) Measures of Investment</b>         |         |         |         |         |
| AEPS (Rs)                                 | (1.1)   | 0.4     | 1.1     | 3.5     |
| CEPS (Rs)                                 | (0.6)   | 1.0     | 1.8     | 4.7     |
| DPS (Rs)                                  | 0.0     | 0.0     | 0.0     | 0.0     |
| Dividend Payout (%)                       | 0.0     | 0.0     | 0.0     | 0.0     |
| BVPS (Rs)                                 | 22.8    | 23.4    | 24.4    | 44.3    |
| RoANW (%)                                 | (5.4)   | 1.8     | 4.7     | 8.4     |
| RoACE (%)                                 | (5.1)   | 2.1     | 4.9     | 0.0     |
| RoAIC (%)                                 | (9.9)   | (2.5)   | 1.3     |         |
| <b>(E) Valuation Ratios</b>               |         |         |         |         |
| CMP (Rs)                                  | 117     | 117     | 117     | 117     |
| P/E                                       | (102.6) | 281.5   | 105.7   | 32.9    |
| Mcap (Rs Mn)                              | 996,484 | 996,484 | 996,484 | 996,484 |
| MCap/ Sales                               | 14.1    | 8.9     | 7.2     | 5.9     |
| EV  | 986,720 | 963,557 | 942,217 | 916,269 |
| EV/Sales                                  | 13.9    | 8.6     | 6.8     | 5.4     |
| EV/EBITDA                                 | (81.5)  | 986.4   | 114.0   | 53.8    |
| P/BV                                      | 5.1     | 5.0     | 4.8     | 2.6     |
| Dividend Yield (%)                        | 0.0     | 0.0     | 0.0     | 0.0     |
| <b>(F) Growth Rate (%)</b>                |         |         |         |         |
| Revenue                                   | 68.9    | 57.9    | 23.3    | 23.3    |
| EBITDA                                    | (34.6)  | (108.1) | 746.1   | 106.1   |
| EBIT                                      | (17.7)  | (73.0)  | (147.8) | 400.7   |
| PBT                                       | (16.9)  | (132.6) | 210.9   | 86.7    |
| APAT                                      | (35.5)  | (137.0) | 171.8   | 94.5    |
| EPS                                       | (40.7)  | (136.5) | 166.4   | 221.4   |

E – Estimates

## Cash Flow

| Particulars                                | FY23A           | FY24E          | FY25E          | FY26E          |
|--|-----------------|----------------|----------------|----------------|
| <b>Profit before tax</b>                   | <b>(10,146)</b> | <b>3,309</b>   | <b>10,288</b>  | <b>19,204</b>  |
| Depreciation & w.o.                        | 4,369           | 5,424          | 6,139          | 6,391          |
| Net Interest Exp                           | (4,119)         | 7,756          | 8,161          | 8,557          |
| Direct taxes paid                          | (308)           | 288            | (514)          | (192)          |
| Change in Working Capital                  | (1,759)         | 9,771          | 3,241          | 3,280          |
| Non Cash                                   | 3,523           | 4,586          | 3,477          | 2,054          |
| <b>(A) CF from Operating Activities</b>    | <b>(8,440)</b>  | <b>31,134</b>  | <b>30,792</b>  | <b>39,294</b>  |
| Capex {(Inc.)/ Dec. in Fixed Assets n WIP} | (1,014)         | (4,650)        | (4,950)        | (5,450)        |
| <b>Free Cash Flow</b>                      | <b>(9,454)</b>  | <b>26,484</b>  | <b>25,842</b>  | <b>33,844</b>  |
| (Inc.)/ Dec. in Investments                | 683             | 8,095          | 3,500          | 500            |
| Other                                      | 4,904           | 0              | 0              | 0              |
| <b>(B) CF from Investing Activities</b>    | <b>4,573</b>    | <b>3,445</b>   | <b>(1,450)</b> | <b>(4,950)</b> |
| Issue of Equity/ Preference                | 107             | 155            | 180            | 180            |
| Inc./(Dec.) in Debt                        | (231)           | 0              | 0              | 0              |
| Interest exp net                           | 0               | 0              | 0              | 0              |
| Dividend Paid (Incl. Tax)                  | 0               | 0              | 0              | 0              |
| Other                                      | 2,240           | (7,726)        | (8,181)        | (8,577)        |
| <b>(C) CF from Financing</b>               | <b>2,116</b>    | <b>(7,571)</b> | <b>(8,001)</b> | <b>(8,397)</b> |
| Net Change in Cash                         | (1,742)         | 27,008         | 21,341         | 25,947         |
| <b>Opening Cash balances</b>               | <b>3,923</b>    | <b>2,181</b>   | <b>29,189</b>  | <b>50,529</b>  |
| <b>Closing Cash balances</b>               | <b>2,181</b>    | <b>29,189</b>  | <b>50,529</b>  | <b>76,476</b>  |

E – Estimates

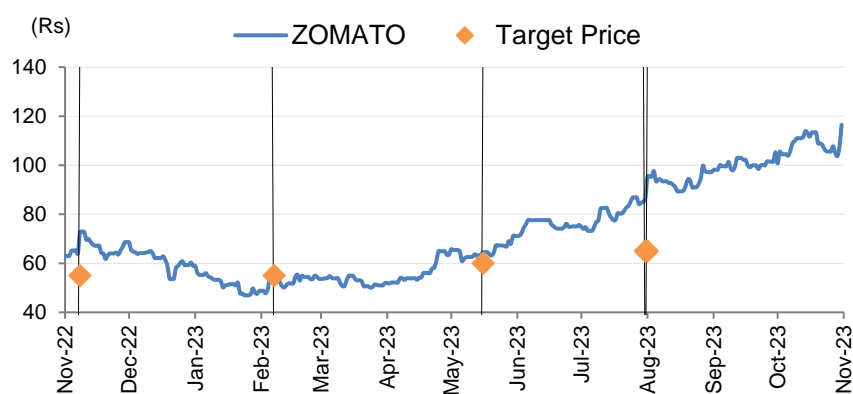
## Notes

## DART RATING MATRIX

Total Return Expectation (12 Months)

|            |           |
|------------|-----------|
| Buy        | > 20%     |
| Accumulate | 10 to 20% |
| Reduce     | 0 to 10%  |
| Sell       | < 0%      |

## Rating and Target Price History



| Month  | Rating | TP (Rs.) | Price (Rs.) |
|--------|--------|----------|-------------|
| Nov-22 | Sell   | 55       | 73          |
| Feb-23 | Reduce | 55       | 53          |
| May-23 | SELL   | 60       | 65          |
| Aug-23 | Sell   | 65       | 87          |
| Aug-23 | SELL   | 65       | 95          |

\*Price as on recommendation date

## DART Team

|             |                   |                         |                 |
|-------------|-------------------|-------------------------|-----------------|
| Purvag Shah | Managing Director | purvag@dolatcapital.com | +9122 4096 9747 |
|-------------|-------------------|-------------------------|-----------------|

|                   |                  |                       |                 |
|-------------------|------------------|-----------------------|-----------------|
| Amit Khurana, CFA | Head of Equities | amit@dolatcapital.com | +9122 4096 9745 |
|-------------------|------------------|-----------------------|-----------------|

## CONTACT DETAILS

| Equity Sales        | Designation                                  | E-mail                       | Direct Lines    |
|---------------------|--|------------------------------|-----------------|
| Dinesh Bajaj        | VP - Equity Sales                            | dineshb@dolatcapital.com     | +9122 4096 9709 |
| Kapil Yadav         | VP - Equity Sales                            | kapil@dolatcapital.com       | +9122 4096 9735 |
| Jubbin Shah         | VP - Equity Sales                            | jubbins@dolatcapital.com     | +9122 4096 9779 |
| Girish Raj Sankunny | VP - Equity Sales                            | girishr@dolatcapital.com     | +9122 4096 9625 |
| Pratik Shroff       | AVP - Equity Sales                           | pratiks@dolatcapital.com     | +9122 4096 9621 |
| Equity Trading      | Designation                                  | E-mail                       |                 |
| P. Sridhar          | SVP and Head of Sales Trading                | sridhar@dolatcapital.com     | +9122 4096 9728 |
| Chandrakant Ware    | VP - Sales Trading                           | chandrakant@dolatcapital.com | +9122 4096 9707 |
| Shirish Thakkar     | VP - Head Domestic Derivatives Sales Trading | shirisht@dolatcapital.com    | +9122 4096 9702 |
| Kartik Mehta        | Asia Head Derivatives                        | kartikm@dolatcapital.com     | +9122 4096 9715 |
| Bhavin Mehta        | VP - Derivatives Strategist                  | bhavinm@dolatcapital.com     | +9122 4096 9705 |

**Dolat Capital Market Private Limited.**

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

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Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: [research@dolatcapital.com](mailto:research@dolatcapital.com) | [www.dolatresearch.com](http://www.dolatresearch.com)

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