

Zomato IPO review (Apply)

Company Profile:



Incorporated in 2010, Zomato Limited (Zomato was founded as *Foodiebay* in 2008 and was **renamed Zomato on 18 January 2010** as Zomato Media Pvt. Ltd) is one of the leading online Food Service platforms in terms of the value of food sold as of Dec 31, 2020.

Zomato's technology platform connects customers, restaurant partners and delivery partners, serving their multiple needs. Customers use its platform **to search and discover restaurants, read & write customer-generated reviews and view and upload photos, order food delivery, book a table and make payments while dining out at restaurants** and *Zomato Pro*, customer loyalty program.

On the other hand, the company provides restaurant partners with industry-specific marketing tools which enable them to engage and acquire customers to grow their business while also providing a reliable and efficient last-mile delivery service. **Zomato also operates a one-stop procurement solution, Hyperpure**, which supplies high quality ingredients & kitchen products to restaurants) Thus, company also provide its delivery partners with transparent and flexible earning opportunities.

Zomato Ltd. is, according to RedSeer, one of the leading Food Services platforms in India in terms of the value of food sold, as of March 31, 2021. During Fiscal 2021, **32.1 million average MAU** visited its platform in India. As of March 31, 2021, Zomato was present in **525 cities in India, with 389,932 Active Restaurant Listings. Its mobile application is the most downloaded food and drinks application in India in each of the last three fiscal years since Fiscal 2019 to Fiscal 2021 on iOS App Store and Google Play combined**, as per App Annie's estimates.

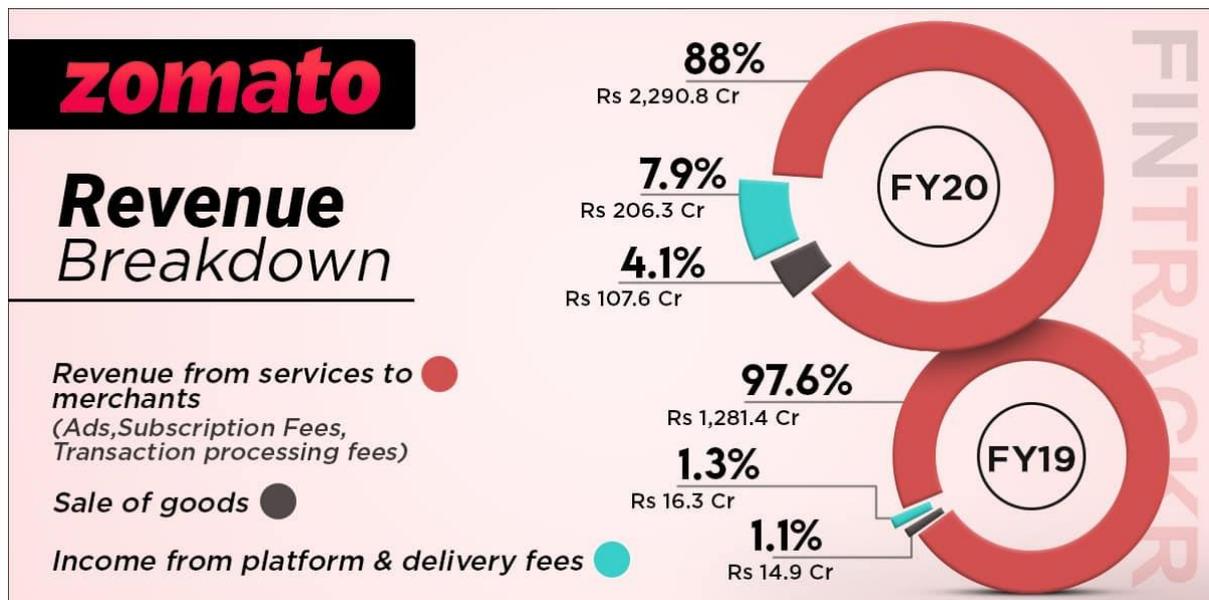
While it had a footprint across 23 countries outside India as of *March 31, 2021* (In 2019, Zomato acquired Seattle-based food portal [Urbanspoon](#), which led to the firm's entry into the [United States](#) and [Australia](#). This U.S.-expansion brought Zomato into direct competition with similar models such as [Yelp](#) and Foursquare), *now the company has taken a conscious strategic call to focus only on the Indian market going forward*. Given the large market opportunity in India, it believes a *focused Zomato will enhance the value for all its stakeholders*.

ISSUE DETAILS/CAPITAL HISTORY

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. The issue constitutes **15.72% of the post issue paid-up capital of the company.**

Issue size of Rs. 9375 cr. (Rs. 9000 cr. fresh equity + Rs. 375 cr. OFS). 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. ~60,000 Cr (59.623 Cr) (\$8Billion)** post listing.

Company Financials:



On the financial performance front, on a consolidated basis, Zomato has posted a total turnover/net profit (Loss) of Rs. **1397.72 cr.** / Rs. - (1010.51) cr. (FY19), **Rs. 2742.74 cr.** / Rs. - (2385.60) cr. (FY20) and **Rs. 2118.42 cr.** / Rs. - (816.43) cr. (FY21). It has been incurring losses for all these years. **FY21 posted lower loss** following other activities coupled with the declined top line.

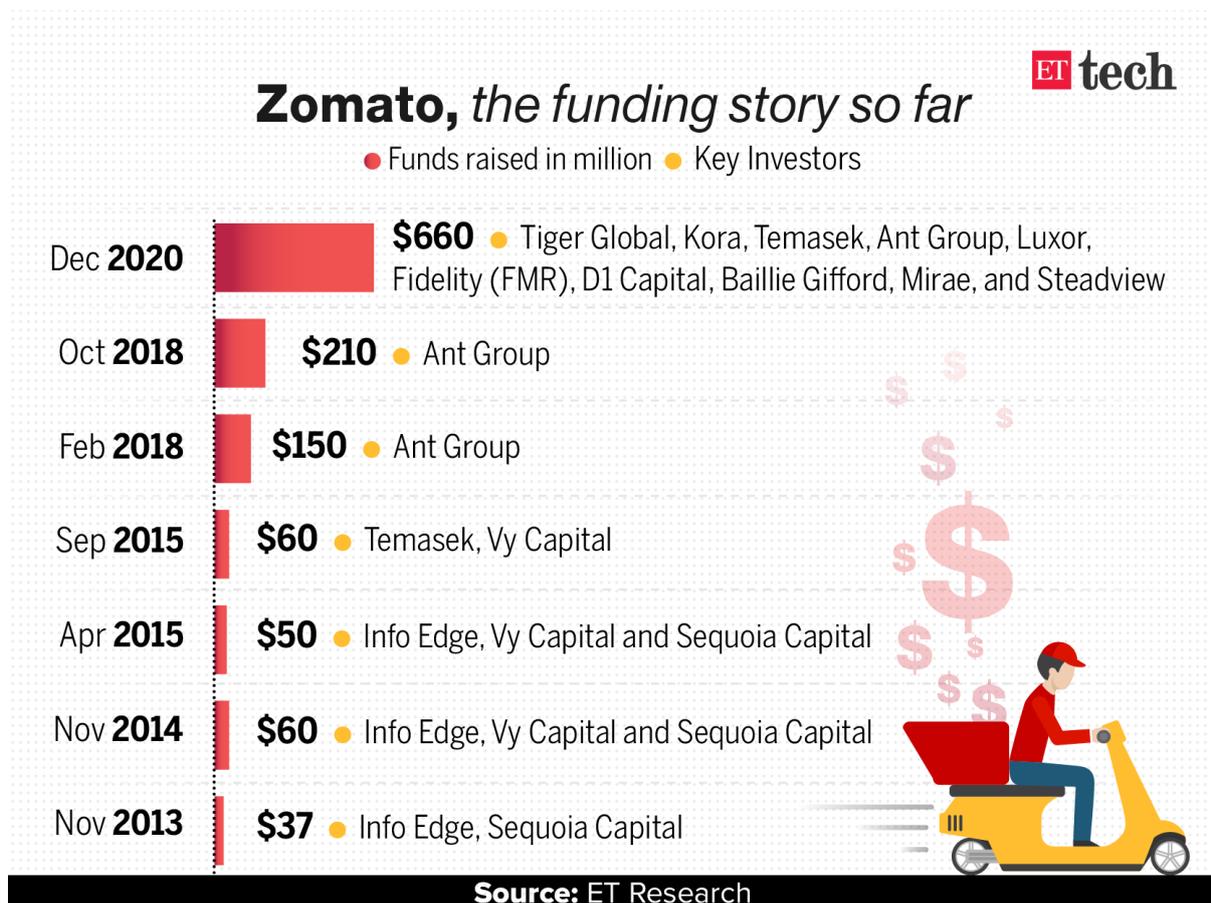
For the last three fiscals, Zomato has (on a consolidated basis) posted negative EPS Rs. - (2.99) and a negative RoNW of - (49.09). The issue is priced at a P/BV of 5.04 based on its NAV of Rs. 15.09 and at a P/BV of 2.91 based on its post-issue NAV of Rs. 26.10 (at the upper price band). Despite heavy operational losses, it has a positive NAV. Thanks to hefty premiums collected on the equity placements that have helped it to post positive book value.

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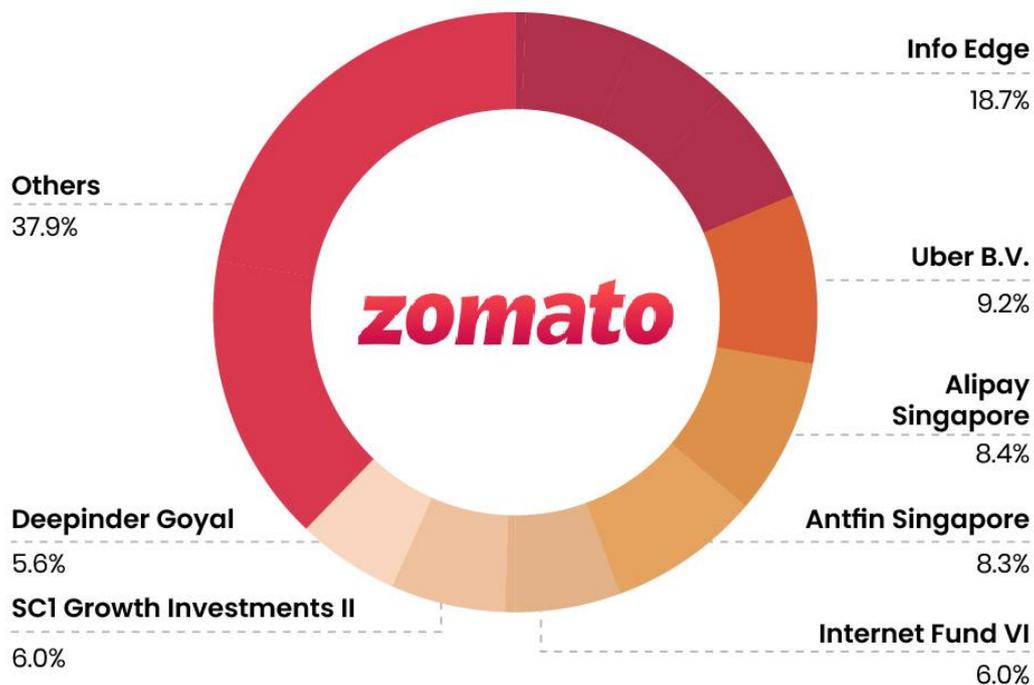


Pre-IPO Private equity Investments in Zomato

1. **Between 2010 and 2013**, Zomato raised approximately US\$16.7 million from [Info Edge India](#), giving Info Edge India a 57.9% stake in Zomato. In November 2013, it raised an additional US\$37 million from [Sequoia Capital](#) and Info Edge India.
2. **In November 2014**, Zomato completed another round of funding of US\$60 million at a post-money valuation of ~US\$660 million. This round of funding was being led jointly by Info Edge India and Vy Capital, with participation from [Sequoia Capital](#).
3. **While in April 2015**, Info Edge India, Vy Capital and Sequoia Capital led another round of funding for US\$50 million. This was followed by another US\$60 million funding led by [Temasek](#), a [Singapore](#) government-owned investment company, along with Vy Capital in September.
4. **In October 2018**, Zomato raised \$210 million from [Alibaba's](#) payment affiliate Ant Financial. Ant Financial received an ownership stake of over 10% of the company as part of the round, which valued Zomato at around \$2 billion. Zomato had also raised an additional \$150 million also from Ant Financial earlier in 2018.
5. **In October 2020**, as part of a Series J round of funding, Zomato raised \$52 million from Kora, a US-based Investment firm.
6. **In February 2021 (last VC funding before IPO)**, Zomato raised US\$250 million from five investors, including [Tiger Global Management](#), at a valuation of **US\$5.4 billion**.



Decoding IPO-Bound Zomato's Shareholding



Source: Zomato's DRHP Filing

Note: Shareholding as of 28 April 2021

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Acquisitions so far

Zomato has acquired 12 start-ups globally ->

- In July 2014, Zomato made its first acquisition by buying Menu-mania for an undisclosed sum.
- The company pursued other acquisitions including lunchtime.cz and obedovat.sk for a combined US\$3.25 million.
- In September 2014, Zomato acquired Poland-based restaurant search service Gastronauci for an undisclosed sum.
- In December 2014, it acquired Italian restaurant search service Cibando.
- Zomato also acquired Seattle-based food portal, Urbanspoon, for an estimated \$60 million in 2015.

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- Other acquisitions of 2015 include Mekanist in an all-cash deal, the Delhi-based startup MapleGraph that built MaplePOS (renamed Zomato Base), and NexTable, a US-based table reservation and restaurant management platform.
- In 2016, the company acquired Sparse Labs, a logistics technology start-up, and the food delivery start-up, Runnr, in 2017 (renamed from Roadrunnr when it acquired **TinyOwl** in 2016).
- In September 2018, Zomato acquired [Bengaluru](#)-based food [e-marketplace](#), TongueStun Food, for about \$18 million in a cash and stock deal.
- In December 2018, Zomato acquired [Lucknow](#)-based startup, TechEagle Innovations, that works exclusively on drones, for an undisclosed amount. Zomato claimed that the acquisition will help pave the way towards drone-based [food delivery](#) in India, building technology aimed at a hub-to-hub delivery network.
- On 21 January 2020, Zomato acquired its rival [Uber Eats](#)' business in India in an all-stock deal, giving Uber Eats 10% of the combined business.
- **On 29 June 2021**, Zomato signed a deal with [Grofers](#) to invest nearly **\$120 Million in the online grocery firm by acquiring 9.3% stakes of the company.**

Competitive Strengths:

1. Among the leading Food Service Delivery platforms in India.
2. Recognized consumer brand equity across India.
3. Widespread and efficient on-demand hyperlocal delivery network.
4. A strong network of 131,233 restaurants and 161,637 delivery partners.

Investment Rational:

1. First Mover advantage – Zomato being first VC funded start-up listing in Indian market will give Zomato first mover advantage.
2. Unique business – Zomato is Unique business for Indian stock market & every fund house would like to have a pie of Zomato in their PF as such companies has “Cult status” in investing world.
3. Almost entire fund being raised by IPO is new offer for sale (except just 375 cr from Info-EDGE as OFS) so this IPO is not providing “exit” to existing investors, which is “very position” for Zomato, all early phase investors still have full faith on Zomato’s growth, also this issue is reserve 75% ONLY for QIBs which will bring more institutional long-term investors in the Zomato.
4. Its professional run company, No identified promotor & largest holding ~18.7%) help by Info-Edge (early investor in Zomato) which is again professionally run company, almost no/Zero risk on promoter quality, even top VCs like Sequoia Capital, Tiger Global, Temasek & Alipay, give very good strength to company board.
5. Finally, with ~60K cr MCAP it will be almost top 50 companies on Nifty in terms of MCAP and its exceptionally good candidate for inclusion in Nifty in few years.

With above reasons Zomato seems to be great candidate as Portfolio stock & one should **Apply** for holding for long term, listing gain might not be so attractive looking at size of IPO, but being unique business in the index, this will generate more institutional interest even post listing.