

Zomato Ltd (NSE: ZOMATO)

From Growth Story to Profitability Play

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57%

B2C GOV Growth YoY

128%

Adj. EBITDA Growth YoY

~120%

Blinkit GOV Growth YoY

Source: Q3FY25 Shareholder Letter

MISPRICING THESIS

The market anchors on Zomato's past losses and competitive intensity — while ignoring that profitability has already started improving.

Two mispricing gaps driving the opportunity:

- Food delivery competition has rationalized — unit economics improving, not just volume
- Blinkit is viewed as a drag while its improving unit economics remain underappreciated

FOOD DELIVERY — FROM GROWTH TO PROFITABILITY

Even with moderate growth, unit economics are structurally improving:

| Driver | Impact |
|----------------------------------|----------------------------|
| Better rider utilization | Lower cost per order |
| Stable take rates | Predictable margin floor |
| Lower incremental delivery costs | More profitable new orders |

OPERATING LEVERAGE

The cost base is largely fixed. As order volume grows:

- More revenue flows through the same infrastructure
- EBITDA grows faster than revenue — already visible in current numbers

This is already visible: Adjusted EBITDA grew 128% YoY while GOV grew 57% YoY.

BLINKIT & CONSUMER SHIFT

BLINKIT — OPTIONALITY OR NECESSITY?

Blinkit is growing rapidly (~120% YoY GOV). The key question is not growth — it is profitability.

Current losses are driven by **accelerated expansion**, not weak unit economics. As store maturity improves, Blinkit shifts from drag to contributor.

Can Zomato work without Blinkit?

Food delivery alone is a low-frequency category. Quick commerce increases frequency, engagement, and logistics utilization. The question is not whether Zomato needs Blinkit for growth — but whether it needs Blinkit for better economics.

CONSUMER SHIFT

| FROM | TO |
|--------------------------|-----------------------------|
| "What do I want to eat?" | "What do I need right now?" |
| Solves specific demand | Solves frequent demand |

KEY TRIGGERS

- Sustained food delivery margin improvement
- Blinkit moving toward profitability over next 2–3 quarters
- These determine thesis progress — not price

KEY RISKS

- Re-intensification of competition
- Slower-than-expected Blinkit breakeven
- Risk is timing of visibility, not viability

VARIANT PERCEPTION

The market views Blinkit as a drag due to ongoing losses. This view is incomplete — current losses are a function of accelerated expansion, not structural inefficiency. As store maturity improves, Blinkit has the potential to shift from a drag to a contributor. **Zomato is no longer just a growth story — it is becoming a profitability story. The market is reacting to what the business was, not what it is becoming.**

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