



Pick of the week

Zomato (ZOMATO)

Recommendation: **BUY**

Date: **10th October 2022**

Current Price: ₹70

Time Period: **12 Months**

Potential Upside: **28.57%**

Target Price: ₹90

Why Invest

- Improved revenue monetization to ensure contribution margin improvement.
- Zomato's contribution margin (CM) expected to improve to 5% by FY28E.
- We increase FY23 contribution margin to Rs11.5/order (Rs9.9 earlier).
- Blinkit: aspiring to move beyond traditional grocery categories.
- Focusing on two revenue drivers 1) charging higher take rates for restaurants, & 2) higher customer monetization in the form of higher delivery charges.
- Hike in subscription package cost by a competitor is also a positive.
- We expect Zomato to report adjusted EBITDA profit in FY2024.
- SoTP (Sum-of-the-parts) - based fair value of Rs.90/share.