Equity Research Report: Eternal Ltd.

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1 Overview

Eternal Ltd. currently has the following business segments:

- Food Delivery (Zomato)
- Quick-Commerce (Blinkit)
- B2B Restaurant Supplies (Hyperpure)
- Online Event Ticketing & Fine Dining (District)

2 Zomato

2.1 Overview

Zomato is Eternal's food delivery business segment. It accounts for approximately 44% of Eternals' revenue. It is currently the **only business in Eternal which has a positive EBITDA.** Zomato is a B2C technology platform that allows customers to discover local restaurants, order food, and have it delivered through a last-mile network of independent delivery partners, with a presence in 800+ cities.

2.2 Revenue stream

- Commission (typically 15–25%) on the order value from restaurants listed on its platform. This is volume-driven, i.e., dependent on the Gross Order Value (GOV) — the total value of all food orders placed on the platform before any discounts or delivery fees.
- A delivery fee is charged to non-gold customers per order. The fee depends on order size, location and time.
- Zomato has also introduced a subscription plan called Zomato Gold. This plan provides free delivery for up to 7 kms and up to 30% off on select restaurants.
- Restaurants also pay for promoted listings, banners, and sponsored content on the app. This is especially high in metro areas where restaurant discovery is competitive.

2.3 Competitors

Zomato's most notable competitor includes **Swiggy** which has a similar business model but is currently not profitable. The main competitors to Zomato are full-stack cloud kitchen players. Full-stack cloud kitchen players are food delivery companies that own and control every part of the value chain, from food preparation to last-mile delivery, without depending on traditional dine-in outlets or third-party aggregators like Zomato or Swiggy. These players only operate cloud kitchens which are optimized for delivery and have no dine-in service. These are hyper efficient and have higher margins as they control every part of the value chain. The most notable of these are:

- Eat Club
- Rebel Foods
- Curefoods

3 Blinkit

3.1 Overview

Blinkit is a quick commerce marketplace providing on-demand delivery of products across multiple categories including daily essentials, electronics, beauty & personal care, home décor, toys & games, and general merchandise in less than 15 minutes. Customers can use the Blinkit app to place orders fulfilled through nearby stores within a 2-3 km radius with the platform operating in 26 cities across India.

3.2 Revenue streams

- Product margins from buying and selling products.
- Delivery fees which depend on product, location and time.
- Platform advertising by brands.
- Private labels (Higher margin products rebranded by Blinkit which are cheaper than their branded versions).

3.3 Competitors

Blinkit's competitors include **Swiggy instamart, BigBasket and Zepto.** All of these companies use dark stores to fulfill their orders. A dark store is a mini-warehouse or fulfillment center, often located within 2–3 km of dense residential areas, that holds a limited number of fast-moving consumer goods (FMCG). These dark stores provide the highest level of efficiency for quick commerce companies. Currently, only Blinkit and Zepto are completely reliant on dark stores. Zepto currently has the most aggressive and efficient expansion strategy. It excels in highly dense metro cities such as Mumbai and Bengaluru where Blinkit used to dominate. At the end of the day, the company with the most efficient placement of dark stores will gain market share and Zepto seems to be doing better than Blinkit.

4 Hyperpure

4.1 Overview

Hyperpure is a B2B platform for supplying food ingredients and other products to restaurants and other B2B buyers. It operates on a 1P model, where it sources directly from farmer producer organizations, traders & brands, and supplies it to its customers.

4.2 Revenue streams

Sale of food ingredients to both restaurant and non-restaurant businesses. Sale to non-restaurant businesses accounts for nearly 62% of Hyperpure's revenue.

4.3 Competitors

Top competitors of Hyperpure include **Jumbotail, Ninjacart, Udaan and BigBasket.** Currently the biggest threat to Hyperpure is Ninjacart. Ninjacart has a robust farm-to-store supply chain and is backed by Walmart, Flipkart, Accel and Tiger Global. Its farmer network gives it an edge over Hyperpure. Hyperpure depends on Zomato/Blinkit whereas Ninjacart is a fully independent and efficient company. Its supply chain is geared towards scale, efficiency and real-time visibility.

5 District

5.1 Overview

District serves as a comprehensive platform for discovering and booking a variety of experiences, including:

- Live Events: Concerts, comedy shows, and cultural festivals.
- Dining Experiences: Curated food festivals and exclusive dining events.
- Original Events: Unique events produced in collaboration with artists and creators.

5.2 Revenue streams

- Event ticketing commission which is its primary revenue source.
- Prepaid dinner reservation commission.
- Sponsorship and co-marketing fees.

- For original events or festivals produced in collaboration with artists and performers, District may, co-own the IP of the event or share ticketing and merchandise revenue.
- Advertising and in-app revenue.

5.3 Competitors

In its dining out business segment, its primary competitor is **Swiggy**. In its show booking business segment, its primary competitor is **BookMyShow**. BookMyShow is the leading online ticketing platform in India and has a huge brand recognition. District is newer and is still growing its base. It will be quite difficult to gain market share and cannot be done without having a USP.

6 Stock Snapshot

- **Ticker:** ETERNAL (NSE)
- **CMP:** Rs. 238
- **Market Cap:** Rs. 2,29,978 Cr.
- **P/E Ratio:** 436
- **Debt/Equity:** 0.07
- **P/B Ratio:** 7.59
- **ROE:** 2.08 %
- **ROCE:** 3.18 %
- **OPM:** 3.15 %
- **Dividend Yield:** 0 %
- **Promoter Holding:** 0 %

7 Fundamental Analysis

The valuation ratios paint a bleak picture. The OPM of 3.15% is barely sustainable. The PE ratio of 436 is way above the industry standard of 42 based on comparable internet/e-commerce firms. Low profitability metrics such as ROE and ROCE highlight a poor return on shareholder funds. However, the company is quite debt-free with a debt to equity ratio of 0.07. The promoter holding of 0% does not give much investor confidence. Overall, the fundamental analysis makes me incredibly bearish on this stock.

8 Final Analysis

Zomato's core food delivery business operates on a fundamentally flawed model, marked by high customer acquisition costs (CAC) and low customer retention rates (CRR). The platform's continued dependence on **discount-driven user acquisition** is not only unsustainable but actively undermines profitability in an already low-margin, operations-heavy industry.

While the company is currently EBITDA positive, this profitability is extremely thin and fragile. In reality, it masks the deeper inefficiencies of Zomato's business model. EBITDA positivity driven by cost-cutting and subsidized growth is not a true indicator of long-term sustainability. As the company scales and discounts are inevitably reduced, CAC will rise again, pushing the business back into negative territory. In such a structurally weak model, **even minor increases in competition or cost inputs can wipe out all gains.**

The emergence of **full-stack cloud kitchen players** — such as EatClub, which has already captured a significant share of the urban delivery market — **poses a serious long-term threat.** These players are vertically integrated, operate with greater cost efficiency, and are capable of delivering meals at lower prices and higher margins than Zomato ever could. As these models scale, I believe they will **irreversibly undercut Zomato's value proposition,** both for customers and restaurant partners.

It's important to recognize that **Zomato's dominant market position is not the result of a defensible competitive advantage, but rather of early-mover advantage.** This is not sustainable. In India's hyper price-sensitive market, platform loyalty is weak, and customer decisions are dictated by pricing and convenience. As discounts fade, so too will customer engagement and repeat usage.

The decline of Swiggy, which operates on a nearly identical model, further illustrates the structural weaknesses of the aggregator-based food delivery market. The struggles of both companies are not isolated — they are symptoms of a business model in decline. **Swiggy's fading market relevance is a preview of Zomato's likely trajectory.**

While Blinkit shows relatively stronger growth dynamics, it is still far from profitable and must scale rapidly to outpace aggressive competitors like Zepto. Even then, quick commerce remains a capital-intensive sector with unclear long-term margins.

The company's other subsidiaries — Hyperpure and District — are late entrants in highly competitive and fragmented sectors. Both are deeply reliant on the brand equity and user funnel of Zomato, making them vulnerable to any deterioration in the food delivery brand's standing.

Zomato's business model appears structurally unviable in the long run, making the stock highly vulnerable to disruption. Given this structure, I believe that Zomato is ultimately destined to collapse under the pressure of more efficient, full-stack delivery alternatives. When that happens, the cascading effect is likely to drag down the entire Eternal ecosystem, as none of the subsidiaries seem capable of surviving independently at scale.

Recommendation: *STRONG SELL*