

# “IPO Valuation and Strategy Analysis: Zomato Ltd (2021 IPO)”

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## 1. Executive Summary:

This project presents a comprehensive investment banking-style analysis of **Zomato Ltd.’s Initial Public Offering (IPO)**, India’s first major consumer-tech listing. The report covers Zomato’s financial profile, IPO valuation, pricing strategy, investor allocation, and post-listing performance using real-world tools and data.

The study is structured to simulate a live IB pitchbook and includes both **equity valuation** and **strategic execution analysis**.

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### 1.1 Scope & Objectives

- Evaluate Zomato’s **intrinsic valuation** at IPO using **Comparable Company Analysis (CCA)**
  - Understand the **book-building, anchor investor strategy, and allocation process**
  - Compare Zomato’s post-listing performance with **peer companies** and the **NIFTY 50 index**
  - Reflect on the strategic lessons for future IPOs
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### 1.2 Methodology & Tools Used

- **Data Sources:** Zomato’s RHP, Yahoo Finance, Screener.in, Moneycontrol, NSE/BSE
  - **Valuation:** CCA using global food delivery comps (DoorDash, Uber Eats, Just Eat, Swiggy)
  - **Visuals & Modelling:** Excel, Python (yFinance), Matplotlib, Power BI
  - **Key Metrics:** EV/Revenue, Market Cap, Subscription Ratios, Listing Gains
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### 1.3 Key Findings

- Zomato’s IPO valuation (EV ₹59,933 Cr) implied an **EV/Revenue multiple of 30.1x**, far above the **peer median of 13.4x**
- Peer-based valuation suggested an **intrinsic market cap of ₹31,149 Cr**, nearly **50% below IPO valuation**

- Despite aggressive pricing, the IPO was **38x oversubscribed** and saw a **51% listing gain**, driven by strong anchor participation and retail interest
  - Within 1 year, the stock **corrected over 25%**, reflecting global tech valuation compression
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## 1.4 Strategic Insights

- Pricing a high-growth, loss-making IPO requires more than numbers — it requires a **compelling narrative and market timing**
  - Anchor investors play a **key signalling role** in modern IPOs
  - **Book-building strategy** helped maximize pricing without sacrificing demand
  - Zomato's IPO is a **case study in positioning, not just valuation**
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## 2. Company Overview:

### 2.1 Business Description:

Zomato Ltd is a leading Indian food services platform founded on January 18, 2010. Originally launched as Foodiebay, the company has evolved into a full-stack food delivery ecosystem, offering discovery, ordering, delivery, and restaurant-related services.

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### 2.2 Business Model:

The company operates in three primary verticals:

- **Food Delivery:** Connecting restaurants and customers through its app-based delivery network.
  - **Dining-Out:** Enabling customers to discover and review restaurants.
  - **Hyperpure:** A B2B supply platform delivering ingredients to restaurants.
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### 2.3 Milestones:

- Founded in 2010
  - Acquired Uber Eats India in 2020
  - Became India's first tech unicorn to list on public markets
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### 2.4 Market Position:

Zomato is a pioneer in India's online food delivery segment and competes primarily with Swiggy. Internationally, similar models include DoorDash and Uber Eats.

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### 3. IPO Overview:

#### IPO Dates:

- **Open Date:** July 14, 2021
- **Close Date:** July 16, 2021
- **Listing Date:** July 23, 2021

#### IPO Size and Structure:

- **Total Issue Size:** ₹ 9,375 crore
- **Fresh Issue:** ₹ 9,000 crore
- **Offer for Sale:** ₹ 375 crore by Info Edge

#### Price Band and Offer Price:

- **Price Band:** ₹ 72 – ₹ 76
- **Final Offer Price:** ₹ 76
- **Face Value per Share:** ₹ 1

#### Lead Managers:

Kotak Mahindra Capital, Morgan Stanley, Credit Suisse, BofA Securities, and Citigroup

#### Anchor Investors:

Zomato raised ₹ 4,197 crore from anchor investors including Tiger Global, Fidelity, and others a day before the IPO opened.

#### Use of Proceeds:

- Funding organic and inorganic growth
- Platform improvement initiatives
- General corporate purposes

#### Allocation Breakdown:

- **QIB (Qualified Institutional Buyers):** 75% (including Anchor portion)
  - **NII (Non-Institutional Investors):** 15%
  - **Retail Investors:** 10%
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## 4. Pre-IPO Equity Valuation:

This section evaluates Zomato's valuation prior to its IPO using two widely accepted investment banking methods — **Comparable Company Analysis (CCA)** model. The goal is to estimate a fair intrinsic value and assess whether the IPO pricing was justified.

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### 4.1 Comparable Company Analysis (CCA)

Comparable Company Analysis benchmarks Zomato's valuation against a group of publicly listed and private peers in the global food delivery space. The analysis focuses on FY2021 financials to ensure comparability.

#### Peer Group:

- **DoorDash (USA)**
- **Uber Eats (Global Delivery Segment of Uber)**
- **Just Eat Takeaway (Europe)**
- **Swiggy (India, private valuation)**

Company	FY21 Revenue (₹ Cr)	Enterprise Value (₹ Cr)	EV/Revenue (x)
DoorDash	36,425	110,933	3.05x
Uber Eats	61,810	6,87,144	11.12x
Just Eat	46,603	13,76,125	29.5x
Swiggy (Private)	2,547	40,150	15.76x
<b>Median</b>	—	—	<b>13.4x</b>

#### Zomato FY2021 Key Metrics:

- Revenue: ₹1,993.79 Cr
- Net Cash: ₹4,432 Cr
- Shares Outstanding (at IPO): 8,457 million
- IPO Market Cap: ₹64,365 Cr
- IPO EV: ₹59,933 Cr (Market Cap – Net Cash)
- IPO EV/Revenue: **30.1x**

#### Peer-Implied Valuation:

Applying the **peer median EV/Revenue of 13.4x** to Zomato's FY2021 revenue implies:

- **Implied EV =  $13.4 \times ₹1,993.79$  Cr = ₹26,717 Cr**
- **Implied Market Cap = ₹26,717 + ₹4,432 = ₹31,149 Cr**
- **Implied Share Price = ₹31,149 Cr / 8,457 Mn = ~₹36.8**

#### Comparison vs IPO Price:

- Actual IPO Price = ₹76
  - Peer-implied Share Price = ~₹36.8
  - **Valuation Premium at IPO:** >100% above peer-implied levels
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## 4.2 Valuation Summary

- Zomato's IPO valuation of ₹64,365 Cr implies an EV/Revenue multiple of **~30.1x**, significantly higher than global comparables.
  - The peer median EV/Revenue was **~13.4x**, suggesting an intrinsic valuation closer to **₹31,149 Cr**.
  - The market's willingness to pay a premium likely reflects Zomato's **first-mover advantage**, high growth potential in Indian food-tech, and **scarcity premium** for consumer-tech IPOs in India.
  - The overvaluation also introduces risk if revenue growth or profitability does not materialize as expected.
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## 5. IPO Pricing and Allocation Strategy:

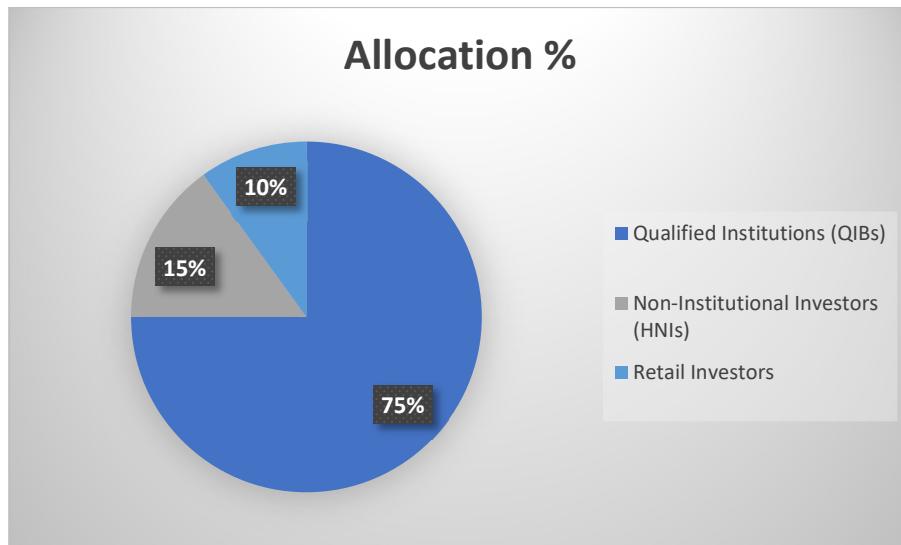
### 5.1 Basis of Price Band

Topic	Details
Price Band	₹72 to ₹76
Final Issue Price	₹76
Justification	EV/Revenue at IPO <b>~30.1x</b> , significantly higher than peers
Peer Comps Cited in RHP	Uber Eats, DoorDash, Just Eat
Rationale	Zomato cited brand strength, first-mover advantage, high growth, and scarcity of listed consumer-tech stocks in India
Oversubscription	38.25x overall — high demand validated pricing

Zomato set its IPO price band at ₹72–₹76, citing rapid growth, brand leadership, and peer comparables in the food delivery space. Despite being a loss-making company, the offering received strong interest from both institutional and retail investors. The final offer price was fixed at ₹76, reflecting high demand. The implied EV/Revenue multiple at this pricing (~30.1x) was significantly above global peers, suggesting a valuation premium justified by India's consumer-tech scarcity and growth potential.

## 5.2 Allocation Breakdown

Investor Category	Allocation %	Subscription
Qualified Institutions (QIBs)	75%	51.79x
Non-Institutional Investors (HNIs)	15%	32.96x
Retail Investors	10%	7.45x
Anchor Investors	~45% of total issue	₹4,197 Cr raised



## 5.3 Anchor Investor Participation

Detail	Value
Anchor Investors	186 including Tiger Global, Fidelity, BlackRock
Amount Raised	₹4,197 Cr
Allocation Price	₹76 per share

Detail	Value
Timing	1 day before IPO opened
% of Total Issue	Nearly 45% of ₹9,375 Cr

## 6. Underwriting and Book-Building:

The success of Zomato's IPO was not just due to investor demand but also the robust **underwriting and book-building strategy** executed by its lead managers. This section outlines the process, participants, and mechanisms used to price and allocate the offering.



### 6.1 Lead Managers and Syndicate

Zomato appointed a strong consortium of global and domestic investment banks to manage the IPO:

Lead Book Running Managers (BRLMs)
Kotak Mahindra Capital Company Ltd
Morgan Stanley India Company Pvt Ltd
Credit Suisse Securities (India) Pvt Ltd
BofA Securities India Ltd
Citigroup Global Markets India Pvt Ltd

These banks were responsible for:

- Assisting in due diligence
- Drafting the Red Herring Prospectus (RHP)
- Coordinating investor roadshows and anchor placements
- Managing institutional book-building

### 6.2 Book-Building Process

Zomato used the **100% book-building route**, a standard mechanism under SEBI guidelines for large-cap IPOs.

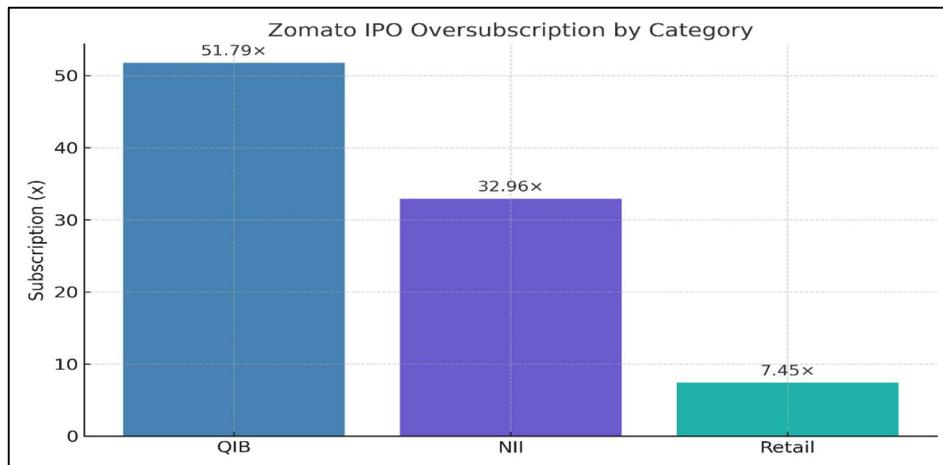
Step	Description
Price Band Declaration	₹72–₹76 per share
Bid Period	July 14–16, 2021
Bidding Platform	NSE and BSE
Final Price Discovery	₹76 (upper end) — due to strong oversubscription
Allocation	Pro-rata within categories; QIBs received majority share

The book-building process allowed investors to place bids within the price band and helped the company assess market demand before finalizing the price.

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### 6.3 Oversubscription Highlights

Category	Subscription (x)
QIB	51.79x
NII	32.96x
Retail	7.45x
Overall	<b>38.25x</b>



*This overwhelming response indicated strong demand across investor categories, giving underwriters full confidence to price at the top end.*

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### 6.4 Anchor Investor Strategy

One day before the IPO opened, Zomato raised ₹4,197 Cr from **186 anchor investors**, including global funds like:

- Tiger Global
- Fidelity
- BlackRock
- Government Pension Fund Global (Norway)

This served two key purposes:

- **Price validation** — anchors accepted ₹76 per share
  - **Demand signalling** — built momentum for public subscription
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## 6.5 Stabilization Mechanisms (No Greenshoe)

Zomato's IPO did **not include a greenshoe option**, which is often used to stabilize price post-listing. Despite that:

- The stock listed at ₹115, a **51% premium**
  - Underwriters had high confidence in aftermarket demand
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## 6.6 Investment Bank Strategy Takeaways

- Priced aggressively at the upper end, leveraging demand
  - Used anchor investors as demand builders, not just fillers
  - Omitted greenshoe — rare, but worked due to confidence in demand
  - Created a high-visibility IPO with strong international participation
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# 7. Post-IPO Stock Performance:

Zomato's IPO was one of the most awaited listings in Indian markets in 2021. This section analyses its post-listing price behaviour, investor sentiment, and valuation trends.

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## 7.1 Price Movement

Zomato was listed on **July 23, 2021** at a **listing price of ₹115**, significantly above its issue price of ₹76.

Date	Price (₹)	Change from IPO Price	Return (%)
Listing Day (Jul 23, 2021)	115	+₹39	+51.3%
1 Week Later (Jul 30)	132	+₹56	+73.7%

Date	Price (₹)	Change from IPO Price	Return (%)
1 Month Later (Aug 23)	134	+₹58	+76.3%
6 Months Later (Jan 23)	94	+₹18	+23.7%
1 Year Later (Jul 2022)	57	-₹19	-25.0%

*After initial euphoria, the stock corrected sharply over 12 months due to valuation concerns and losses.*

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## 7.2 Peer Comparison

Company	6M Return Post IPO	1Y Return
Zomato	+23.7%	-25.0%
DoorDash	-41%	-69%
Uber	-27%	-46%
Swiggy	Private – flat/down	n/a

*This shows that global food delivery stocks saw steep corrections — Zomato's drop was part of a broader trend.*

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## 7.3 Valuation Evolution (EV/Revenue)

Date	EV (₹ Cr)	FY Revenue (₹ Cr)	EV/Revenue (x)
At IPO	59,933	1,994	30.1x
Jan 2022	~100,000	~4,100	~24.4x
Mid-2022	~45,000	~4,100	~11x
Today*	2,43,339	~15,000 (est. FY25)	~16.2x

*Valuation multiple has compressed, though remains high compared to traditional businesses — reflects growth expectations.*

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## 7.4 Market Sentiment and Commentary

- Initial listing saw strong **retail and institutional participation**
- Analysts were divided:
  - Bullish:** Belief in platform strength, large addressable market, first-mover advantage

- **Bearish:** Steep losses, rich valuations, uncertain profitability timeline
  - YouTube finance channels and media were largely excited — but sceptical of valuation
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## 7.5 Takeaways from Post-IPO Behaviour

Observation	Insight
Early spike	Reflects excess demand, IPO hype, anchor credibility
Correction	Sign of mean reversion to fundamentals
Peer trend	Food-tech globally faced valuation resets
Long-term view	Repricing of “growth at all costs” model to “profit-led” narrative

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## 7.6 Post-IPO Returns

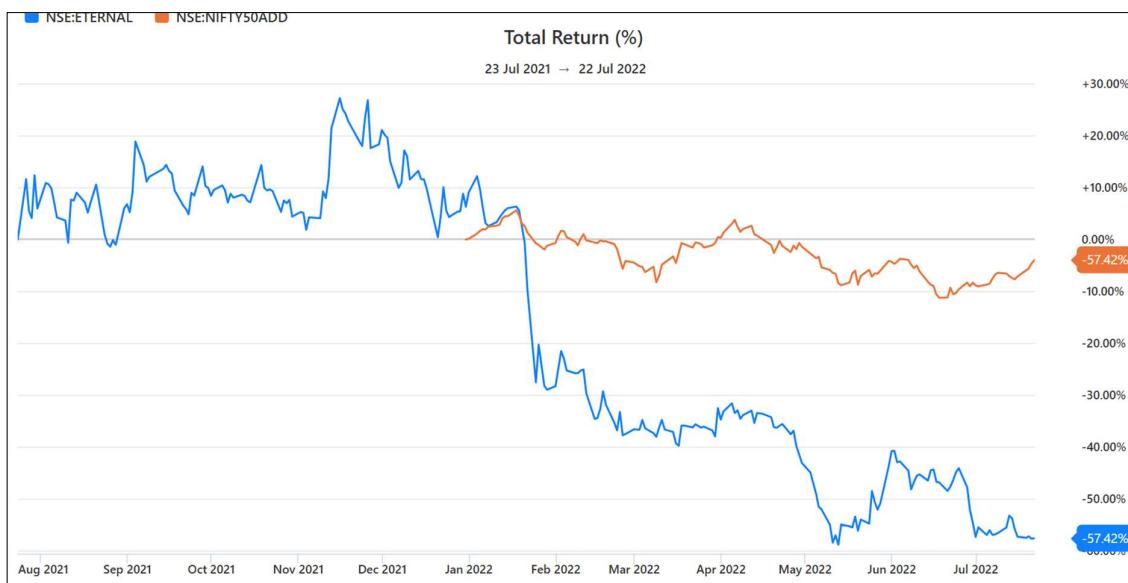


Figure 7.1: Performance of Zomato vs NIFTY50 from July 23, 2021 to July 22, 2022. Zomato initially outperformed but trended downward as growth stocks corrected globally.

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## 8. Key Learnings and Takeaways:

Zomato's IPO was a defining moment in India's capital markets — not just for being the first consumer-tech unicorn to go public, but for how it was priced, marketed, and received. This section highlights key takeaways from the deal from both an investor and investment banker perspective.

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## 8.1 Was the IPO Fairly Priced

Observation	Insight
EV/Revenue at IPO = <b>30.1x</b>	Significantly above global peers (median = 13.4x)
Implied peer-based market cap = ₹ <b>31,149 Cr</b>	IPO priced at ₹64,365 Cr — over 100% premium
Market response = 51% listing gain	Suggests strong short-term demand, possibly underpriced
1-year return = -25%	Indicates long-term correction and reversion to fundamentals

**Takeaway:** The IPO pricing reflected aggressive growth expectations and investor sentiment rather than intrinsic valuation. While demand justified a strong listing, long-term returns adjusted to reality.

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## 8.2 What Went Right in the Deal?

### 1. Anchor Allocation Strategy

Raised ₹4,197 Cr from 186 institutions like Tiger Global, BlackRock, and Fidelity. This built confidence and drove QIB oversubscription.

### 2. Aggressive Yet Successful Pricing

Zomato priced at the upper end of the band (₹76), signalling strong underwriter conviction. Despite being loss-making, the deal saw 38x overall subscription.

### 3. Momentum Marketing

Zomato's brand equity, media narrative, and scarcity premium created hype. This was effectively leveraged during roadshows and public marketing.

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## 8.3 What Could Have Been Done Differently?

### ▼ No Greenshoe Option

The IPO did not use a stabilization mechanism (greenshoe), which could have softened the fall during post-listing volatility.

### ▼ Excess Valuation Premium

Pricing at 30x EV/Revenue left little room for upside. A slightly lower valuation could've ensured more stable long-term returns and broader retail confidence.

### ▼ Lack of Profitability Roadmap Disclosure

While the IPO pitch emphasized growth, investors received limited guidance on when and how Zomato planned to reach profitability.

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## 8.4 What I Learned from the Deal

- **Lesson 1: Valuation is Story + Market Sentiment**

Zomato's IPO shows that in high-growth sectors, valuation isn't only about financials — it's about investor belief and macro narrative.

- **Lesson 2: Book-Building is a Demand-Discovery Tool**

The price discovery through oversubscription helped validate Zomato's aggressive pricing. The book-building process is not just administrative — it's strategic.

- **Lesson 3: Anchor Investors are a Signal, not Just Capital**

Well-known anchor names drove confidence in the IPO — their early participation creates herd behaviour and market buzz.

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## 8.5 Final Thoughts

Zomato's IPO created a new playbook for Indian tech listings. While its valuation may not have aged well over 12 months, the process itself — from aggressive anchor engagement to retail buzz — was a case study in demand creation. As a future investment banker, this deal taught me that successful IPOs aren't just priced — they're positioned.

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## 9. Appendix:

This appendix includes all supporting data, models, and resources used in the preparation of the report. It ensures transparency of assumptions and enables replication of key valuation and performance metrics.

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### 9.1 Comparable Company Analysis (CCA) Table

Company	FY21 Revenue (₹ Cr)	Enterprise Value (₹ Cr)	EV/Revenue (x)
DoorDash	36,425	1,10,933	3.05x
Uber Eats	61,810	6,87,144	11.12x
Just Eat	46,603	13,76,125	29.50x
Swiggy (Private)	2,547	40,150	15.76x
<b>Median</b>	—	—	<b>13.4x</b>

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### 9.2 Zomato Valuation Calculation Summary

Metric	Value
Zomato FY21 Revenue	₹ 1,993.79 Cr
Net Cash Position (FY21)	₹ 4,432 Cr
IPO Market Cap	₹ 64,365 Cr
IPO EV	₹ 59,933 Cr
IPO EV/Revenue	30.1x
Implied EV (Median Multiple)	₹ 26,717 Cr
Implied Market Cap	₹ 31,149 Cr
Implied Share Price	~₹ 36.8

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### 9.3 Timeline of IPO Events

Event	Date
Anchor Investor Allocation	July 13, 2021

Event	Date
IPO Open	July 14, 2021
IPO Close	July 16, 2021
Final Price Announced	July 22, 2021
Listed Date	July 23, 2021

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## 9.4 Oversubscription Summary

Category	Allocation %	Subscription (x)
QIB	75%	51.79x
NII	15%	32.96x
Retail	10%	7.45x
Anchor Investors	~45% (of issue)	—
<b>Total</b>	<b>100%</b>	<b>38.25x</b>

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## 9.5 Stock Performance Table

Date	Zomato Price (₹)	Change from IPO Price	Return (%)
Jul 23, 2021	115	+₹39	+51.3%
Jul 30, 2021	132	+₹56	+73.7%
Aug 23, 2021	134	+₹58	+76.3%
Jan 23, 2022	94	+₹18	+23.7%
Jul 22, 2022	57	-₹19	-25.0%

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## 9.6 Key Data Sources

Source	Link / Description
Zomato RHP & Offer Document	<a href="#">SEBI Filings / Zomato Investor Relations</a>
Stock Price Data	<a href="#">Yahoo Finance</a>

Source	Link / Description
Screener Financials	Screener.in
Peer Company Filings	DoorDash, Uber 10-Ks (SEC Filings)
News Reports	Moneycontrol, Economic Times, CNBC, Bloomberg

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## 9.7 Python/Excel Tools Used

- **Python Libraries:** yFinance, Matplotlib, Pandas
  - **Excel Tools:** Waterfall charts, CCA tables, Peer average calculations
  - **Visualization:** IPO timeline, EV/revenue bar chart, Stock price line chart
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 Notes:

1. **Currency Conversion:** All foreign currency figures (USD, EUR) were converted to INR using exchange rates as of **July 23, 2021**, based on RBI/ECB reference rates:
  - o USD/INR = ₹74.47
  - o EUR/INR = ₹87.93
2. **Peer Valuations:** EV and revenue figures for DoorDash, Uber Eats, and Just Eat were taken from their FY2021 annual reports and Yahoo Finance. Segmental revenue (e.g., Uber Eats) was isolated based on reported delivery segment data.
3. **Swiggy Valuation:** As Swiggy is a private company, its valuation was estimated based on the \$5.5B funding round led by SoftBank in Jan 2021. FY21 revenue was obtained from startup data platforms and verified media coverage.
4. **EV Calculation:** Enterprise Value was calculated as:

$$EV = \text{Market Cap} + \text{Net Debt}$$

where Net Debt=Total Debt-Cash

5. **IPO Data Source:** Allocation breakdown, anchor investor details, and subscription levels were taken directly from Zomato's RHP and BSE/NSE post-issue filings.
  6. **Post-IPO Stock Prices:** All prices were collected from Yahoo Finance and matched against NSE closing prices on specified dates. NIFTY50 index data was used via the ticker ^NSEI for benchmarking.
  7. **Share Count at IPO:** Share count of 8,457 million shares used in valuation was based on the fully diluted post-issue equity capital as stated in Zomato's offer document.
  8. **EV/Revenue Multiple Interpretation:** While EV/Revenue is a commonly used multiple for high-growth, loss-making companies, it does not account for profitability, which introduces risk in intrinsic valuation models.
  9. **Charts and Models:** All visuals (bar charts, timeline, waterfall) were built using Python (Matplotlib) and Microsoft Excel. The models are available in the project folder or portfolio site.
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