**Zomato Revenue & Profitability Analysis**

### 

### **Introduction**

A Detailed Financial & Business Strategy Report by **Shazeb khan**

**Data link:**[**Zomato Revenue & Profitability Analysis**](https://docs.google.com/spreadsheets/d/1iWTC77zgFcCj7oeEleCccdEjjWshaqojPAQFfkfgb6U/edit?usp=sharing)

**About**

Zomato, one of India’s leading food delivery platforms, has evolved significantly beyond its core business of online food ordering. In recent years, the company has expanded into new revenue streams, particularly through Hyperpure, its B2B supply chain business catering to restaurants. This report analyzes Zomato’s revenue trends, profitability challenges, and strategic shifts, providing key insights into its growth trajectory.

The analysis highlights the rapid rise of Hyperpure, the recovery of service revenue post-2021, and the volatility in overall revenue growth and its over all performance. While Zomato has shown impressive expansion, sustaining profitability remains a key challenge due to fluctuating service revenues, increasing competition, and market saturation risks.

This report explores Zomato’s financial performance, identifies potential risks and opportunities, and offers strategic recommendations to enhance revenue stability, optimize operational efficiency, and ensure long-term growth.

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**Zomato’s Revenue analysis and Strategy:**

1. **Shift in Business Model – Growth in Hyperpure (B2B)**

* Hyperpure (Goods Revenue) is Growing Faster: The massive growth rates (1040%, 170%, etc.) suggest that **Zomato is aggressively expanding its B2B supply chain business**
* If this trend continues, Zomato may compete more with B2B suppliers
* This suggests **Zomato** is expanding beyond just food delivery and **focusing more on B2B supply chain** (Hyperpure)
* This **could be due to more restaurant partnerships and increased demand for raw materials.**
* Zomato is Becoming More than Just a Food Delivery App: Initially, Zomato relied mostly on food delivery and ad revenue, but **now it is building a strong supply chain business** (Hyperpure).

**Recommendations for Zomato Considering These insights:**

* Increase warehouse capacity: Expand warehouse capacity: Since **Madhya Pradesh** is the **nation's center**, opening regional fulfillment centers to construct warehouses they will help **lower logistics costs and speed up delivery**.
* **Partner with local farmers & FMCG brands**: This will help in bulk purchasing, cost control, and ensuring quality assurance.Offer **bulk-order discounts and long-term contracts** to retain restaurants.
* Use **AI-driven demand forecasting**: Predict restaurant inventory needs in advance to **reduce waste and avoid stock shortages.**
* Zomato’s Hyperpure (B2B supply) is outpacing food delivery, **meaning it should be focused**. However, service revenue **must stabilize to avoid overdependence on goods sales.**
* **Hyperpure should be Zomato’s core focus, but food delivery must remain stable. A well-balanced portfolio will reduce dependency on just one revenue stream**

1. **Service Revenue Recovery After 2021 Dip**

* In 2021, service revenue declined by -18.79%, but then **showed strong growth: 108.60% (2022), 55.44% (2023), 60.78% (2024).**
* This suggests that Zomato faced challenges in 2021 (possibly due to COVID-19) but **successfully bounced back with increased demand in later years**
* However, service revenue growth is much lower than goods revenue, showing that food delivery may not be Zomato’s only strong growth driver.

**Recommendations for Zomato Considering These insights:**

* Strengthening Customer Retention: The dip in service revenue in 2021 indicates a loss in user engagement. Zomato should focus on customer **loyalty programs, personalized discounts, and subscription models like Zomato Gold to maintain a stable user base.**
* **Strengthen Delivery Partner Network** – Enhance incentives for delivery partners and optimize route planning to improve efficiency.
* **Zomato should aggressively monetize ads & subscriptions to strengthen "other revenue" streams.** This will help stabilize service revenue and make it less dependent on delivery commissions.

1. **Total Revenue Shows Strong Growth But Needs Stability**

* **Total revenue surged from ₹2,336 Cr (2020) to ₹12,114 Cr (2023) a 5x increase, but with volatility that threatens sustained growth.**
* This shows **rapid scaling**, but stability is a concern. The business should ensure **profitability and operational efficiency alongside growth**.
* **Growth is highly volatile**, with extreme fluctuations in service and goods revenue, indicating a need for a more **stable and predictable** revenue stream.

**Recommendations for Zomato Considering These insights:**

* Reduce Dependency on Discounts: Frequent discounts may attract customers but harm profitability. **A more data-driven, personalized discounting strategy will help balance user retention with stable revenue.**
* Strengthen Alternative Revenue Streams: To stabilize revenue, **Zomato should monetize advertising more effectively, introduce premium restaurant listings, and optimize Hyperpure profitability** rather than relying heavily on commission-based earnings.
* **Revenue fluctuations must be controlled—focus on sustainable growth instead of chasing high percentage increases each year.** Rapid spikes followed by declines indicate instability, which must be addressed.

### **Shrinking Yearly Revenue Change (Slowdown?)**

* 2021 → 2022: ₹2,191 Cr increase  
   2022 → 2023: ₹2,884 Cr increase  
   2023 → 2024: ₹5,035 Cr increase
* The gap is **widening, but the percentage growth rate is declining** (earlier years saw higher percentage jumps).
* **Hyperpure's rapid growth compensates for this**, but it may not be sustainable in the long run without continuous innovation and expansion.

### **5. Seasonal or Economic Impact?**

* **Sharp drop in revenue in 2021 (pandemic impact)** suggests sensitivity to external factors.
* 2022 onward, high growth means post-pandemic recovery
* **Future risk:** If another crisis hits (recession, regulatory issues), Zomato’s revenue could take another major hit.
* The post-pandemic recovery (2022-2024) was strong, but **future disruptions like inflation, consumer spending slowdowns, or new government policies could impact revenue again.**

**Recommendations for Zomato Considering These insights:**

* Zomato should hedge risks by diversifying income sources and focusing on long-term partnerships **(e.g., corporate meal plans, government contracts) to avoid overdependence on consumers.**
* **Strengthen Off-Peak Demand Strategies**: Seasonal variations can impact revenue. Implementing special pricing during **off-peak hours, festive season-specific promotions, and limited-time exclusive partnerships with high-demand restaurants can help maintain steady sales.**
* **International expansion could be a next big move, targeting Southeast Asia, where online food delivery is still growing rapidly.** Expanding into new markets can offset stagnation in existing ones.
* While absolute revenue is growing, the **rate of growth is slowing down**. This suggests market saturation or competition pressure.
* **Enhancing AI & Automation:** A slowdown often signals saturation. Zomato should **leverage AI-driven recommendations, predictive analytics, and automation** to improve operational efficiency

**Page 2 (spreadsheet reference)**

**Zomato’s profit and loss analysis over years:**

1. **Trend Analysis:**

**Revenue Growth**

* FY 2020 to FY 2021: Revenue decreased. This could be due to the impact of the pandemic.
* FY 2021 to FY 2024: Massive and consistent growth. This shows **strong market expansion.or increased customer orders**
* A **418.5% increase** indicates that the company has more than **quadrupled its operational revenue**.

**Expense Growth**

* Expenses also rose significantly, but the rate of increase was lower than revenue growth until FY 2024, showing **increasing efficiency until that year.**
* Indicates **cost control and revenue scaling finally balancing out.**

**Profitability**

* Consistent losses until FY 2024, when the company turned profitable. This is a dramatic shift.
* The trend of reduced losses year over year before FY 2024 is also important.

**Other Income and Exceptional Items**

* Huge jump from **₹124.6 Cr (FY21) to ₹494.9 Cr (FY22)** and then **₹847 Cr (FY24)**.
* Suggests investments, asset sales, or financial activities contributing to revenue.
* The large fluctuations in exceptional Items indicate significant events

***Recommendations for Zomato Considering These insights:***

* **Diversify Revenue Streams:** While food delivery is core, explore adjacent services (e.g., grocery delivery, restaurant supplies, loyalty programs) to mitigate risks and enhance revenue stability.
* **Market Penetration:** Continue to expand into tier-2 and tier-3 cities and upcoming industrial hubs in India, and also improve international market share.
* **Focus on customer retention:** Growing new customers is important, but retaining existing customers is much more cost effective. Implement loyalty programs, and improve customer service
* **Strengthen Recurring Revenue Streams** – Instead of depending on fluctuating ‘other income,’ Zomato should boost **subscription models (Zomato Gold, Intercity food delivery, B2B services like Hyperpure)** to maintain stable cash flow.

1. **Margin Analysis:**

* **Gross Profit Margin analysis:**

| **Gross Profit Margin** |
| --- |
| 2020 - 95.29% |
| 2021 - 90.38% |
| 2022 - 87.49% |
| 2023 - 80.29% |
| 2024 - 76.21% |

* The consistent decline in **Gross Profit Margin** over the five years is a clear indication that the direct costs associated with Zomato's core operations are increasing at a faster rate than its revenue growth.
* This trend raises concerns about the **long-term sustainability** of Zomato's profitability.
* This could be due to factors such as:Rising food and packaging costs.,Increased delivery costs, E**xpansion into regions with higher operational expense**

**Net Profit Margin Analysis:**

| **Net Profit Margin** |
| --- |
| 2020 - (104.91%) |
| 2021 - (40.95%) |
| 2022 - (29.16%) |
| 2023 - (13.70%) |
| 2024 - 1.91% |

**(Mirrors the operating margin trend, with a positive net profit margin in FY 2024)**

* Zomato has significantly improved its margin from deep losses to profitability in FY24.
* Net profitability was finally achieved in FY24, but the **margin is still very thin (1.9%), making Zomato vulnerable to economic downturns.**

**Recommendations for Zomato Considering These insights:**

***(Gross margin analysis recommendations)***

* **Aggressively renegotiate contracts** with suppliers to secure better pricing.
* **Implement rigorous inventory managemen**t practices to minimize waste.
* Conduct detailed **menu engineering** to identify and optimize high-cost items.
* Implement a robust **expense tracking system** to categorize and analyze all components of "Other Expenses."
* Conduct **regular audits** to identify and eliminate unnecessary spending.

***(Net margin analysis recommendations)***

* **Use data analytics** to pinpoint cost drivers and optimize resource allocation.
* **Cost Optimization:** Conduct a detailed analysis of all cost components to identify areas for reduction.
* **Pricing Strategy:** Evaluate pricing models to ensure they are competitive yet profitable.
* **Operational Efficiency:** Streamline delivery operations, optimize logistics, and leverage technology to reduce costs.
* **Negotiate with suppliers:** If applicable, improve the cost of goods sold by negotiating better rates with suppliers.

1. **Expense Analysis:**

**Employee Benefits:**

* Increased from ₹621 Cr (FY20) → ₹1,659 Cr (FY24).
* Indicates business expansion & talent acquisition but is controlled relative to revenue.

**Finance Costs:**

* Increased significantly in recent years.
* More debt taken.

**Depreciation & Amortization:**

* Increased from ₹74 Cr (FY20) to ₹526 Cr (FY24).
* Indicates higher asset base & technology investments.

**Total Expenses:**

* Increased proportionally with revenue, but cost control improved in FY24

**Taxation & Deferred Tax Impact:**

* Negative current tax in some years suggests adjustments in prior tax provisions or benefits from tax incentives.
* Deferred tax adjustments in FY 2023 & FY 2024 (-₹44 Cr & -₹61 Cr) indicate changes in future tax liability calculations.

**Recommendations for Zomato Considering These insights:**

* Debt Management: Evaluate the debt structure, consider refinancing options, and explore equity financing to r**educe reliance on debt**.
* Vendor Management: **Negotiate better terms with vendors** and explore **alternative sourcing options.**
* Marketing Efficiency: Analyze the effectiveness of marketing spend and **optimize campaigns for better ROI**.
* Detailed Expense Breakdown: **Implement a robust expense tracking system** to categorize and analyze "Other Expenses."
* Optimize Workforce Productivity – **Instead of large hiring spikes, focus on automation**, AI-powered customer service, and lean operational teams to **control employee costs.**

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**PROFIT AND LOSS ACCOUNT COMPARATIVE ANALYSIS (last four years)**

***Key Observations & Insights:***

**Revenue Growth & Market Expansion**

* Zomato’s revenue from operations has grown from ₹1,994 Cr in FY 2021 to ₹12,114 Cr in FY 2024, showing strong expansion.
* Swiggy’s revenue has also increased significantly from ₹2,546.9 Cr in FY 2021 to ₹12,147.39 Cr in FY 2024, keeping pace with Zomato.
* Both companies have scaled aggressively, but Swiggy’s revenue is slightly ahead in FY 2024, indicating intense competition.

**Profitability Challenges & Heavy Losses**

* Zomato’s losses have **narrowed down**, improving from **-₹816 Cr in FY 2021 to a positive ₹231 Cr in FY 2024**.
* Swiggy, on the other hand, **continues to face deep losses**, standing at **-₹2,289.16 Cr in FY 2024**, despite revenue growth.
* The stark contrast in profitability suggests Zomato is implementing cost controls and operational efficiencies better than Swiggy.

**Cost Management & Expense Breakdown**

* **Total expenses** for both companies have surged significantly as they scale up operations.
* Zomato’s expenses grew from **₹2,609 Cr in FY 2021 to ₹12,670 Cr in FY 2024**, while Swiggy’s increased from **₹4,101.5 Cr to ₹13,886.301 Cr** in the same period.
* Swiggy’s higher losses can be attributed to its **larger spending on operations, marketing, and logistics**, leading to higher financial strain

**Other Income Contribution**

* Zomato's **other income has grown from ₹124.6 Cr in FY 2021 to ₹847 Cr in FY 2024**, possibly from investments or financial activities
* Swiggy’s **other income is lower, around ₹386.359 Cr in FY 2024**, indicating it is not leveraging financial investments as effectively as Zomato.

**Exceptional Items & One-Time Costs**

* Both companies have experienced **one-time exceptional costs**, impacting profitability in certain years.
* Swiggy had a huge **-₹9,256 Cr exceptional item in FY 2023**, worsening its financial position.
* Zomato seems to have better controlled one-time costs, further improving its bottom line.

***Points:***

* ***Zomato is on the path to profitability, whereas Swiggy is still incurring heavy losses.***
* ***Swiggy is spending aggressively, but it needs to focus on cost optimization like Zomato.***
* ***Revenue growth is strong for both, but only Zomato has turned profitable in FY 2024.***
* ***Zomato’s financial discipline is paying off, making it a more stable investment option than Swiggy.***

**How Zomato Can Maintain Its Lead Over Swiggy**

**Cost Discipline & Profitability Focus**

* Zomato has successfully controlled expenses while scaling revenue. **It must continue optimizing costs in logistics, marketing, and delivery operations.**
* Avoid unnecessary discounting wars and **focus on increasing average order value (AOV) and repeat customers.**

**Monetization of Subscription Plans (Zomato Gold)**

* Zomato Gold has been a **profitable loyalty program**, driving customer retention and increasing order frequency.
* Keep refining it with **exclusive benefits for premium users without hurting margins.**

**Investment in B2B (Hyperpure Business Model)**

* Hyperpure (Zomato’s restaurant supply business) has improved **gross margins and reduced dependency on food delivery revenue alone**.
* Continue **expanding Hyperpure across Tier 2, Tier 3 cities and central hubs like Madhya pradesh** to solidify its presence in the restaurant ecosystem.

**AI & Data-Driven Customer Engagement**

* Zomato’s **AI-powered delivery time estimation and restaurant recommendations have enhanced user experience.**
* Keep improving **personalized offers and engagement strategies to retain high-value customers.**

#### ***What Zomato Should Improve to Stay Ahead:***

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#### **Expand Quick Commerce with Profitability Focus**

* Blinkit is a **high-growth vertical,** but it needs better cost management. **Optimize delivery logistics and reduce losses in the quick commerce segment.**
* Compete effectively with Swiggy Instamart without **excessive cash burn**

**Strengthen Restaurant Partnerships & Commission Models**

* Increase commissions **without alienating restaurants**, offering better value in return (analytics, ads, premium placements).
* Provide **financial solutions (loans, credit facilities) to restaurant partners** to deepen their dependence on Zomato.

**Tier 2 & Tier 3 Expansion Strategy**

* The next wave of growth will come from **smaller cities**, where Swiggy might try to capture market share.
* Focus on **localized marketing, affordable delivery pricing, and onboarding regional food brands**.

**Improve Delivery Fleet Efficiency & Reduce Cancellations**

* Leverage **AI-powered route optimization and real-time tracking** to reduce delivery costs and waiting times.
* Offer **incentives for consistent delivery partners** while penalizing frequent cancellations or delays.

**Increase High-Margin Revenue Streams (Cloud Kitchens & Ad Monetization)**

* Invest in **Zomato-branded cloud kitchens** for exclusive, high-margin food delivery options.
* Expand **in-app advertising for restaurants**, making it a bigger revenue contributor

**Page 3 (spreadsheet reference)**

**Cash flow statement analysis over years:**

**Improvement in Operating Cash Flow (CFO)**

* Zomato has significantly reduced its operating cash losses from **₹-2,073 Cr (FY 2020) to ₹646 Cr positive (FY 2024).**
* This indicates better **cost control, improved revenue streams, and higher operational efficiency.**
* The first positive operating cash flow in FY 2024 suggests that Zomato’s core business (food delivery & quick commerce) is **now self-sustaining.**

**Heavy Investment Outflows (CFI)**

* FY 2021 & FY 2022 saw massive investment outflows (₹-5,243 Cr & ₹-7,937 Cr, respectively), likely **due to Blinkit acquisition, cloud kitchen investments, and infrastructure expansion.**
* By FY 2023 & FY 2024, investment outflows reduced significantly, indicating that major expansions/acquisitions were completed earlier.
* However, in FY 2024, ₹-347 Cr was **still spent on investments, suggesting ongoing but controlled capital expenditures**

**Fluctuating Financing Cash Flow (CFF)**

* Zomato raised substantial funds in FY 2021 (₹6,401 Cr) & FY 2022 (₹8,749 Cr), **likely from IPOs and equity issuances.**
* However, in FY 2023 & FY 2024, financing activity turned negative (₹-127 Cr & ₹-207 Cr)**, indicating repayments, share buybacks, or reduced reliance on external funding.**

**Cash Reserves Stabilizing**

* Despite past losses, Zomato has maintained a **steady cash balance**, ending FY 2024 with ₹309 Cr in cash reserves.
* This shows bette**r financial discipline and reduced dependency on external funding.**

### **Concerns & Areas to Watch:**

* **Sustainability of Positive Cash Flow:**
  + While FY 2024 shows positive operating cash flow, Zomato needs to **sustain this trend without relying on cost-cutting alone.**
  + The company should focus on **improving per-order profitability and reducing marketing & discount expenses.**
* **Investment Strategy for Future Growth:**
  + After heavy investments in FY 2021 & FY 2022, the company has slowed down its CAPEX.
  + It needs to strategically **reinvest in high-growth areas like Blinkit & Hyperpure** to ensure long-term scalability.
* **Potential for Dividend or Share Buybacks:**
  + With positive cash flow & a stable cash position, Zomato can start exploring share buybacks or potential **dividends to reward investor**s.

### **Recommendations & Growth Strategies:**

**Continue Strengthening Operational Efficiency**

* + Focus on AI-driven demand forecasting, optimizing delivery routes, and expanding cloud kitchens to further improve cash flows.

**Expand Quick Commerce (Blinkit) & B2B (Hyperpure)**

* + These segments can increase revenue without heavy discounting, improving profitability.

**Monetization of User Base**

* + Increase focus on subscription models (Zomato Gold, Blinkit loyalty programs) to drive recurring revenue.

**Reduce Dependence on Financing & Improve Free Cash Flow**

* + Future expansions should be funded through internal cash flows instead of raising debt/equity.

**Explore International Expansion**

* + Consider entering Southeast Asian & Middle Eastern markets with strategic partnerships.

**Runway calculation shows without fresh funding or revenue growth**,

* + Zomato had only 3 months of cash left in FY 2023. But since FY 2024 turned positive, the company is now in a stronger financial position.

### **Summary**

#### **Revenue Analysis and Strategy**

Zomato has shifted its focus from being a food delivery platform to a more diversified business model with **Hyperpure (B2B supply)** experiencing rapid growth. This move is helping reduce reliance on food delivery. However, while total revenue has surged 5x from 2020 to 2023, **volatility remains a concern**. Service revenue rebounded after a sharp dip in 2021, likely due to the pandemic, but its growth rate lags behind Hyperpure.

To stabilize revenue, **Zomato should focus on warehouse expansion, AI-driven demand forecasting, and strategic partnerships with suppliers.** Additionally, it must **reduce dependency on discounts** and **monetize advertising and premium listings** to maintain sustainable growth.

#### **Profit and Loss Analysis**

Zomato has seen **a 418.5% revenue increase from FY 2021 to FY 2024**, but expenses have also grown. The **company turned profitable in FY 2024** after years of losses, with net profit margins improving from **(104.91%) in 2020 to 1.91% in 2024**. The decline in gross profit margin suggests **rising delivery and operational costs**.

To enhance margins, **Zomato should renegotiate supplier contracts, implement strict expense controls, and optimize delivery operations.** Net profitability remains thin, so **subscription-based revenue (Zomato Gold, Intercity food delivery, etc.) should be prioritized for stability.**

#### **Comparative Analysis with Swiggy**

While both **Zomato and Swiggy** have seen significant revenue growth, **Zomato has achieved profitability, whereas Swiggy continues to report heavy losses.** Swiggy's expenses are significantly higher, leading to deeper financial strain.

To maintain its edge, **Zomato must continue cost discipline, optimize logistics, and enhance its subscription models.** Expanding **Hyperpure into smaller cities** and **leveraging AI-driven customer engagement** will further strengthen its position.

#### **Cash Flow Statement Analysis**

Zomato’s **operating cash flow turned positive in FY 2024**, indicating improved financial health. However, past years saw heavy **investment outflows** due to acquisitions (e.g., Blinkit) and infrastructure expansion. **Cash reserves are now stabilizing, but sustaining profitability remains crucial.**

The focus should be on **sustainable per-order profitability**, **strategic reinvestments**, and **cost-efficient expansion into new markets.**

#### **Key Recommendations**

1. **Hyperpure Expansion:** Continue focusing on **B2B supply growth** while stabilizing food delivery revenue.
2. **Customer Retention:** Strengthen **loyalty programs, subscriptions (Zomato Gold), and personalized discounts.**
3. **Revenue Diversification:** Reduce reliance on delivery commissions by **monetizing advertising, premium restaurant listings, and subscription services.**
4. **Cost Optimization:** Improve **logistics, supplier negotiations, and AI-driven efficiency measures.**
5. **Expansion Strategy:** Focus on **Tier 2 & 3 cities, international markets, and quick commerce (Blinkit) while ensuring profitability.**

By implementing these strategies, Zomato can maintain **strong financial growth, reduce volatility, and stay ahead of competitors like Swiggy.**