FINANCIAL STATEMENTS & BUSINESS MODEL ANALYSIS

ZOMATO LIMITED (now ETERNAL LIMITED)

Prepared By: Ayush Singh

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Company: Zomato Limited (NSE: ZOMATO | BSE: 543320)

Sector: Food Delivery, Quick Commerce & B2B Supplies

Financial Statements of Zomato (Last 3 Years)

EXECUTIVE SUMMARY

Zomato Limited, India's leading food delivery and quick commerce platform, has demonstrated a remarkable financial turnaround over the past three years. The company transitioned from a loss-making entity to achieving robust profitability, with PAT growing from ₹117 Cr (FY23) to ₹1,960 Cr (FY25) - a 1,576% increase. Revenue expanded at a CAGR of 35.4%, while the company successfully achieved operational breakeven and sustained positive cash generation.

Key Highlights:

- Revenue growth: ₹4,707 Cr (FY23) → ₹8,617 Cr (FY25) | 83% growth
- EBITDA turned positive: From near-breakeven to ₹2,298 Cr in FY25
- Strong balance sheet with ₹34,115 Cr total equity
- Cash position improved significantly: ₹431 Cr cash + ₹1,368 Cr bank balances
- Minimal debt with Debt/Equity ratio of 0.005

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1. COMPANY OVERVIEW

Industry & Sector

Industry: Online Food Delivery & Quick Commerce (FMCG/IT-Enabled Services)
Sector: Consumer Internet | Platform Economy
Listed: NSE/BSE | CIN: L93030DL2010PLC198141

Business Model - How Zomato Makes Money

Zomato operates a multi-sided platform connecting restaurants, customers, and delivery partners. The company recently rebranded to **"Eternal Limited"** (FY25) to reflect its expanding ecosystem beyond food delivery. Zomato Limited is India's leading food delivery and quick commerce platform that has successfully transformed from a loss-making startup to a profitable technology company. This report analyzes Zomato's financial performance across FY23-FY25, revealing a remarkable turnaround story marked by achieving first-ever profitability in FY24 after years of strategic investments.

Primary Revenue Streams:

1. **Food Delivery (Core Business)**
    - **Commission** from restaurant partners (18-25% of order value)
    - **Delivery charges** from customers
    - **Advertising revenue** from restaurants
    - **Zomato Gold subscription fees**

2. **Blinkit (Quick Commerce)**
    - Acquired and integrated into operations
    - 10-minute grocery & essential delivery
    - High-frequency, low-ticket-size orders
    - Growing contribution to overall revenue
3. **Hyperpure (B2B Supply Chain)**
    - Supply of ingredients to restaurants
    - Higher margins, strengthens restaurant relationships
4. **Going-Out (Dining)**
    - Restaurant reservations
    - Event ticketing
    - Expanding into experiences

Cost Drivers

Key Expense Categories:

- **Delivery & Operations:** Rider payouts, logistics costs (largest component)
- **Marketing & Promotions:** Customer acquisition and retention
- **Technology & Cloud Infrastructure:** Platform maintenance, app development
- **Employee Costs:** Tech talent, operations teams (₹1,266 Cr in FY25)
- **Payment Gateway Charges:** Transaction processing fees

Geographic Presence

- **Primary Market:** India (500+ cities)
- **International:** Previously in UAE, exited to focus on India
- **Headquarters:** Gurugram, Haryana

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2. FINANCIAL STATEMENTS BREAKDOWN (3-YEAR ANALYSIS)

2.1 PROFIT & LOSS STATEMENT ANALYSIS

Revenue Growth Trajectory

Particulars (₹ Cr)	FY23	FY24	FY25	YoY Growth (FY25)
Revenue from Operations	4,707	6,622	8,617	30.1%
Other Income	800	920	1,260	37.0%
Total Income	**5,507**	**7,542**	**9,877**	**31.0%**

Analysis:

- Core revenue grew 83% over 3 years (CAGR: 35.4%)
- FY25 growth moderated to 30.1% from 40.7% in FY24, indicating market maturation
- Other income increased significantly due to treasury income from surplus cash deployment

Expense Structure Evolution

Expense Category (₹ Cr)	FY23	FY24	FY25	% of Revenue FY25
Employee Benefits	1,117	965	1,266	14.7%
Other Expenses	4,116	5,070	6,297	73.1%
Depreciation & Amortization	140	73	97	1.1%
Finance Costs	16	18	16	0.2%
Total Expenses	**5,390**	**6,131**	**7,676**	**89.1%**

Key Observations:

- Other Expenses (primarily delivery & marketing) consume 73% of revenue
- Employee costs declining as % of revenue: 23.7% (FY23) → 14.7% (FY25)
- Minimal finance costs indicate low leverage
- Expenses growing slower than revenue = improving unit economics

Profitability Transformation

Profitability Metrics (₹ Cr)	FY23	FY24	FY25
EBITDA	257	1,484	2,298
EBITDA Margin %	5.5%	22.4%	26.7%
PBT	117	1,372	2,190
Tax	0	1	230
PAT	**117**	**1,371**	**1,960**
PAT Margin %	**2.5%**	**20.7%**	**22.7%**

Critical Insight: Zomato achieved operating leverage with EBITDA margins expanding from 5.5% to 26.7% in just 2 years - a hallmark of successful platform businesses reaching scale.

2.2 BALANCE SHEET ANALYSIS

Asset Composition

Assets (₹ Cr)	FY23	FY24	FY25	Growth
Non-Current Assets	13,183	20,778	29,540	124%
- Investments	8,862	18,445	24,431	176%
- Goodwill	1,209	1,209	1,209	0%
- Other Financial Assets	1,863	717	2,636	41%
Current Assets	8,744	3,547	6,311	-28%
- Investments	3,832	927	1,442	-62%
- Cash & Bank Balances	399	459	1,799	351%
- Trade Receivables	62	69	112	81%
Total Assets	**21,927**	**24,325**	**35,851**	**64%**

Key Insights:

- Total assets grew 64% to ₹35,851 Cr, driven by strategic investments in subsidiaries (Blinkit, Hyperpure)
- Cash & liquid investments: ₹3,240 Cr (₹431 Cr cash + ₹1,368 Cr bank + ₹1,442 Cr investments)

- Non-current investments jumped to ₹24,431 Cr - primarily equity in subsidiaries
- Asset-light operational model with minimal PPE (₹86 Cr)

Equity & Liabilities Structure

Particulars (₹ Cr)	FY23	FY24	FY25
Equity Share Capital	836	868	907
Other Equity	19,970	21,907	33,208
Total Equity	**20,806**	**22,775**	**34,115**
Total Liabilities	**1,121**	**1,550**	**1,736**
- Non-Current Liabilities	183	156	204
- Current Liabilities	938	1,394	1,532

Financial Strength:

- Equity surged 64% driven by profitability and QIP fundraise (₹8,466 Cr in FY25)
- Debt-free balance sheet with only ₹173 Cr lease liabilities
- Liabilities constitute only 4.8% of total capital - extremely conservative

2.3 CASH FLOW STATEMENT ANALYSIS

Cash Flow (₹ Cr)	FY23	FY24	FY25
Operating Activities	224	1,379	1,614
Investing Activities	(382)	(1,301)	(9,752)
Financing Activities	(14)	(20)	8,388
Net Change in Cash	(172)	58	250
Closing Cash Balance	123	181	431

Analysis:

- **Operating Cash Flow:** Consistently positive and growing (₹224 Cr → ₹1,614 Cr)
- **Investing:** Heavy investments in subsidiaries (₹5,442 Cr in FY25) and treasury management
- **Financing:** Major QIP fundraise of ₹8,501 Cr in FY25 strengthened balance sheet
- Free Cash Flow turned strongly positive, enabling self-sustaining growth

3. KEY RATIO ANALYSIS

3.1 Liquidity Ratios

Ratio	FY23	FY24	FY25	Interpretation
Current Ratio	9.32	2.54	4.12	Excellent - highly liquid
Quick Ratio	9.32	2.54	4.12	Same as current (no inventory)
Cash Ratio	4.45	0.66	2.12	Strong immediate liquidity

What this means: Zomato maintains exceptional liquidity with ₹4.12 in current assets for every ₹1 of current liability. The company can easily meet short-term obligations and has ample buffer for investments or market downturns. The FY24 dip was due to cash deployment in investments, corrected in FY25.

3.2 Profitability Ratios

Ratio	FY23	FY24	FY25	Industry Benchmark
Gross Profit Margin	87.5%	87.6%	86.9%	Platform: 80-90%
EBITDA Margin	5.5%	22.4%	26.7%	Target: 20%+
Operating Profit Margin	2.5%	20.7%	25.5%	Mature: 15-25%
Net Profit Margin	2.5%	20.7%	22.7%	Breakeven to 20%
ROE (Return on Equity)	0.6%	6.2%	6.1%	Good: 15%+
ROA (Return on Assets)	0.5%	5.8%	6.4%	Platform: 5-10%
ROCE	0.6%	6.2%	6.5%	Good: 15%+

What this means:

- Zomato achieved "best-in-class" profitability for a young internet platform
- EBITDA margin of 26.7% demonstrates strong unit economics and pricing power
- ROE/ROA will improve as deployed capital generates returns from subsidiaries
- Gross margins stable despite growth, showing operational efficiency

3.3 Efficiency Ratios

Ratio	FY23	FY24	FY25	Interpretation
Asset Turnover	0.21x	0.28x	0.28x	Low due to investments
Fixed Asset Turnover	80.12x	106.8x	100.2x	Highly efficient
Receivables Turnover	75.92x	95.97x	76.92x	Excellent collection
Days Sales Outstanding	4.8 days	3.8 days	4.7 days	Very fast collection
Payables Turnover	11.32x	10.80x	11.89x	Managed well
Days Payable Outstanding	32 days	34 days	31 days	Balanced terms

What this means:

- Asset-light model reflected in high fixed asset turnover (100x+)
- Receivables collected in under 5 days - immediate settlement advantage
- Payables at 31 days provide working capital float
- Negative working capital cycle creates cash advantage

3.4 Leverage Ratios

Ratio	FY23	FY24	FY25	Safe Limit
Debt-to-Equity	0.008	0.007	0.005	<1.0
Debt-to-Assets	0.007	0.006	0.005	<0.5
Interest Coverage	7.31x	76.22x	137.0x	>3.0x
Debt Service Coverage	-	-	-	>1.5x

What this means:

- Virtually debt-free company with only lease obligations
- Interest coverage of 137x = negligible financial risk
- Equity-funded growth model reduces financial distress risk
- Can easily raise debt if needed for growth

4. COST STRUCTURE & MARGIN ANALYSIS

Fixed vs Variable Cost Analysis

Cost Type (₹ Cr)	FY23	FY24	FY25	Nature
Fixed Costs				
Employee Benefits	1,117	965	1,266	Semi-fixed
Technology & Cloud	~200	~250	~300	Fixed
Office & Admin	~150	~180	~220	Fixed
Est. Total Fixed	**~1,467**	**~1,395**	**~1,786**	**20.7% of revenue**
Variable Costs				
Delivery Partner Payouts	~2,800	~3,500	~4,300	Highly variable
Payment Gateway Fees	~95	~130	~170	Variable
Marketing & Discounts	~900	~1,200	~1,500	Variable
Est. Total Variable	**~3,795**	**~4,830**	**~5,970**	**69.3% of revenue**

Observations:

- High operational leverage: 69% variable costs allow margin expansion with scale
- Fixed costs declining as % of revenue: 31% (FY23) → 21% (FY25)
- Every additional order contributes significantly to bottom line once fixed costs covered

Margin Expansion Journey

Metric	FY23	FY24	FY25	Change
Gross Margin	87.5%	87.6%	86.9%	Stable
EBITDA Margin	5.5%	22.4%	26.7%	+21.2pp
EBIT Margin	2.5%	21.3%	25.6%	+23.1pp
Net Margin	2.5%	20.7%	22.7%	+20.2pp

Key Reasons for Margin Expansion:

1. **Scale Economics:** Spread of fixed costs over larger revenue base
2. **Improved Unit Economics:** Better delivery efficiency, optimized rider allocation
3. **Reduced Discounting:** Moving from growth to profitability focus
4. **Mix Improvement:** Higher-margin quick commerce contribution
5. **Technology Leverage:** AI/ML improving route optimization, reducing delivery time/cost

Contraction Risks:

- Competitive pressure from Swiggy, Zepto in quick commerce
- Potential regulatory intervention on gig worker costs
- Increased customer acquisition costs in Tier 2/3 cities

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5. WORKING CAPITAL ANALYSIS

Working Capital Components

Particulars (₹ Cr)	**FY23**	**FY24**	**FY25**
Current Assets	8,744	3,547	6,311
Receivables	62	69	112
Inventory	0	0	0
Cash & Investments	4,231	1,386	3,241
Other Current Assets	4,451	2,092	2,958
Current Liabilities	938	1,394	1,532
Trade Payables	366	481	529
Other Current Liabilities	572	913	1,003
Working Capital	**7,806**	**2,153**	**4,779**
WC as % of Revenue	**165.8%**	**32.5%**	**55.5%**

Cash Conversion Cycle

Component	FY23	FY24	FY25
Days Inventory Outstanding (DIO)	0	0	0
Days Sales Outstanding (DSO)	4.8	3.8	4.7
Days Payables Outstanding (DPO)	32.3	33.8	30.7
Cash Conversion Cycle	**-27.5**	**-30.0**	**-26.0**

What this means:

- **Negative CCC:** Zomato receives cash from customers before paying suppliers - a massive advantage
- Zero inventory model (digital platform)
- Gets paid by customers in ~5 days
- Pays restaurants in ~31 days
- Creates 26 days of "free financing" = working capital float

Working Capital Efficiency:

- Platform business model generates cash naturally
- No inventory or long receivables means minimal working capital needs
- Excess cash deployed in treasury investments earning 6-7% returns
- Negative working capital improved from -27 to -26 days (slight moderation due to faster restaurant settlements for relationship building)

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6. TAX & ACCOUNTING OBSERVATIONS

Effective Tax Rate Analysis

Tax Metrics (₹ Cr)	**FY23**	**FY24**	**FY25**
Profit Before Tax	117	1,372	2,190
Current Tax	0	1	230
Deferred Tax	0	0	0
Total Tax	**0**	**1**	**230**
Effective Tax Rate	**0%**	**0.1%**	**10.5%**

Statutory Rate: 25.17% (for companies opting for concessional regime)

Why Low Tax Rate?

1. **Loss Carry-Forward:** Historical accumulated losses (~₹6,000+ Cr) available for set-off
2. **MAT Credit:** Minimum Alternate Tax credits from previous years
3. **Tax Holidays:** Potential benefits on R&D, software exports
4. **Investment Allowances:** Capital expenditure in technology

FY25 Analysis:

- ETR jumped to 10.5% as losses get exhausted
- Still below statutory rate due to remaining MAT credits
- Expected to normalize to 22-25% in FY26-27

Deferred Tax Position

Particulars (₹ Cr)	**FY24**	**FY25**
Deferred Tax Liability	0	47
Deferred Tax Asset	0	0
Net Position	**0**	**47**

Implications:

- DTL created on timing differences (likely depreciation, amortization)

- Minimal impact given company's profitability

Key Accounting Policies

Revenue Recognition:

- Commission revenue recognized net of discounts/incentives
- Delivery charges recognized on delivery completion
- Subscription revenue amortized over membership period

Investment Accounting:

- Subsidiaries at cost in standalone books
- Fair value through OCI for strategic investments
- FVTPL for mutual funds/debt instruments

Share-Based Payments:

- Large ESOP expense: ₹380 Cr (FY25)
- Allocated to subsidiaries: ₹418 Cr
- Significant compensation tool for talent retention

Red Flags / Insights from Notes:

✅ **Positive:**

- Clean audit opinion from Deloitte
- No qualifications or emphasis of matter
- Related party transactions appear at arm's length

⚠️ **Watch Areas:**

- Provision for investment impairment: ₹11 Cr (FY25), ₹39 Cr (FY24)
- High other financial assets (₹5,389 Cr) - needs monitoring for recoverability
- Contingent liabilities not detailed in provided statements

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7. MANAGEMENT COMMENTARY & RISKS

Key Strategic Initiatives (Based on Performance)

1. **Quick Commerce Dominance via Blinkit**
   - Investment of ₹5,442 Cr in subsidiaries (primarily Blinkit)
   - Expanding dark store network
   - Targeting 10-minute delivery across categories
2. **Profitability over Growth**
   - Reduced cash burn significantly
   - Focus on sustainable unit economics
   - Rationalized discounts and promotions
3. **Going-Out Business**
   - Dining reservations, events, experiences
   - Higher margins than food delivery
   - Customer stickiness benefits
4. **Hyperpure Expansion**
   - B2B supply chain strengthening
   - Vertical integration benefits

Business Risks

Competition Risk HIGH

- **Threat:** Swiggy (well-funded competitor), Zepto (quick commerce), Amazon (potential entry)
- **Impact:** Margin pressure, customer acquisition costs
- **Mitigation:** Scale advantages, brand loyalty, network effects

Regulatory Risk MEDIUM

- **Threat:** Gig worker classification, minimum wage mandates, data protection laws
- **Impact:** Cost structure changes, compliance expenses
- **Mitigation:** Proactive engagement with government, flexible business model

Unit Economics Risk MEDIUM

- **Threat:** Inability to maintain profitability as growth moderates
- **Impact:** Margin compression, investor confidence loss
- **Mitigation:** Diversification (quick commerce, dining), technology optimization

Customer Concentration LOW

- **Threat:** Top 10-20 cities driving majority revenue
- **Impact:** Vulnerability to local competition
- **Mitigation:** Tier 2/3 expansion, product diversification

Technology Disruption MEDIUM

- **Threat:** Drone delivery, autonomous vehicles, direct D2C models by restaurants
- **Impact:** Disintermediation risk
- **Mitigation:** Continuous innovation, value-add services beyond delivery

Industry Risks

1. **Market Saturation:** Indian food delivery penetration reaching maturity in metro cities
2. **Inflation:** Rising food costs impacting order values and frequency
3. **Consolidation:** Potential M&A activity changing competitive landscape
4. **Funding Winter:** Limited access to growth capital for competitors benefits Zomato

Financial Risks

Liquidity Risk WELL MANAGED

- Strong cash position (₹3,240 Cr liquid assets)
- Operating cash flow positive
- No debt refinancing needs

Currency Risk MINIMAL

- Primarily INR operations
- Limited forex exposure

Interest Rate Risk LOW

- Debt-free, hence no interest rate sensitivity
- Treasury investments benefit from rate hikes

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8. FINAL PROFESSIONAL VIEW

Is the Business Financially Healthy? YES

Overall Rating: 8.5/10

Rationale: Zomato has successfully executed one of the most impressive turnarounds in Indian startup history. The company transformed from a cash-burning growth story to a profitable, cash-generative business while maintaining market leadership. The balance sheet is fortress-like with minimal leverage, strong liquidity, and strategic investments positioned for future growth.

Key Strengths

1. **Market Leadership** - #1 in food delivery with 50%+ market share
2. **Profitability** - Sustained positive unit economics across core business
3. **Balance Sheet** - Virtually debt-free with ₹34,115 Cr equity
4. **Cash Generation** - Strong operating cash flows (₹1,614 Cr in FY25)
5. **Strategic Assets** - Blinkit, Hyperpure create ecosystem advantage
6. **Network Effects** - Platform benefits from scale in both supply and demand
7. **Technology Moat** - AI/ML-driven logistics optimization
8. **Brand Equity** - Zomato brand has strong recall and trust

Key Weaknesses

1. **ROE Below Target** - At 6.1%, needs to reach 15%+ for mature profitability
2. **Capital Deployment** - Large investments (₹24,431 Cr) yet to generate full returns
3. **Revenue Growth Moderation** - 30% YoY in FY25 vs 40%+ earlier
4. **Competition Intensity** - Swiggy's IPO and Zepto's aggression in quick commerce
5. **Geographic Concentration** - Over-reliance on metro cities
6. **Regulatory Uncertainty** - Gig economy regulations could impact costs
7. **Negative Retained Earnings** - (₹1,412 Cr) due to historical losses

One Strategic Improvement Suggestion

Recommendation: Accelerate "Going-Out" Business & Create Super-App Ecosystem

Why:

- Food delivery is maturing with slower growth potential
- Going-Out (dining, events, experiences) has higher margins (30-40% vs 20-25%)

- Creates deeper customer engagement beyond transactions
- Leverages existing brand and customer base
- Lower competition compared to delivery
- Builds defensibility through lifestyle integration

Implementation:

- Invest ₹500-1,000 Cr over 2 years in:
    - Partnership with premium restaurants and event venues
    - Technology for seamless booking and payments
    - Curated experiences and exclusive access
    - Marketing to position Zomato as "lifestyle destination"
- Target 20% of revenue from Going-Out by FY27
- Expected ROCE improvement from diversified high-margin revenue

Expected Impact:

- Blended margin expansion to 30%+
- Reduced delivery-dependency risk
- Enhanced customer lifetime value
- Improved ROE to 15%+ range

CONCLUSION

Zomato stands at an inflection point - having achieved profitability and market leadership, the company must now focus on sustainable growth, capital efficiency, and strategic diversification. The financials demonstrate a healthy, well-managed business with significant upside potential. For investors and analysts, Zomato represents a rare combination of market dominance in a large addressable market, improving unit economics, and a fortress balance sheet - making it one of India's most compelling new-age business stories.

The transformation from a loss of ₹11,000 Cr (FY22) to a profit of ₹1,960 Cr (FY25) is a testament to management's execution capability and the power of platform economics at scale.
