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BUY Now, Feast Later: A Strategic Investment View on India's Food Delivery Sector.

Executive View

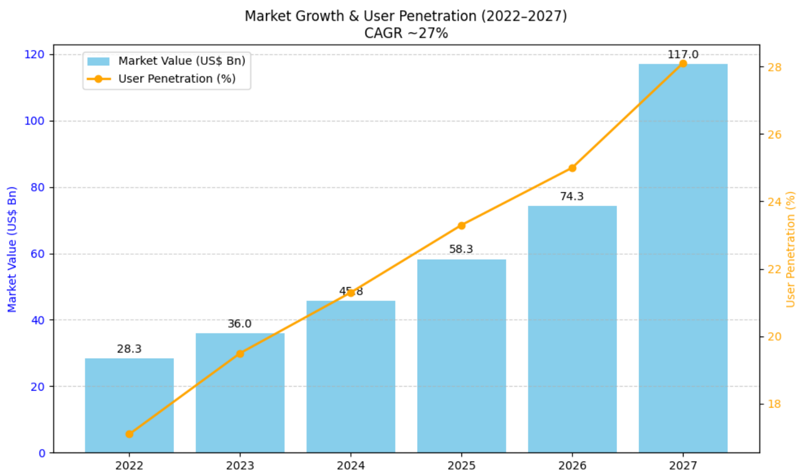
I recommend a BUY on India's food delivery sector, valued at US$ 28.3 billion in 2022, it is expected to grow at a CAGR of ~27% to around US$ 117 billion by 2028. User penetration in the Meal Delivery market will be at 23.3% in 2025. The key players — Zomato, Jubilant Foodworks, Devyani International, and Westlife Foodworld — are benefiting from India's growing digital infrastructure and evolving consumer behaviour. Despite the regulatory and operational risks, they are experiencing profitability through aggressive expansion and ecosystem integration strategies.

Introduction

India's food delivery market is growing at a fast pace. From a value of $28.3 billion in 2022, it is projected to touch $117 billion by 2028, expanding at a staggering CAGR of nearly 27%. This pace of growth is rare in any consumer-facing sector and represents a massive headroom for both penetration and profitability. With user penetration expected to hit 23.3% by 2025, we are still at the very start of this transformation.

India's over 800 million internet users and the widespread adoption of UPI have laid the groundwork for this surge. Smartphones and digital wallets have not only made food ordering seamless, but also habitual. The result: ordering food online is becoming second nature to a growing segment of the population.

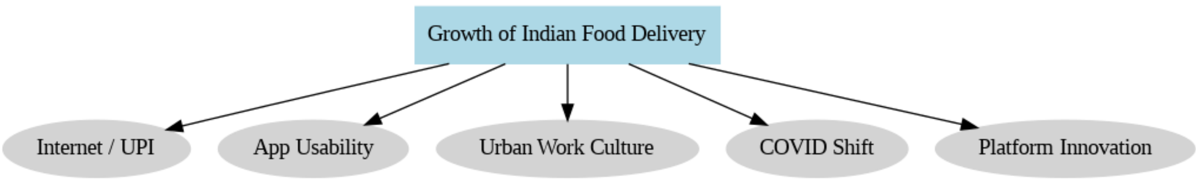
A significant behavioural tailwind comes from post-COVID consumption shifts. In the aftermath of the pandemic, dine-in experiences became less appealing due to safety concerns, while delivery services became the norm. The psychological shift toward convenience has proven sticky, even though normalcy has returned, the habit persisted.

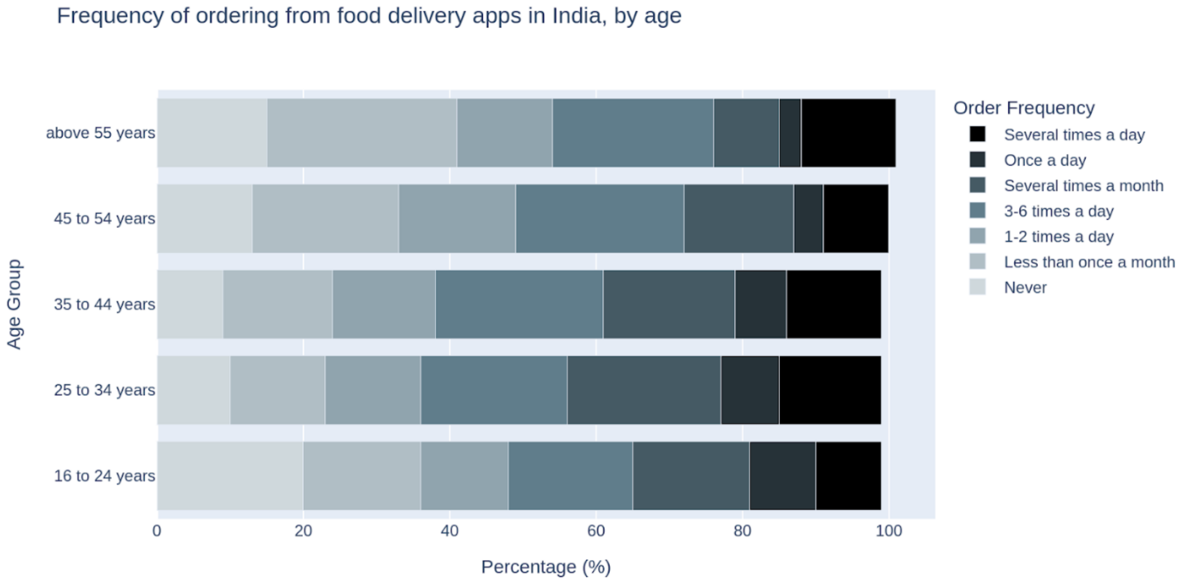


What’s fuelling the growth?

The rise of food delivery is not a trend but a long-term behavioural shift in how people eat.

1. **Digital Penetration**: Widespread access to affordable smartphones and internet has enabled millions to use food delivery apps easily, expanding the customer base.
2. **Ease of Use**: User-friendly interfaces attract diverse age groups, fostering a culture of convenience-driven consumption.
3. **Lifestyle Changes**: Urbanisation and fast-paced lifestyles, especially among working professionals and dual-income households, have increased reliance on online food ordering.
4. **Pandemic Acceleration**: COVID-19 heightened the need for safe, contactless food options, pushing more users towards delivery platforms.
5. **Strategic Partnerships**: Collaborations between aggregators (like Swiggy, Zomato) and a wide range of restaurants have enhanced menu choices and service coverage.
6. **Cloud Kitchens & Innovation**: Platforms like EatSure and EatClub offer multiple cuisines from a single kitchen setup, expanding delivery services in areas with limited dining options.





Investment Thesis: Company-by-Company Case

Stock	Recommendation	P/E Ratio	EPS	Market Cap (₹ Cr)	52 Week H/L	PAT	EBITDA Margin
Zomato	BUY	323.25	0.69	2,14,315	304.7 / 146.30	₹39 Cr	₹165 Cr
Devyani International	BUY	974.11	0.18	21,592.17	796.75 / 436.05	₹19 Mn	₹2.0 Bn
Jubilant Foodworks	BUY	125.81	5.61	46,618.06	222.74 / 134.00	₹623 Mn	₹3,128 Mn
Westlife Foodworld	HOLD	988.32	0.73	11,268.73	957.00 / 640.07	₹3.25 Cr	N/A

A. Zomato – The Ecosystem Leader (BUY)

Zomato has transitioned from a loss-making app to a vertically integrated platform. With the acquisition of Blinkit, it now straddles food delivery, quick commerce, and even B2B supplies (via Hyperpure). Its recent quarterly profitability, ₹0.69 EPS , reflects a maturing business model, not a temporary windfall.

B. Devyani International – The Expansion Juggernaut (BUY)

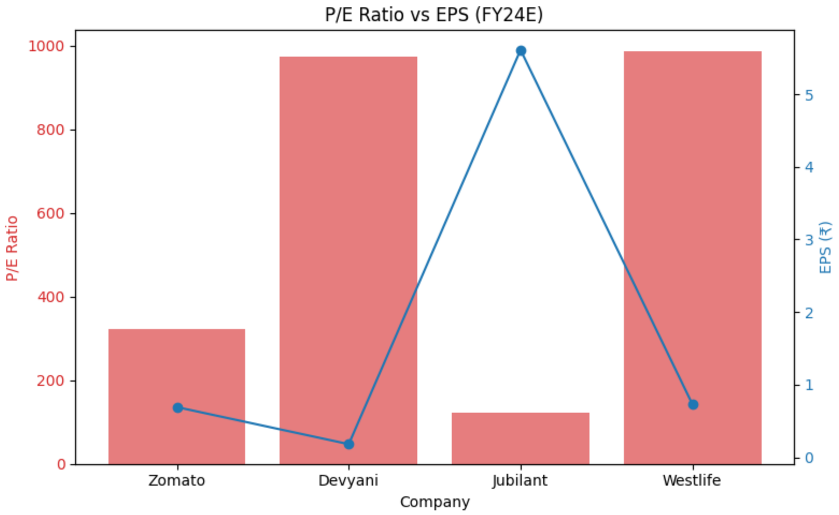
Devyani is a master franchisee of KFC, Pizza Hut, and Costa Coffee in India. Its aggressive expansion, especially in Tier-2 cities, is driving high valuation multiples. Despite its P/E of 974x, the market rewards its scale-up strategy across 5 brands.

C. Jubilant FoodWorks – The Steady Compounder (BUY)

Operating India's Domino's franchise, Jubilant has proven execution capabilities. Its solid EPS of ₹5.61 and ₹46,000 crore market cap make it a QSR bellwether. While growth may be slower than Devyani, its margin structure and repeat order volume remain strong.

D. Westlife Foodworld – Stable but Sluggish (HOLD)

Westlife runs McDonald's in India. While financially sound, it lacks the momentum seen in peers. A 988x P/E seems stretched and with limited store expansion makes it an expensive HOLD.



Other Food Delivery Players in the Indian Market

 Emerging Food Delivery Stocks to Watch in India

Name	CMP (₹)	P/E	Mkt Cap (₹ Cr)	ROCE (%)	PAT (in Rs. crore)	ROE (%)
Sapphire Foods	1291.4	37.41	8224.9	9.81	N/A	20.74
Restaurant Brand Asia	113.55	-19.65	5621.5	-6.87	-50.4	-23.69
Barbeque-Nation	663.85	-156.15	2587.6	8.92	4.53	3.68
Speciality Restaurants	183.85	11.09	874.4	17.15	N/A	37.19

This table highlights a set of emerging food delivery-related stocks in India, such as **Sapphire Foods**, **Restaurant Brand Asia**, **Barbeque-Nation**, and **Speciality Restaurants**. While these companies are part of the broader food services space, their financial performance varies widely. For example, **Sapphire Foods** shows a healthy **ROCE of 9.81%** and **ROE of 20.74%**, but others like **Restaurant Brand Asia** report negative figures, with a **ROE of -23.69%** and a **PAT of -₹50.4 crore**, reflecting ongoing losses. Similarly, **Barbeque-Nation** has a negative **P/E of -156.15**, signalling profitability concerns. These stocks may offer potential upside, but unlike major players like Zomato, their current financials suggest mixed performance and warrant cautious evaluation.

Key Trends

India's online food delivery sector is evolving rapidly with hyperlocal delivery networks becoming the norm—platforms now focus on neighbourhood-level operations to reduce delivery time and cater to local tastes. Sustainability is gaining ground, with eco-friendly packaging, reduced plastic use, and a shift toward electric vehicles for deliveries. Technology continues to play a vital role: AI-driven chatbots and assistants streamline ordering and support, while data analytics powers personalised offers. Features like real-time tracking and contactless delivery enhance user convenience and safety. These trends reflect the sector's move toward efficiency, environmental responsibility, and customer-centric innovation.

Episode Analysis

The competitive dynamics are set to intensify with Tata Group's upcoming foray into food delivery. Its super app, Tata Neu, is reportedly preparing to launch a delivery vertical through the Open Network for Digital Commerce (ONDC) — a government-backed initiative aimed at democratizing digital commerce. This move could potentially challenge the current duopoly of Swiggy and Zomato by offering greater price transparency and leveraging Tata's extensive consumer ecosystem. If successful, it may reshape margins and user loyalty dynamics across the sector.

Swiggy is preparing for an IPO, which suggests investor confidence in long-term value creation.

Risks to the View

1. **Market Saturation:** Discount wars continue to burn cash. High customer acquisition costs in Tier-1 cities can pressure margins.
2. **Regulatory Complexity:** Changes in GST structure or food safety rules can directly impact cost structures. Additionally, the gig economy faces rising scrutiny on worker rights.
3. **Infrastructural Bottlenecks:** India's infrastructure, especially in smaller towns, is not uniformly delivery friendly. Traffic congestion and poor road conditions affect last-mile performance.
4. **Quality at Scale:** Maintaining food integrity (temperature, packaging, freshness) across geographies needs continuous investment — compressing margins during expansion phases.
5. **Rising Competition via ONDC:** Tata Group's planned entry into food delivery through Tata Neu, leveraging the Open Network for Digital Commerce (ONDC), introduces a credible, well-capitalized competitor. The ONDC framework is designed to reduce platform dominance and enable price transparency, potentially disrupting Zomato and Swiggy current market control. If Tata executes well, this could lead to pricing pressure and erode loyalty-driven moats.

Risk Factor	Probability (1-5)	Impact (1-5)	Risk Score	Mitigation Potential	Mitigation Strategy
Market Saturation	4	4	16	Moderate	Controlled discounting, focus on customer retention
Regulatory Overhang	3	4	12	Moderate	Legal compliance, proactive policy engagement
Logistical Fragility	3	3	9	Low	Route optimization, invest in infrastructure
Quality at Scale	4	4	16	Moderate	Invest in packaging and cold chain tech
Rising Competition via ONDC	5	5	25	High	Differentiate via service quality & brand equity

Outlook and Conclusion

India's digital transformation has been a major catalyst for the rapid growth of the online food delivery sector. Government initiatives like **Digital India** and the widespread adoption of **Unified Payments Interface (UPI)** have enabled seamless transactions and expanded digital reach. To counterbalance the dominance of major food aggregators, the government-backed **Open Network for Digital Commerce (ONDC)** is creating new opportunities for restaurants to directly access consumers while avoiding high commission fees. This shift also ensures payments are made directly to restaurants, cutting out intermediary costs.

Looking ahead, the market is projected to grow at a **CAGR of approximately 27%**, with much of the future demand coming from **Tier 2 and Tier 3 cities**. Increased internet penetration, smartphone usage, and a rising population of tech-savvy young consumers are fuelling this expansion. Innovations like **drone-based delivery** could further optimize operations and enhance customer experience.

In conclusion, the Indian food delivery industry is structurally well-positioned for long-term growth. A blend of behavioral shifts, digital infrastructure, and scalable models makes this an attractive investment space. Companies like **Zomato**, **Devyani International**, and **Jubilant FoodWorks** each bring unique strengths—ranging from tech-led platforms to aggressive expansion and strong brand associations. While **Westlife Foodworld** offers reliability, it currently lacks the growth momentum to be a compelling buy.

The risks—ranging from competition to profitability pressures—are real. Yet for investors with a long-term view, this sector holds strong potential. It's a chance to buy in now, and feast on future gains.

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