

Eternal (ETERNAL) -BUY

Company Update

Current Market Price (CMP) Rs. 227	Fair Value (FV) Rs.375
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Rationale:

- Zomato has increased the platform fee by Rs2.4 to Rs14.9/order on its food delivery (FD) platform.
- We believe it has done this to offset the impact of higher packaging costs, higher distance traveled per order and potential petrol price hikes.
- Swiggy has not done so, though it may follow suit.
- With restaurants limiting menu options, we believe food delivery companies may also need to make the delivery radius larger, with incremental costs to be passed on to consumers.
- We think this hike will just about offset this cost inflation and will help maintain segment-level CM.
- Stock offers good risk-reward; retain BUY.

(GMV -Gross Merchandise Value, GOV - Gross Order Value, NOV – Net Order Value, CM – Contribution Margin, SOTP - Sum of the Parts, CAGR - Compound Annual Growth Rate, QC- Quick commerce)

👍 Positives:

- Zomato's platform fee hike will offset higher distance per order and potential fuel price hikes.
- We expect GOV CAGR of 19% in food delivery and 54% in Blinkit over FY26-28E.
- We forecast revenue CAGR of 122% over FY26-28.

👎 Negatives:

- High competitive intensity in QC continues.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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