



MARCH, 2025

FINANCIAL REPORT

Key Highlights

-  DCF Valuation (FCFF & Excess Return)
-  Scenario Forecasting & Sensitivity Analysis
-  Monte Carlo Simulations & Value at Risk (VaR)
-  Business Resilience & Industry Analysis
-  DuPont, Altman Z-Score & Ratio Screening
-  Relative Valuation (CCA) & Key Value Drivers
-  Economic, Strategic & Competitive Outlook

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Company Overview

Incorporated in 2010, Zomato Limited is one of the leading online Food Service platforms in terms of the value of food sold. Its offerings include food delivery, dining-out services, Loyalty programs, and others. As of December 31, 2020, Zomato has established a strong footprint across 23 countries with 131,233 active food delivery restaurants, 161,637 active delivery partners, and an average monthly food order of 10.7 million customers.

Market Cap	₹258,485 Cr.	As of	July 15, 2025
Sector	Consumer Discretionary		
Industry	E-Commerce		
Founded	January 1, 2010		

Valuation Output Ranges

Current Price	₹ 267.9	₹ 194.8	52W Range	₹ 277.8
Free Cash Flow to Firm	₹16.6	-	₹251.8	
Excess Return Model	₹8.9	-	₹84.1	
Relative Valuation	₹31	-	₹294	

P/L Highlights

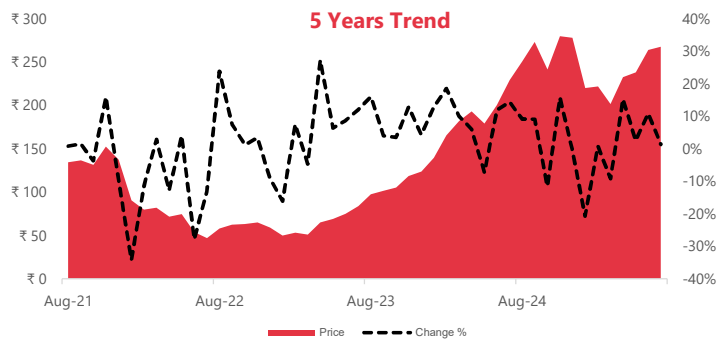
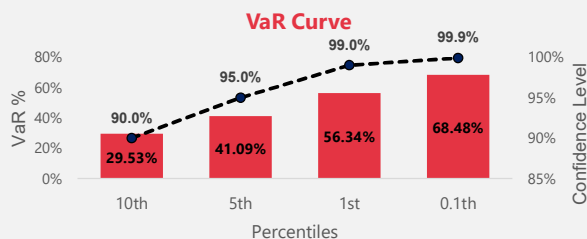
Sales	₹20,243 Cr.	YoY Growth	67.1%
EBITDA	₹1,714 Cr.	Core Margin	4.2%
Profit	₹527 Cr.	Net Margin	2.6%

Balance Sheet Overview

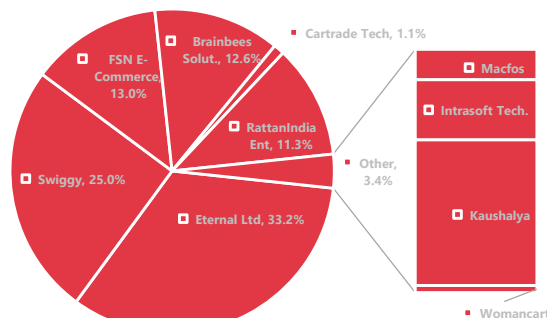
Cash & Cash Equivalents	Mar-25	3,614
Total Debt	2,045	
Total Liabilities	5,313	
Total Shareholders' Equity	30,310	
Debt-to-Equity	6.7%	
Equity Ratio	85.1%	
Debtor Turnover Ratio	10.4x	
Creditor Turnover Ratio	5.3x	

Cash Flow Overview

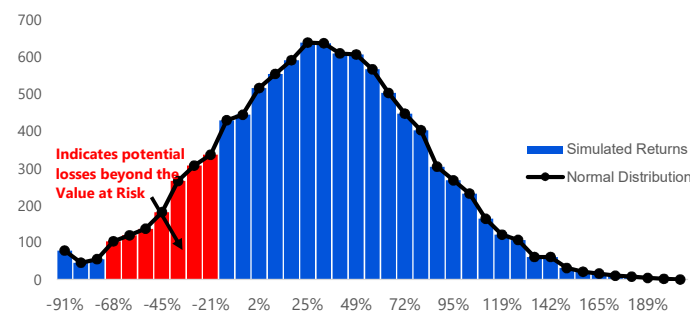
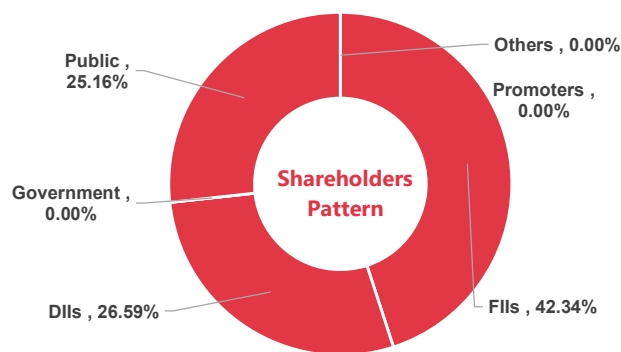
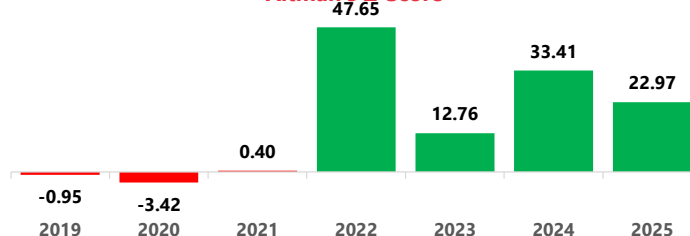
Cash from Operating Activity	Mar-25	308
Cash from Investing Activity	(7,993)	
Cash from Financing Activity	8,042	
Net Cash Flow	357	
CFO/Sales	1.5%	
CFO/Total Assets	0.9%	
CFO/Total Debt	15.1%	



Market Share (Top Peers)



Altman's Z-Score



1. Executive Summary

Eternal Ltd (formerly Zomato Ltd) has evolved from a restaurant discovery app (founded 2008) into one of India's leading foodtech platforms. Its core verticals are **food delivery** (Zomato app/marketplace), **quick commerce grocery** (Blinkit dark-store network), **B2B food supplies** (Hyperpure), and **going-out experiences** (District – events/tickets). In Q4 FY2025, Eternal reported strong volume growth: its combined **Net Order Value** (NOV) of food, grocery and events grew ~53% YoY to ~₹17,. Consolidated revenue jumped ~60% YoY to ₹6, , reflecting rapid expansion. However, the company remains EBITDA-loss making (Adj. EBITDA Q4: –₹) due to aggressive investment in Blinkit's store network. Eternal is now India's market leader: analysts estimate ~55–58% share in online food delivery (Swiggy ~42%), and Blinkit leads quick commerce with ~46% share (Zepto ~29%, Swiggy Instamart ~25%). Going forward, Eternal aims to scale each vertical. Food delivery is expected to maintain steady growth and high take-rates (it already contributes the largest share of revenues), while Blinkit is targeting rapid store expansion (~2,000 dark stores by end-) and eventually breakeven (management foresees quick-commerce EBITDA +5–6% of NOV at maturity). Hyperpure (restaurant supplies) is growing ~35–40% YoY with improving margins, and District (events/tickets) is expanding via acquisitions. In aggregate, Eternal's long-term growth trajectory depends on capturing India's still-large incremental demand in food and groceries: industry forecasts see ultra-fast delivery volumes rising 3–4× by FY2028.

2. Business Model & Revenue Segmentation

Eternal's revenue model is multi-part: it earns **commissions and fees** on every food/grocery order, plus **delivery charges** and **marketing/advertising fees** from merchants. Key revenue lines include:

- (1) **Food Delivery (Zomato)** – the platform takes a percentage ("take rate" ~24%) of each order value plus any delivery or service fees, and also sells advertising/promotions to restaurants;
- (2) **Quick Commerce (Blinkit)** – operates mainly as a marketplace for groceries, earning commission on sales (and growing into private-label grocery), with Blinkit customer paying a delivery fee;
- (3) **Hyperpure B2B Supplies** – sells fresh produce and staples to restaurants and to Blinkit's partner-sellers (nearly break-even margin);
- (4) **Going-Out (District)** – revenue from ticketing/booking services (e.g. event tickets, movie tickets, dining reservations) via commissions.

Eternal also has **subscription offerings** (e.g. Zomato Pro membership, though membership schemes have evolved over time) and ancillary fees. In Q4FY25, the revenue split roughly was: ~₹2,409 cr from food delivery, ₹1,709 cr from Blinkit, ₹1,840 cr from Hyperpure, and ₹229 cr from going-out. This translates to ~39%, 28%, 30%, and 3% of total revenues, respectively.

The company now reports **NOV (Net Order Value)** – gross order value minus partner-funded discounts – for its B2C segments, to more accurately measure transaction. (Guidance of 4–5% EBITDA on GOV implies about 5–6% of.) In FY25, Eternal's consolidated **Adjusted revenue** (which adds back delivery fees to reported sales) grew ~67% to ~₹20,. Food delivery is still the largest source, but Blinkit's share is rapidly rising (122% YoY revenue growth in). Client concentration is low – the platform services hundreds of thousands of merchants across India – though marquee restaurant chains and FMCG brands do advertise heavily. Geographically, nearly all revenue is domestic India; any international operations (e.g. MEA) are minor. Thus, the main risk is not any single client, but region- or category-specific slowdowns (e.g. a drop in urban restaurant demand). Eternal is now majority-controlled by Indian shareholders (IOCC status), which also permits new business models (see below).

3. Industry Overview & Value Chain

India's online foodtech industry is on a long growth runway. Online food delivery revenues were roughly USD 26–32 billion in 2024 (about ₹2–2.6 lakh cr) and are forecast to more than double by. Similarly, ultra-fast grocery (quick commerce) is booming: in FY25 Indians bought ~₹64,000 cr of goods via 10–30 minute delivery (versus ₹30,000 cr a year prior). Rapid-delivery is growing ~3–4× over FY25–28 (to ~₹2 lakh cr GOV by); one estimate pegs Q-commerce at USD 40 billion by. These trends are driven by India's expanding urban middle class, 5G/smartphone penetration, and demand for convenience amid busy lifestyles. Yet penetration is still low outside major metros, suggesting large untapped potential. Macroeconomic drivers (India's GDP ~6–7%, inflation moderating near 3%) indicate a supportive backdrop: rising incomes and digitization favor online food/grocery spend, as long as price inflation remains under check.

The **value chain** spans multiple layers. For food delivery, the chain goes from restaurants (partners supply meals) to the platform (Eternal's app) to gig delivery riders who courier orders to end consumers. Eternal's app provides menus, search/discovery, payment, order tracking, and customer service, while the delivery logistics are typically arranged by the platform via contractors.

In **quick commerce**, Eternal sources grocery inventory either through third-party vendors or (soon) via its own warehouses. Blinkit operates local “dark stores” stocked from wholesale markets; when a customer orders, Blinkit’s picking team assembles a basket and a delivery partner brings it in ~15–30 minutes. **Hyperpure** integrates wholesale procurement – it directly buys fruits, vegetables, and other supplies (even from farms) and sells to restaurants or to Blinkit sellers. Lastly, **District (going-out)** bridges consumers to offline experiences: the platform handles discovery and ticketing for restaurants, events, concerts, cinema, and now shopping/discovery. Essentially, Eternal touches nearly the entire ecosystem: connecting demand (customers) with supply (restaurants, stores), and managing last-mile logistics (via its rider network and warehousing).

Major macro trends also shape the industry. Consumer preference is shifting strongly to online ordering – today ~85% of Indian food orders come via mobile. Urbanization and higher disposable incomes are fueling more frequent dining out and grocery premiumization. On the supply side, falling smartphone/data costs and innovative logistics (dark stores, route algorithms) are boosting feasibility. However, the space remains competitive and capital-intensive, and is sensitive to macro swings: high inflation or an economic slowdown can dampen discretionary spend on dining/groceries. Crucially, fundamentals remain in Eternal’s favor: its CFO notes that any near-term order growth blips do not change the long-term low penetration and rising urbanization.

4. Market Share & Competitive Positioning

Eternal competes mainly with Swiggy (food delivery), Zepto/BigBasket/Amazon Fresh (quick commerce), and to a lesser extent new players (e.g. Flipkart’s quick arm) and others. In **food delivery**, industry surveys show Eternal (Zomato) as the clear leader: about 55–58% market share in FY2025, versus ~42% for. (Zomato’s Q1FY25 GOV was ₹9,264 cr vs Swiggy’s ₹6,.) Zomato’s advantages include a very large merchant base, strong brand recall in Tier-1 cities, and high take-rates on orders; Swiggy has been catching up in deeper geographies and cross-sells with its grocery arm. In **quick commerce**, Blinkit is #1 by a notable margin: about 46% share as of early, with Zepto second (29%) and Swiggy Instamart around 24%. Flipkart/BB Now and Amazon’s “Now” service are growing but still small. Blinkit’s lead stems from its early scale (now ~1300) and integration with Zomato’s network; Zepto has raised enormous capital and focuses on premium segments in metros; Swiggy leverages its 2nd app and rider pool for Instamart. All big players have strong backers and are currently in a burn phase to grab share.

Eternal’s **differentiators** include its technology platform and diversity of services. For example, it integrates Food and Grocery in one login, and is now pushing District to capture events/going-out spend (three large players – Food, Grocery, Experiences – in one ecosystem). Its Hyperpure B2B network creates lock-in with restaurants (supplying both chain and local restaurants fresh inputs). It also touts a data-driven app interface (e.g. personalized recommendations, AI assistant) and wide payment options. However, there are challenges: intense competition drives down margins and requires ongoing capex (Blinkit added 294 stores in Q4FY25, most). New entrants (Amazon Now launched 10-min delivery in Delhi/) and regulatory scrutiny (e.g. on labeling/) are evolving. Going forward, Eternal’s success depends on maintaining its share in food delivery (which it has so far held) while expanding Blinkit profitably and growing the event/ticketing vertical via District’s.

5. Technological Trends & Strategic Initiatives

Technology is at the core of Eternal’s strategy. It is leveraging AI, data science, and automation to improve discovery and logistics. Notably, Zomato has launched “**Zomato AI**”, a conversational assistant that helps users find and order meals by natural-language questions (“What should I eat when I’m hungover?”). This in-app chatbot (seen in the image below) represents their push into generative AI for personalization. More broadly, Eternal uses sophisticated algorithms for menu search, restaurant matching, dynamic pricing, and delivery routing.

On the operations side, Blinkit is investing heavily in **dark-store automation and supply-chain tech**. Its dark stores now stock ~60,000 SKUs, all managed by proprietary inventory software that predicts demand and schedules restocking from warehouses. Blinkit CEO Albinder Dhindsa emphasizes technology-driven expansion: he notes priorities of “improving customer experience, expanding product categories, and increasing footprint (stores and supply chain)”. As an IOCC firm, Eternal plans to use its balance sheet to buy inventory and even offer private labels (an initiative aimed at higher margins). They have developed in-house AI/ML stacks (e.g. an internal LLM “Firefly” used for Zomato). Logistics platforms integrate real-time tracking and route optimization for riders, and Zomato also uses tech for quality control (e.g. delisting non-compliant kitchens, as mentioned by the).

Strategically, Eternal continues to launch new products and partnerships: it has begun integrating hyperlocal grocery into its app, enabling customers to order groceries alongside meals. It shut down loss-making experiments (the 10-min “Zomato Quick” food delivery and homemade “Zomato Everyday” meal service) once they proved. Looking ahead, we expect Eternal to leverage its tech stack to cross-sell (e.g. suggesting groceries after a food order), to integrate payments and loyalty programs, and to explore emerging trends (drone deliveries or voice orders) as the market evolves. In summary, Eternal’s tech edge lies in data-driven personalization, AI-powered customer engagement, and continuous optimization of its logistics network.

6. Regulatory & Geo-Political Factors

Eternal operates in a heavily regulated environment. Recent policy changes have actually benefited the company: in April 2025 it became an **Indian-Owned-and-Controlled Company (IOCC)** by capping foreign stake at 49.5%. This change (enabled by a QIP raise in Nov'24) allows Blinkit to hold inventory and run dark stores on its own balance sheet – a major shift from earlier e-commerce FDI. The IOCC status also permits new ventures like private-label products, which can boost Blinkit's. Under India's FDI regime, non-IOCC marketplaces are barred from inventory; Eternal's move thus pre-empts funding restrictions and aligns with competitors (e.g. Zepto is also raising domestic capital).

Other regulatory issues: **taxation/GST** – prepared food via delivery attracts 5% GST (2.5% CGST+SGST) while grocery/apparel may be 5–18%, affecting pricing and margins. **Consumer protection laws** have tightened for e-commerce: for example, the Central Consumer Protection Authority (CCPA) has scrutinized quick-commerce platforms for failing to display product information (MRP, expiry) on. Eternal must ensure its vendors comply with food safety and labeling norms (the company has preemptively delisted ~19k non-compliant). Data privacy/regulation is emerging as India drafts a Personal Data Protection law; Eternal must safeguard user data under evolving IT rules (though no fine has been levied yet). On the geopolitical front, Eternal is largely insulated: its business is domestic, and Chinese investors now hold only a tiny stake (Ant Financial ~2%), reducing foreign ownership risks. However, macro risks include trade shocks (e.g. tariffs affecting input costs) or currency volatility if it imports electronics. Logistic infrastructure (roads, electricity) is another factor: monsoon or local policy can disrupt deliveries. In summary, while India's regulatory regime is evolving (with moves like FDI caps and consumer safety mandates), Eternal has proactively positioned itself (via IOCC, compliance drives) to mitigate these risks.

7. Client Mix & Geography-Based Risk

Eternal's revenue is concentrated in urban India. Metros and Tier-1 cities (Delhi-NCR, Mumbai, Bangalore, etc.) generate the bulk of food delivery and Blinkit orders due to higher affluence and smartphone penetration. However, the company is actively expanding into Tier-2/3 towns: Blinkit's growth to ~1,301 stores in Q4FY25 included many in smaller cities, and a 2,000-store goal by end- suggests wider reach. As of Q4FY25, Blinkit's monthly transacting users were 13.7M (up from 10.6M in Q3), including significant growth outside metros. Similarly, Zomato's food delivery users (~20.9M/) increasingly include non-metros.

Regionally, the North and West (Delhi, Mumbai) still dominate, but South and East markets are closing the gap. Geography risk is asymmetric: urban demand is sensitive to macro slowdowns (e.g. job losses in cities) but rural/remote markets have lower penetration and thus more room to grow. Operational risk rises in smaller markets – costs to serve (delivery distances, lower order densities) are higher and payment adoption can be lower. Geographically, Eternal also has a small overseas footprint (Middle East and Southeast Asia), but these are minor. The key risk/opportunity lies in India's interior: if Eternal successfully adapts pricing and cost structure (e.g. by using shared inventory in smaller towns), it can tap a much larger customer base. Conversely, a sharper slowdown in any large region (e.g. an agricultural crisis or political unrest affecting local spend) could dent order volumes more in certain states. Eternal's earnings disclosures do not break out regionals, but analysts caution that about 20-30% of orders still come from tier-2/3 areas. We view geographic expansion as a growth driver, but also note that underperformance in urban centers (which supply most revenue) would disproportionately hurt results.

8. ESG Profile

Eternal emphasizes sustainability and social impact as part of its strategy.

On **Environment**, it has committed to net-zero carbon emissions across its food delivery value chain by, with an interim goal of 100% EV-based deliveries by. Already, over 51,000 of its delivery partners use electric vehicles (as of March 2025). The company has achieved "plastic-neutral" deliveries: it recycles an amount of plastic equal to what its riders use, and has recovered 45,000+ metric tons of plastic waste since. It is also working on compostable packaging and eco-friendly supply chain sourcing.

On **Social** dimensions, Eternal runs several programs. Its NGO arm "Feeding India" addresses hunger among underserved. Within its workforce, the company has focused on inclusivity: over 2,100 people with disabilities have been onboarded as delivery partners, and more than 6,150 women are part of its delivery/logistics ecosystem (March 2025). It also trains all riders in first-aid (52,000+ trained) and has women's safety initiatives. During Covid, Zomato famously distributed millions of free meals. These efforts earned it national recognition (e.g. government awards) and top ESG ratings: it has been ranked in India's ESG Leaders Index (MSCI) and rated 'Low Risk' by.

On **Governance**, Eternal has a professional management and independent board committees; it regularly publishes sustainability reports (TCFD, CDP disclosures for). Its recent rebranding and board actions (like the IOCC restructuring) were driven by transparent regulatory. While ESG is still a small part of valuations, Eternal's public commitments (2033 net-zero, etc.) and third-party ratings (MSCI top-10 India, Sustainalytics low) signal strong focus. In summary, Eternal's ESG profile is relatively strong for an internet platform: it is explicitly tackling climate impacts (EVs, plastics) and promoting social equity (inclusive hiring, safety), and has robust governance disclosures.

9. Economic Outlook & Impact

Eternal's growth must be seen against India's macroeconomic backdrop. Current projections (FY2026) put GDP growth around **6.5–7%** with inflation roughly **3%**. The Reserve Bank of India has begun easing rates (50 bps cut in Jun'25 as inflation hit multi-year), aiming to spur investment. Lower interest rates would indirectly benefit Eternal (cheaper financing for capex, higher consumer spending). If GDP growth stays in the 6–7% range, urban consumer income should continue rising, supporting demand for dining and convenient grocery. By contrast, a sharp slowdown (e.g. growth near 5%) could dampen outlays on non-essential food delivery or eating out.

To illustrate sensitivity: in a **base scenario** (7% GDP, steady inflation), we might model B2C NOV growth of 50–60% YoY in FY26, driven by both more customers and higher average orders as incomes rise. If inflation unexpectedly spikes to 6–7%, or if monsoon disruptions cut rural incomes, demand for restaurant meals could drop (households shifting to home cooking), slowing food delivery growth to 30–40%. Lower-income riders might also reduce working hours. Conversely, an **upside scenario** (GDP 8–9%, deflationary tech gains) could see even faster volume expansion (perhaps 70%+ YOY) as discretionary spend surges. For instance, a 1% decline in inflation (holding growth constant) effectively raises real incomes, potentially lifting order growth by a couple of percentage points. Interest-rate changes have secondary effects: a 25 bp cut in repo could slightly boost consumption but the direct impact on Eternal's P&L (mostly from consumer demand) is modest.

We note that food delivery/GOV is somewhat defensive – people still need to eat – but premium ordering is discretionary. Quick-commerce may be more sensitive to inflation (groceries are staple goods), although even here, the extreme convenience factor appears to be creating new spending habits (e.g. one study noted 2/3 of all e-grocery orders were on Q-commerce in). We thus view Eternal's revenues as positively correlated with GDP growth and urban wage growth, and negatively with sharp inflation hikes. In any case, the outlook is that India's healthy growth and low inflation medium-term provide a tailwind for Eternal, though we include scenarios: a severe GDP drag (e.g. below 5%) could reduce food/grocery NOV growth by ~10–20 percentage points versus baseline, while continued strong growth could accelerate it.

10. Forward-Looking Commentary (3–5 Years)

Over the next 3–5 years, Eternal aims to solidify leadership and expand scale. Its **growth playbook** centers on Blinkit's expansion, technology integration, and broader service offerings. Blinkit plans to nearly double its store count (1,301 → ~2,000 by end-2025) to penetrate new cities. This network, once built, will serve as a backbone for margin improvement: management notes that transitioning to owning inventory (enabled by IOCC) can "improve margins" and allow private labels in unbranded. We expect Blinkit's Adj. EBITDA losses to rise in near term as it builds stores (Q4FY25 loss ₹), but by FY27 it is expected to reach breakeven, supporting the company's broader target of 5–6% EBITDA on NOV.

Food delivery (Zomato) growth will likely normalize but remain solid (~15–20% YoY revenue) as urban demand picks up. Here, profitability is already improving: FD EBITDA margin rose to ~5.2% of NOV in Q4FY25 (vs 3.8% a year ago), reflecting scale. Eternal has stated it expects food delivery EBITDA to be in the mid-single-digits of NOV (4–5% of GOV). Over 3–5 years, we anticipate Zomato to leverage cross-promotion and possibly restore a premium subscription model (not yet announced) to deepen user loyalty. The District events business will gradually integrate into the main platform; management says 1/3 of going-out GOV already runs through District, and full transition is a matter of. We see District expanding via original events and tie-ups (e.g. music, festivals, possibly sports ticketing), but it will remain a smaller fraction of total revenue (<10%) unless it innovates significantly.

On innovation, Eternal will likely continue AI and tech investments (expanding features like Zomato AI, improving route and warehouse automation) and may explore partnerships (e.g. integrations with Google Pay, or launching new fintech products). It could also expand Hyperpure internationally or into adjacent verticals (e.g. partnering to supply cloud kitchens or meal-kit ventures).

Anticipated risks in the 3–5yr outlook include the heavy capital requirement (Blinkit alone needed ~₹1,000cr inventory capex for a 100% inventory), which depends on market conditions and shareholder approval. Competitive intensity may remain high as new entrants (Amazon/Flipkart) and existing rivals continue to invest. Regulatory changes (e.g. any cap on delivery fees or changes to labor laws for gig workers) could also affect margins. Finally, macro volatility (for instance, a sustained inflation run) could delay consumer adoption. On the positive side, Eternal's large current user base, strong brand, and integrated ecosystem are key advantages. Its strategic flexibility (now IOCC) and robust cash raised (FY25 QIP) give it the firepower to out-invest competitors.

In summary, Eternal's five-year trajectory is geared toward dominance in India's food and quick-commerce ecosystem. If it executes on network expansion, maintains innovation, and controls costs, the firm could significantly grow revenues and eventually convert scale into healthy profitability (targeting ~4–5% of GOV in EBITDA, or 5–6% of). The major uncertainties will be funding needs and competitive dynamics. Overall, the strategic outlook is constructive: Eternal is positioned to capture the bulk of India's ongoing shift toward online food, groceries, and experiences, with a clear roadmap for market share gains and eventual margin expansion.

Sources: Eternal Ltd Q4 FY2025 shareholder letter and earnings call; industry reports and news (ET, Business Standard, MediaNama, Deloitte); Eternal investor materials; macroeconomic analyses. All figures in INR.

Historical Financial Statements - ETERNAL LTD

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Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	TTM
# Income Statement (Rs. crore)											
Revenue and Cost of Goods Sold (COGS):											
Revenues	0	0	466	1,313	2,605	1,994	4,192	7,079	12,114	20,243	20,243
Revenue Growth	-	0.0%	0.0%	181.7%	98.4%	-23.5%	110.3%	68.9%	71.1%	67.1%	-
Cost of sales	0	0	343	1,960	3,023	1,009	2,345	3,267	5,113	8,123	-
Gross Profit	0	0	123	(648)	(418)	985	1,847	3,812	7,001	12,120	-
Gross Margin	0.0%	0.0%	26.5%	-49.3%	-16.1%	49.4%	44.1%	53.8%	57.8%	59.9%	-
Operating Expenses:											
Selling, General and Administrative Expenses	0	0	216	1,596	1,886	1,452	3,698	5,023	6,958	11,483	-
EBITDA	0	0	(71)	(958)	(2,289)	(667)	(1,058)	(529)	889	1,714	1,714
EBITDA Margin	0.0%	0.0%	-15.3%	-73.0%	-87.9%	-33.5%	-25.2%	-7.5%	7.3%	8.5%	8.5%
Depreciation and Amortization	0	0	29	43	84	138	150	437	526	863	863
Total operating expenses	0	0	245	1,639	1,971	1,590	3,849	5,460	7,484	12,346	-
EBIT	0	0	(101)	(1,002)	(2,373)	(805)	(1,209)	(966)	363	851	851
EBIT Margin	0.0%	0.0%	-21.6%	-76.3%	-91.1%	-40.4%	-28.8%	-13.6%	3.0%	4.2%	4.2%
Non-operating Items and Taxes:											
Other income, net	0	0	21	1,285	16	(200)	793	682	846	1,077	1,077
Interest Expense	0	0	6	9	13	10	12	49	72	154	154
Earnings Before Tax (EBT)	0	0	(107)	(1,010)	(2,386)	(815)	(1,221)	(1,015)	291	697	697
EBT Margin	0.0%	0.0%	-22.9%	-77.0%	-91.6%	-40.9%	-29.1%	-14.3%	2.4%	3.4%	-
Tax	0	0	0	0	0	1	2	(44)	(60)	170	170
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.2%	4.3%	-20.6%	24.4%	-
Net Profit	0	0	(107)	(1,010)	(2,386)	(816)	(1,223)	(971)	351	527	527
Net Margin	0.0%	0.0%	-22.9%	-77.0%	-91.6%	-40.9%	-29.2%	-13.7%	2.9%	2.6%	2.6%
Share Statistics:											
Adjusted Equity Shares in Cr	3.25	3.25	0.03	0.03	0.03	0.04	787.19	855.35	881.98	965.04	965.04
Per Share Information:											
Earnings Per Share (EPS)	0.00	0.00	-	-	-	-	-1.55	-1.14	0.40	0.55	
EPS Growth	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	26.9%	135.1%	37.2%	
Dividend Per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Retention Ratio	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	-

# Balance Sheet (Rs. Crores)											
Assets:											
Current Assets:											
Trade Receivables	0	0	26	70	123	130	160	457	794	1,946	
Cash & Cash Equivalents	0	0	208	239	360	904	1,576	1,017	731	3,614	
Inventory	0	0	0	2	4	15	40	83	88	176	
Other Current Assets	0	0	120	567	498	3,911	9,429	6,926	3,632	7,112	
Total Current Assets	0	0	354	879	985	4,959	11,204	8,483	5,245	12,848	
Non-Current Assets:											
Net Block (PPE + Intangibles)	0	0	190	389	1,591	1,539	1,404	6,344	6,448	9,532	
Capital Work-in-Progress (CWIP)	0	0	1	1	1	0	1	7	18	51	
Investments	0	0	829	2,145	324	2,205	4,718	6,765	11,645	13,192	
Total Non-Current Assets	0	0	1,020	2,534	1,915	3,744	6,123	13,116	18,111	22,775	
Total Assets	0	0	1,374	3,413	2,900	8,704	17,327	21,599	23,356	35,623	
Liabilities & Shareholders' Equity:											
Current Liabilities:											
Trade Payables	0	0	67	376	269	297	429	679	886	1,536	
Other Current Liabilities	0	0	77	364	1,854	241	329	960	1,315	1,732	
Total Current Liabilities	0	0	144	740	2,123	538	758	1,639	2,201	3,268	
Borrowings	0	0	186	348	326	527	70	507	749	2,045	
Non-Current Liabilities	0	0	186	348	326	527	70	507	749	2,045	
Total Liabilities	0	0	330	1,088	2,449	1,066	829	2,146	2,950	5,313	
Shareholders' Equity:											
Equity Share Capital	0	0	0	0	0	0	764	836	868	907	
Reserves	0	0	1,036	2,356	457	7,644	15,741	18,624	19,545	29,410	
Shareholders' Equity (Less Minority Interest)	0	0	1,036	2,356	457	7,644	16,506	19,460	20,413	30,317	
Non-Controlling Interest	0	0	8	(31)	(6)	(6)	(7)	(7)	(7)	(7)	
Total Shareholders' Equity	0	0	1,044	2,325	451	7,638	16,499	19,453	20,406	30,310	
Total Liabilities & Equity	0	0	1,374	3,413	2,900	8,704	17,327	21,599	23,356	35,623	
Validation	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	
Total Invested Capital	0	0	1,022	2,434	417	7,262	14,993	18,943	20,424	28,741	

# Cash Flow Statements (Rs. Crores)											
Cash from Operating Activity	0	0	0	0	(2,144)	(1,018)	(693)	(844)	646	308	
Cash from Investing Activity	0	0	0	0	1,740	(5,245)	(7,971)	797	(348)	(7,993)	
Cash from Financing Activity	0	0	0	0	359	6,402	8,750	(127)	(207)	8,042	
Net Cash Flow	0	0	0	0	(45)	139	86	(174)	91	357	

Ratio Analysis - ETERNAL LTD

zomato

This report provides a detailed analysis of ETERNAL LTD's (Zomato) financial performance from March 2018 to March 2025, based on key financial ratios across eight categories: Growth Ratios, Profitability Margins, Cost Structure Ratios, Solvency Ratios, Returns, Efficiency Ratios, Working Capital Cycle Ratios, and Cash Flow Efficiency Ratios. The data illustrates a company transitioning from a high-growth, loss-making phase to a more stable and profitable entity, with significant improvements in profitability, solvency, and cash flow efficiency. This analysis is derived solely from the provided ratio data, offering insights into trends and their implications for stakeholders.

1. Growth Ratios

Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Trend	Mean	Median
Sales Growth	-	0%	0%	182%	98%	-23%	110%	69%	71%	67%		63.8%	68.9%
EBITDA Growth	-	0%	0%	-1242%	-139%	71%	-59%	50%	268%	93%		-106.4%	0.0%
EBIT Growth	-	0%	0%	-896%	-137%	66%	-50%	20%	138%	134%		-80.5%	0.0%
Net Profit Growth	-	0%	0%	-845%	-136%	66%	-50%	21%	136%	50%		-84.2%	0.0%
Dividend Growth	-	0%	0%	0%	0%	0%	0%	0%	0%	0%		0.0%	0.0%

Trends:

- ❑ **Sales Growth:** Highly volatile, with peaks of 181.7% in 2019 and 98.4% in 2020, a contraction of -23.5% in 2021, and a strong recovery with 110.3% in 2022, followed by 68.9%, 71.1%, and 67.1% in 2023–2025, respectively.
- ❑ **Profitability Metrics (EBITDA, EBIT, Net Profit):** Negative growth in early years (e.g., EBITDA growth of -1242.0% in 2019 and -138.8% in 2020), improving significantly from 2021, with EBITDA growth reaching 268.1% in 2024 and 92.8% in 2025.
- ❑ **Dividend Growth:** Consistently 0.0%, indicating no dividends paid.

Implications:

- ❑ The volatility in sales growth reflects the company's rapid expansion and sensitivity to market conditions, with the 2021 decline likely due to external disruptions. The sustained high growth post-2021 suggests resilience and market demand.
- ❑ Improving profitability growth indicates better operational efficiency and cost management, critical for long-term sustainability.
- ❑ The absence of dividends suggests a strategy of reinvesting earnings to fuel growth, typical for growth-oriented companies.

2. Profitability Margins

Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Trend	Mean	Median
Gross Margin	0.0%	0.0%	26.5%	-49.3%	-16.1%	49.4%	44.1%	53.8%	57.8%	59.9%		22.6%	35.3%
EBITDA Margin	0.0%	0.0%	-15.3%	-73.0%	-87.9%	-33.5%	-25.2%	-7.5%	7.3%	8.5%		-22.7%	-11.4%
EBIT Margin	0.0%	0.0%	-21.6%	-76.3%	-91.1%	-40.4%	-28.8%	-13.6%	3.0%	4.2%		-26.5%	-17.6%
EBT Margin	0.0%	0.0%	-22.9%	-77.0%	-91.6%	-40.9%	-29.1%	-14.3%	2.4%	3.4%		-27.0%	-18.6%
Net Profit Margin	0.0%	0.0%	-22.9%	-77.0%	-91.6%	-40.9%	-29.2%	-13.7%	2.9%	2.6%		-27.0%	-18.3%

Trends:

- ❑ **Gross Margin:** Dropped to -49.3% in 2019 and -16.1% in 2020, then improved to 49.4% in 2021, reaching 59.9% by 2025.
- ❑ **EBITDA, EBIT, EBT, and Net Profit Margins:** Negative from 2018 to 2023 (e.g., EBITDA margin of -87.9% in 2020), turning positive in 2024 (e.g., EBITDA margin of 7.3%) and improving slightly in 2025.

Implications:

- ❑ The early negative margins reflect high operational costs during rapid expansion. The shift to positive margins by 2024 indicates successful cost control and operational scaling.
- ❑ Sustained margin improvement suggests a maturing business model, enhancing investor confidence in profitability prospects.

3. Cost Structure Ratios

Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Trend	Mean	Median
SalesExpenses%Sales	0.0%	0.0%	46.3%	121.6%	72.4%	72.8%	88.2%	71.0%	57.4%	56.7%		58.6%	64.2%
Depreciation%Sales	0.0%	0.0%	6.3%	3.3%	3.2%	6.9%	3.6%	6.2%	4.3%	4.3%		3.8%	3.9%
OperatingExpenses%Sales	0.0%	0.0%	52.6%	124.9%	75.7%	79.7%	91.8%	77.1%	61.8%	61.0%		62.4%	68.7%

Trends:

- ❑ **Sales Expenses % Sales:** Peaked at 121.6% in 2019, then declined to 56.7% by 2025.
- ❑ **Operating Expenses % Sales:** Similarly high at 124.9% in 2019, reducing to 61.0% by 2025.
- ❑ **Depreciation % Sales:** Stable, ranging from 3.2% to 6.9%.

Implications:

- ❑ The high expenses in 2019 likely contributed to negative margins, reflecting aggressive growth strategies.

4. Solvency Ratios

Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Trend	Mean	Median
Debt-to-Equity	0.0%	0.0%	17.8%	15.0%	72.1%	6.9%	0.4%	2.6%	3.7%	6.7%		12.5%	5.2%
Debt Ratio	0.0%	0.0%	13.5%	10.2%	11.2%	6.1%	0.4%	2.3%	3.2%	5.7%		5.3%	4.5%
Interest Coverage Ratio	0.0x	0.0x	-15.8x	-115.3x	-187.7x	-79.7x	-100.7x	-19.7x	5.0x	5.5x		-50.8x	-17.8x
Equity Ratio	0.0%	0.0%	76.0%	68.1%	15.6%	87.8%	95.2%	90.1%	87.4%	85.1%		60.5%	80.5%
Capital Employed to Total Assets	0.0%	0.0%	89.5%	78.3%	26.8%	93.8%	95.6%	92.4%	90.6%	90.8%		65.8%	90.0%

Trends:

- ❑ **Debt-to-Equity:** Spiked to 72.1% in 2020, then dropped significantly to 0.4% in 2022, rising slightly to 6.7% by 2025.
- ❑ **Interest Coverage Ratio:** Negative from 2018 to 2023 (e.g., -187.7x in 2020), turning positive at 5.0x in 2024 and 5.5x in 2025.
- ❑ **Equity Ratio:** Dropped to 15.6% in 2020, recovering to 95.2% in 2022, and stabilizing around 85–90% thereafter.

Implications:

- ❑ The 2020 spike in debt-to-equity suggests a period of financial stress or significant financing activity. The subsequent reduction indicates prudent debt management.
- ❑ The positive interest coverage ratio in 2024 and 2025 reflects sufficient earnings to cover interest obligations, reducing financial risk.

5. Returns

Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Trend	Mean	Median
Return on Invested Capital	0.0%	0.0%	-9.8%	-41.2%	-568.9%	-11.1%	-8.1%	-4.9%	2.1%	2.2%		-64.0%	-6.5%
Return on Capital Employed	0.0%	0.0%	-8.2%	-37.5%	-305.4%	-9.9%	-7.3%	-4.8%	1.7%	2.6%		-36.9%	-6.1%
Retained Earnings%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%		60.0%	100.0%
Return on Equity	0.0%	0.0%	-10.2%	-43.5%	-528.5%	-10.7%	-7.4%	-5.0%	1.7%	1.7%		-60.2%	-6.2%
Self Sustained Growth Rate	0.0%	0.0%	-10.2%	-43.5%	-528.5%	-10.7%	0.0%	0.0%	1.7%	1.7%		-58.9%	0.0%

Trends:

- Return on Invested Capital (ROIC) and Return on Capital Employed (ROCE): Negative from 2018 to 2023 (e.g., ROIC of -568.9% in 2020), turning positive in 2024 (ROIC: 2.1%, ROCE: 1.7%) and 2025.
- Return on Equity (ROE): Negative until 2023, reaching 1.7% in 2024 and 2025.
- Retained Earnings %: 100% in most years, indicating no dividends.

Implications:

- Negative returns in early years reflect losses during expansion. The shift to positive returns in 2024 and 2025 aligns with profitability improvements.

6. Efficiency Ratios

Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Trend	Mean	Median
Debtor Turnover Ratio	0.0x	0.0x	17.9x	18.7x	21.2x	15.3x	26.2x	15.5x	15.3x	10.4x		14.0x	15.4x
Creditor Turnover Ratio	0.0x	0.0x	5.1x	5.2x	11.2x	3.4x	5.5x	4.8x	5.8x	5.3x		4.6x	5.2x
Inventory Turnover	0.0x	0.0x	0.0x	920.3x	810.5x	68.2x	59.1x	39.4x	58.1x	46.2x		200.2x	52.1x
Sales to Capital (ICT)	0.00x	0.00x	0.46x	0.54x	6.25x	0.27x	0.28x	0.37x	0.59x	0.70x		0.9x	0.4x
WC Turnover Ratio	0.0x	0.0x	2.2x	9.5x	-2.3x	0.5x	0.4x	1.0x	4.0x	2.1x		1.7x	0.7x

Trends:

- Debtor Turnover Ratio: Fluctuates between 10.4x (2025) and 26.2x (2022).
- Creditor Turnover Ratio: Peaks at 11.2x in 2020, stabilizing around 5–6x thereafter.
- Sales to Capital (ICT): Increases from 0.5x in 2018–2019 to 0.7x in 2025.
- WC Turnover Ratio: Negative in 2020 (-2.3x), improving to 4.0x in 2024.

Implications:

- Improving sales to capital ratios indicate better capital efficiency, supporting revenue generation.

7. Working Capital Cycle Ratios

Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Trend	Mean	Median
Debtor Days	0	0	20	20	17	24	14	24	24	35		18	20
Payable Days	0	0	71	70	32	107	67	76	63	69		56	68
Inventory Days	0	0	0	0	0	5	6	9	6	8		4	3
Cash Conversion Cycle (in days)	0	0	-51	-50	-15	-78	-47	-43	-33	-26		-34	-38

Trends:

- Debtor Days: Range from 14 (2022) to 35 (2025).
- Payable Days: Vary from 32 (2020) to 107 (2021).
- Inventory Days: Mostly 0, with small increases to 8 by 2025.
- Cash Conversion Cycle (CCC): Consistently negative, ranging from -15 to -78 days.

Implications:

- A negative CCC indicates that the company collects payments from customers before paying suppliers, enhancing liquidity and reducing financing needs.

8. Cash Flow Efficiency Ratios

Years	-	-	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Trend	Mean	Median
CFO/Sales	0.0%	0.0%	0.0%	0.0%	-82.3%	-51.1%	-16.5%	-11.9%	5.3%	1.5%		-15.5%	0.0%
CFO/Total Assets	0.0%	0.0%	0.0%	0.0%	-73.9%	-11.7%	-4.0%	-3.9%	2.8%	0.9%		-9.0%	0.0%
CFO/Total Debt	0.0%	0.0%	0.0%	0.0%	-658.4%	-193.0%	-985.8%	-166.5%	86.2%	15.1%		-190.2%	0.0%

Trends:

- CFO/Sales: Negative from 2018 to 2023 (e.g., -82.3% in 2020), turning positive at 5.3% in 2024 and 1.5% in 2025.
- CFO/Total Assets and CFO/Total Debt: Follow a similar pattern, negative until 2023, positive thereafter.

Implications:

- Negative cash flows in early years reflect cash burn during growth phases. The shift to positive cash flows in 2024 and 2025 indicates that operations are now generating cash, supporting sustainability.
- Improved cash flow efficiency enhances the company's ability to fund growth internally.

Key Takeaways

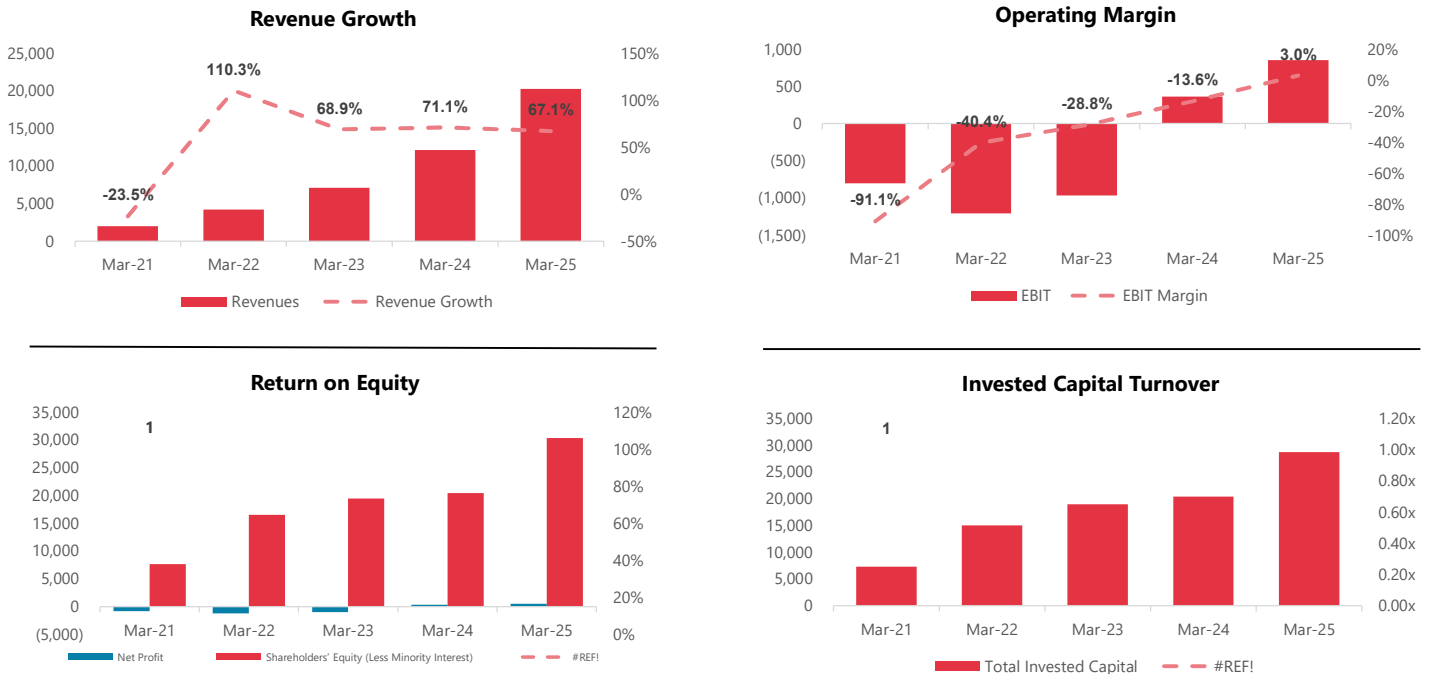
Eternal Ltd's improving financial metrics suggest a maturing business with reduced risk, likely appealing to growth-oriented investors. The transition to profitability and positive cash flows enhances its investment potential. However, historical volatility warrants caution, and investors should monitor the company's ability to sustain growth and profitability in competitive markets.

Financial Projections - ETERNAL LTD

zomato

This report provides a detailed five-year financial projection for Eternal Ltd (formerly Zomato), covering FY2026 to FY2030, with projections for revenue, EBIT margin, Return on Equity (ROE), and Invested Capital Turnover Ratio. The analysis is structured into base, bull, and bear case scenarios, utilizing Wall Street analysts' forecasts for FY2026 and FY2027, management guidance from the Q4 FY2025 earnings call, company fundamentals, and industry and macroeconomic trends. All figures are in INR crore (cr), and projections adhere to the fiscal year convention (April to March).

Financial Highlights



1. Revenue Projection

(Mar-26 ----- Mar-30)

Zomato's revenue growth is driven by its core segments: Food Delivery, Quick Commerce (Blinkit), Hyperpure, and Others (including Going-Out). The projections leverage Yahoo Finance analyst estimates for FY26 and FY27, with FY28 to FY30 based on management guidance, historical performance, and industry trends. The Indian food delivery market is expected to grow due to increasing digital penetration and urbanization, while quick commerce is poised for rapid expansion due to consumer demand for instant delivery. However, competitive pressures from players like Swiggy and next-day delivery platforms (e.g., Amazon, Flipkart) pose risks.

a) Base Case Scenario

In the base case, revenue projections for FY2026 and FY2027 are derived from Wall Street analysts' average estimates, indicating robust growth of 51.5% and 37.4%, respectively, from FY2025's reported revenue of 20,243 cr. For FY2028 to FY2030, projections are based on management guidance and industry trends. The earnings call highlighted a long-term target of 20%+ CAGR for food delivery, aggressive store expansion in quick commerce (Blinkit), and competitive pressures impacting growth. The segment breakdown assumes:

Food Delivery: 20% annual growth, aligning with management's long-term guidance, driven by increasing monthly transacting users and improved delivery efficiency.

Quick Commerce (Blinkit): High growth to match analyst estimates for FY2026 and FY2027, with subsequent years at 40% growth, reflecting aggressive store expansion (300 stores added in Q4 FY2025) and penetration into smaller cities.

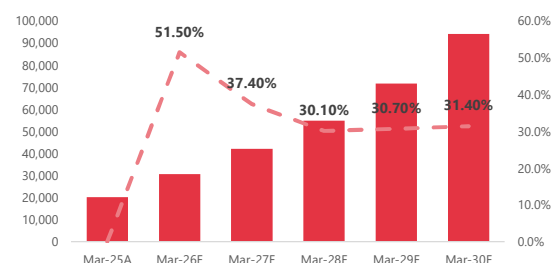
Hyperpure: 30% growth for FY2026 and FY2027, moderating to 25% thereafter, as the B2B supply chain benefits from restaurant partnerships.

Others (including Going-Out): 20% growth for FY2026 and FY2027, moderating to 15%, reflecting high growth in the Going-Out segment (100%+ YoY in Q4 FY2025) but smaller scale.

The FY2025 segment breakdown is estimated based on Q3 FY2025 proportions (food delivery: 38.3%, quick commerce: 25.9%, Hyperpure: 30.9%, others: 4.9%), applied to the total revenue of 20,243 cr.

Mar-25A	20,243	
Mar-26E	30,668	51.50%
Mar-27E	42,138	37.40%
Mar-28E	54,822	30.10%
Mar-29E	71,652	30.70%
Mar-30E	94,150	31.40%

Projected Revenue - Base Case



Revenue Breakdown Table

Year	Food Delivery (cr)	Quick Commerce (cr)	Hyperpure (cr)	Others (cr)	Total Revenue (cr)	Growth %
FY25	7,753	5,243	6,255	992	20,243	-
FY26	9,304	12,043	8,132	1,190	30,669	51.5%
FY27	11,165	18,972	10,572	1,428	42,137	37.4%
FY28	13,398	26,561	13,215	1,642	54,816	30.1%
FY29	16,078	37,185	16,519	1,888	71,670	30.7%
FY30	19,294	52,059	20,649	2,171	94,173	31.4%

> **FY2025:** Total revenue of 20,243 cr is allocated based on Q3 FY2025 proportions from external sources, as the earnings call lacked specific segment data.

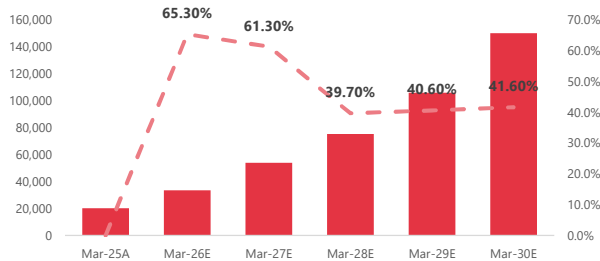
> **FY2026–FY2027:** Total revenue aligns with Wall Street analysts' estimates (30,669 cr and 42,137 cr). Food delivery, Hyperpure, and others grow at assumed rates, with quick commerce adjusted to meet the total (129.7% growth in FY2026, 57.5% in FY2027).

> **FY2028–FY2030:** Growth rates reflect management's focus on food delivery (20%) and quick commerce expansion (40%), with Hyperpure and others growing steadily. Industry trends suggest continued demand for quick commerce in India, supporting high growth.

b) Bull Case Scenario

Mar-25A	20,243	-
Mar-26E	33,462	65.30%
Mar-27E	53,974	61.30%
Mar-28E	75,401	39.70%
Mar-29E	106,014	40.60%
Mar-30E	150,116	41.60%

Projected Revenue - Bull Case



> **FY2026–FY2027:** Total revenue uses analysts' high estimates. Quick commerce growth is 175.6% in FY2026 and 106.7% in FY2027 to meet totals.

> **FY2028–FY2030:** Higher growth rates reflect optimism about market share gains and reduced competition, supported by industry trends showing strong quick commerce adoption.

The bull case assumes Eternal outperforms expectations, capturing greater market share and benefiting from favorable market conditions. FY2026 and FY2027 use Wall Street analysts' high estimates (33,462 cr and 53,987 cr). Subsequent years assume higher growth rates:

Food Delivery: 25% annual growth, reflecting stronger customer adoption and operational efficiencies.

Quick Commerce: High growth to match analyst estimates, then 50% annually, driven by rapid store expansion and market leadership.

Hyperpure: 30% annual growth, benefiting from increased restaurant partnerships.

Others: 20% annual growth, driven by expansion in Going-Out and new initiatives.

Revenue Breakdown Table

Year	Food Delivery (cr)	Quick Commerce (cr)	Hyperpure (cr)	Others (cr)	Total Revenue (cr)	Growth %
FY25	7,753	5,243	6,255	992	20,243	-
FY26	9,691	14,449	8,132	1,190	33,462	65.3%
FY27	12,114	29,873	10,572	1,428	53,987	61.3%
FY28	15,143	44,810	13,744	1,714	75,411	39.7%
FY29	18,929	67,215	17,867	2,057	106,068	40.6%
FY30	23,661	100,823	23,227	2,468	150,179	41.6%

c) Bear Case Scenario

The bear case assumes challenges such as intensified competition and economic slowdowns. FY2026 and FY2027 use Wall Street analysts' low estimates (26,488 cr and 35,530 cr). Subsequent years assume lower growth rates:

Food Delivery: 15% annual growth, reflecting competitive pressures and affordability challenges.

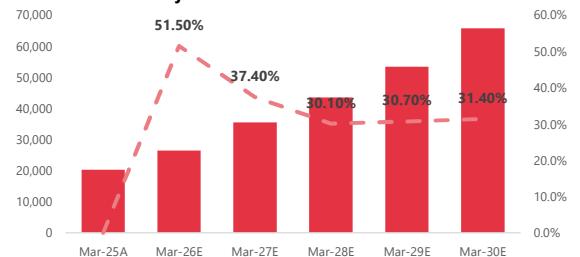
Quick Commerce: Adjusted to match analyst estimates, then 30% annually, due to competition from players like Amazon and Flipkart.

Hyperpure: 20% annual growth, limited by market saturation.

Others: 10% annual growth, constrained by smaller scale and investment needs.

Mar-25A	20,243	-
Mar-26E	26,478	30.80%
Mar-27E	35,507	34.10%
Mar-28E	43,496	22.50%
Mar-29E	53,413	22.80%
Mar-30E	65,805	23.20%

Projected Revenue - Bear Case



Revenue Breakdown Table						
Year	Food Delivery (cr)	Quick Commerce (cr)	Hyperpure (cr)	Others (cr)	Total Revenue (cr)	Growth %
FY25	7,753	5,243	6,255	992	20,243	-
FY26	8,916	8,975	7,506	1,091	26,488	30.8%
FY27	10,253	15,070	9,007	1,200	35,530	34.1%
FY28	11,791	19,591	10,808	1,320	43,510	22.5%
FY29	13,559	25,468	12,970	1,452	53,449	22.8%
FY30	15,593	33,108	15,564	1,597	65,862	23.2%

>**FY2026–FY2027**: Total revenue uses analysts' low estimates. Quick commerce growth is 71.2% in FY2026 and 67.9% in FY2027.

>**FY2028–FY2030**: Lower growth rates reflect challenges like increased competition and potential economic downturns, as noted in the earnings call.

2. EBIT Margin Projection

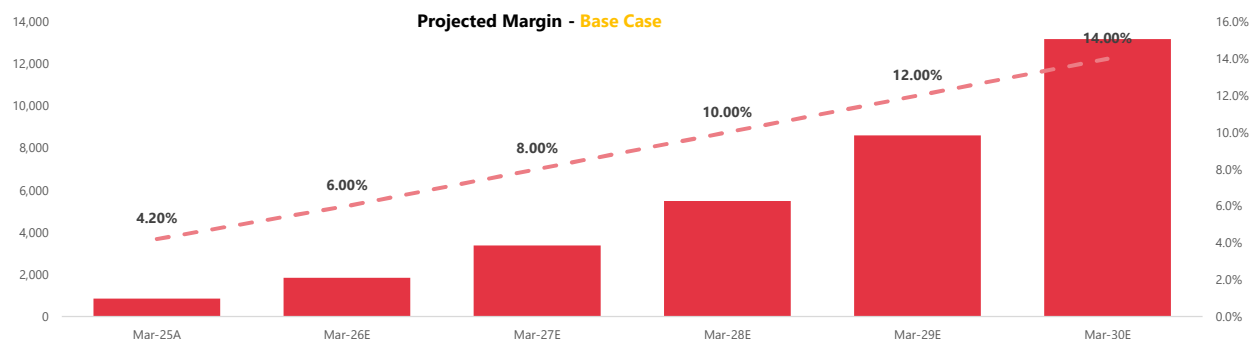
(Mar-26 ----- Mar-30)

Zomato's EBIT margin in FY25 is 4.2%, reflecting ongoing investments in growth, particularly in Blinkit. The projections assume gradual improvement driven by economies of scale, operational efficiencies, and reduced losses in quick commerce.

a) Base Case Scenario

Starting at 4.2% in FY2025, the EBIT margin is projected to increase to 6% in FY2026, 8% in FY2027, 10% in FY2028, 12% in FY2029, and 14% in FY2030. This reflects strong economies of scale, with fixed costs spread over higher revenues, and limited competition allowing stable pricing. The earnings call indicates current pressures on margins due to competition, particularly in quick commerce (-2% Adjusted EBITDA margin), but long-term profitability is expected to improve with operational efficiencies.

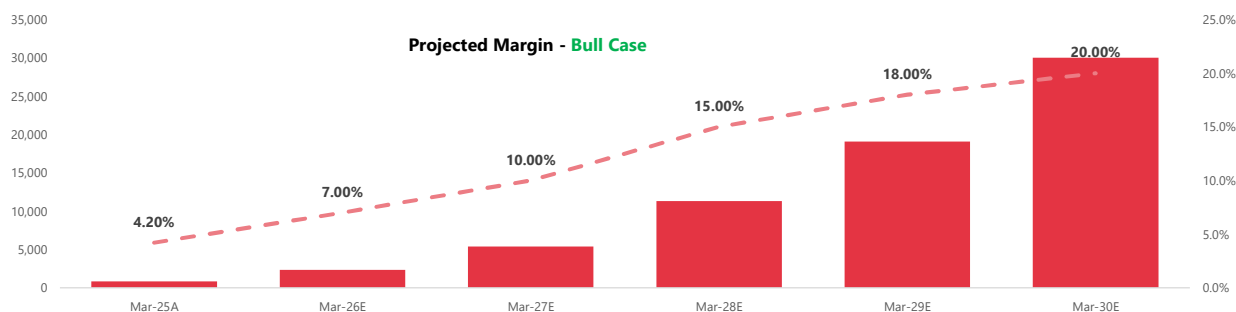
		EBIT
Mar-25A	4.20%	851
Mar-26E	6.00%	1,840
Mar-27E	8.00%	3,371
Mar-28E	10.00%	5,482
Mar-29E	12.00%	8,598
Mar-30E	14.00%	13,181



b) Bull Case Scenario

		EBIT
Mar-25A	4.20%	851
Mar-26E	7.00%	2,342
Mar-27E	10.00%	5,397
Mar-28E	15.00%	11,310
Mar-29E	18.00%	19,083
Mar-30E	20.00%	30,023

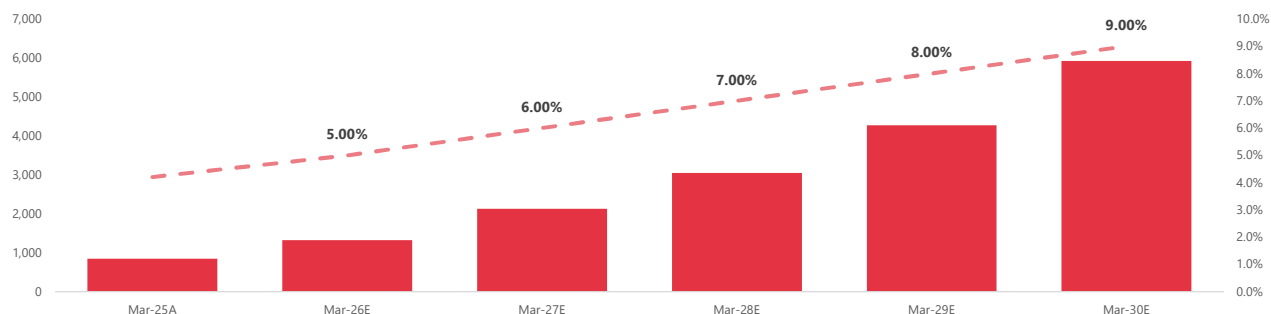
With no or limited competition, margins improve faster to 7% in FY2026, 10% in FY2027, 15% in FY2028, 18% in FY2029, and 20% in FY2030. Minimal competition enables premium pricing and reduced marketing costs, enhancing profitability.



c) Bear Case Scenario

High competition limits margin expansion to 5% in FY2026, 6% in FY2027, 7% in FY2028, 8% in FY2029, and 9% in FY2030. Increased spending on customer acquisition and discounts offsets scale benefits.

		EBIT
Mar-25A	4.20%	851
Mar-26E	5.00%	1,324
Mar-27E	6.00%	2,130
Mar-28E	7.00%	3,045
Mar-29E	8.00%	4,273
Mar-30E	9.00%	5,922



Target Operating Margin (Terminal)

Historical Median -	-17.61%
Industry Median -	3.68%

Base	20.00%
Bull	25.00%
Bear	12.00%

1) **Base:** Target for FY2035: 20%, assuming continued scale benefits and market leadership.

2) **Bull:** 25%, reflecting a dominant market position.

3) **Bear:** 12%, constrained by ongoing competitive pressures.

3. Return on Equity Projection

(Mar-26 ----- Mar-30)

a) Base Case Scenario

From 2.58% in FY2025, ROE rises to 12% due to improved net income from higher revenues and margins, supported by efficient capital allocation in an environment with limited competition. Industry norms for technology-driven firms suggest ROE of 10–15% for mature players, supporting this projection.

Mar-25A	2.58%
Mar-26E	12.00%
Mar-27E	12.00%
Mar-28E	12.00%
Mar-29E	12.00%
Mar-30E	12.00%

b) Bull Case Scenario

Mar-25A	2.58%
Mar-26E	18.00%
Mar-27E	18.00%
Mar-28E	18.00%
Mar-29E	18.00%
Mar-30E	18.00%

With minimal competition, higher margins drive net income growth, pushing ROE to 18%. This aligns with top-performing tech firms in favorable market conditions.

c) Bear Case Scenario

High competition limits profit growth, resulting in a modest ROE of 8%, still above FY2025 levels due to some scale benefits but below industry leaders.

Mar-25A	2.58%
Mar-26E	8.00%
Mar-27E	8.00%
Mar-28E	8.00%
Mar-29E	8.00%
Mar-30E	8.00%

Target ROE (Terminal)

Historical Median -	-6.20%
Industry Median -	4.44%

Base	15.00%
Bull	20.00%
Bear	10.00%

1) **Base:** 15%, reflecting sustained profitability growth.

2) **Bull:** 20%, assuming continued dominance.

3) **Bear:** 10%, constrained by market challenges.

- **Projection:** 2x (FY2026–FY2030, all scenarios)
- From 0.7x in FY2025, the ratio improves to 2x, reflecting Eternal Limited's asset-light, technology-driven model. Industry benchmarks for similar firms (e.g., food delivery and e-commerce) suggest ratios above 1.0x, and operational efficiencies from scale support this increase. The same ratio is used across scenarios, as capital efficiency is expected to stabilize with growth.

Current ICT	0.70x
Historical Median -	0.41x
Industry Median -	1.77x
Predictaed in Year 5	2.00x

To forecast invested capital turnover ($Sales / (Debt + Equity - Cash)$), we use a fade-adjusted approach that blends the company's historical efficiency with industry norms. For younger companies, the industry benchmark carries greater weight, assuming the firm is still optimizing capital deployment. In contrast, mature businesses are projected primarily based on their historical capital efficiency. The 5-year target is reached through a gradual linear convergence from current levels, ensuring a smooth and realistic transition path that reflects business evolution over time.

Final Thought

Eternal Ltd's financial projections reflect strong growth potential, driven by food delivery and quick commerce, with improving profitability and capital efficiency. However, risks such as competition, regulatory changes, and macroeconomic factors could impact outcomes. The base case offers a balanced outlook, while bull and bear cases capture upside and downside scenarios.

Citations:

- Wall Street analysts' revenue estimates for FY2026 and FY2027.
- Q4 FY2025 earnings call transcript of Eternal Ltd.
- Industry trends from sources like McKinsey and Business of Apps.
- Financial benchmarks from DoorDash's 2024 financials (Yahoo Finance, Nasdaq).

Weighted Average Cost of Capital - ETERNAL LTD

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This document presents the calculation of the Weighted Average Cost of Capital (WACC) for ETERNAL LTD. The WACC is a critical financial metric that represents the average rate of return required by all of the company's security holders, including equity investors and debt holders. It is used in financial modeling and valuation to discount future cash flows and assess investment opportunities. The following calculations are based on the latest available financial data and market information as of the date of this analysis.

Top Peers of ETERNAL LTD

All figures are in INR Cr. unless stated otherwise.

Name	Country	Mkt Value of Equity	Debt	Tax Rate ¹	Debt/Equity	Debt/Capital	Levered Beta ²	Unlevered Beta ³
Eternal Ltd	India	258,485	2,045	30%	0.79%	0.78%	1.23	1.22
Swiggy	India	97,414	1,703	30%	1.75%	1.72%	1.22	1.21
FSN E-Commerce	India	62,238	1,321	30%	2.12%	2.08%	0.57	0.56
Brainbees Solut.	India	20,035	1,570	30%	7.84%	7.27%	1.45	1.37
Cartrade Tech	India	9,133	131	30%	1.44%	1.42%	1.30	1.29
RattanIndia Ent	India	8,632	923	30%	10.70%	9.66%	1.57	1.46
Macfos	India	688	20	30%	2.90%	2.82%	0.61	0.60
Intrasoft Tech.	India	178	13	30%	7.18%	6.70%	0.98	0.93
Kaushalya	India	148	80	30%	53.64%	34.91%	1.43	1.04
Womancart	India	133	14	30%	10.76%	9.71%	0.18	0.17
Digidrive Dist.	India	122	1	30%	0.69%	0.69%	0.00	0.00
Average				30.00%	9.07%	7.07%	0.96	0.90
Median				30.00%	2.90%	2.82%	1.22	1.04

Capital Structure

		Current	Target
Total Debt	2,045	0.78%	2.82%
Market Capitalization	258,485	99.22%	97.18%
Total Capitalization	260,530	100%	100%

Debt / Equity	0.79%	2.90%
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Cost of Debt

Interest Coverage Ratio	5.5x
Default Spread ⁵	0.77%
Pre-tax Cost of Debt	7.08%
Tax Rate	30.00%
After Tax Cost of Debt	4.96%

The cost of equity, estimated using the Capital Asset Pricing Model (CAPM), is 13.6%. The overall cost of capital (WACC) is calculated at 13.36%, incorporating multiple layers of risk including currency risk, country risk, company-specific risk, and credit (debt) risk. All inputs and assumptions have been carefully derived from reliable and credible data sources to ensure the highest possible accuracy.

Levered Beta

Peers Median Unlevered Beta	1.04
Target Debt/ Equity	2.90%
Tax Rate	30%
Levered Beta	1.06

Cost of Equity

Risk Free Rate ⁶	6.31%
Equity Risk Premium ⁷	6.87%
Levered Beta ⁴	1.06
Cost of Equity	13.60%

Weighted Average Cost of Capital

Cost of Equity	13.60%
Equity Weight	97.18%
Cost of Debt	4.96%
Debt Weight	2.82%
WACC	13.36%

Notes

1. The tax rate used in the calculations is the marginal tax rate applicable in India.
2. The levered beta is estimated using 5 years of monthly stock return data relative to the appropriate market index.
3. The unlevered beta is calculated using the formula: $\text{Unlevered Beta} = \text{Levered Beta} / (1 + (1 - \text{Tax Rate}) \times (\text{Debt} / \text{Equity}))$
4. The company's levered beta is calculated using the formula: $\text{Levered Beta} = \text{Unlevered Beta} / (1 + (1 - \text{Tax Rate}) \times (\text{Debt} / \text{Equity}))$
5. The default spread for the pretax cost of debt is determined using the synthetic rating method, which is based on the company's interest coverage ratio, which can be current or historical median, based on the current market scenario.
6. The risk-free rate is the yield on the 10-year Indian Treasury bond.
7. The equity risk premium is calculated as the sum of the equity risk premium for a developed market (specifically, the United States) and the country risk premium for India.

Free Cash Flow to Firm Model (FCFF) - ETERNAL LTD

This report outlines a Free Cash Flow to Firm (FCFF)-based Discounted Cash Flow (DCF) valuation model. The model is designed using a methodology inspired by Ivy League professors and is widely accepted globally. Its purpose is to estimate the enterprise and equity value of a company by forecasting its cash flows over a multi-year period and discounting them to present value.

The model forecasts unlevered free cash flows over a 10-year horizon, incorporating company-specific operational drivers, macroeconomic conditions, and alternative data insights.

The DCF model employed in this analysis follows a structured three-stage framework, enabling a realistic projection of a company's financial trajectory:

1. High Growth Phase (Years 1–5): This initial stage captures a period of accelerated growth, driven by strong revenue expansion, improving margins, and reinvestment. The firm is expected to generate returns on invested capital (ROIC) significantly above its cost of capital.

2. Transition Phase (Years 6–10): During this intermediate stage, the company's growth rate and profitability gradually normalize. Key financial metrics such as ROIC, reinvestment rate, and cost of capital begin to converge toward stable long-term averages, reflecting a maturing business.

3. Stable Growth Phase (Terminal Year Onward): In the final stage, the firm reaches financial stability with modest, perpetual growth. Cash flows are assumed to grow at a constant rate, and excess returns diminish as the company becomes fully mature.

This multi-stage approach ensures a balanced valuation by capturing both near-term performance and long-term sustainability.

Forecast assumptions such as revenue growth rates, operating margins, and reinvestment rates (sales-to-capital ratio) are discussed in the **Financial Projections** section, while the cost of capital is detailed in the **WACC** section. The table presented here reflects the **Base Case Scenario**, as discussed in the financial projections. For alternate scenarios, refer to the upcoming **Scenario Analysis** section.

(Amount in INR Cr.)

Year	Mar-25A	Mar-26E	Mar-27E	Mar-28E	Mar-29E	Mar-30E	Mar-31E	Mar-32E	Mar-33E	Mar-34E	Mar-35E	Terminal Value
Revenue Growth Rate		51.50%	37.40%	30.10%	30.70%	31.40%	26.38%	21.36%	16.35%	11.33%	6.31%	6.31%
Revenues	20,243	30,668	42,138	54,822	71,652	94,150	118,990	144,412	168,019	187,055	198,861	211,414
EBIT Margin	4.20%	6.00%	8.00%	10.00%	12.00%	14.00%	15.20%	16.40%	17.60%	18.80%	20.00%	20.00%
EBIT	851	1,840	3,371	5,482	8,598	13,181	18,086	23,683	29,571	35,166	39,772	42,283
Tax Rate(T)	24.39%	24.39%	24.39%	24.39%	24.39%	24.39%	25.51%	26.63%	27.76%	28.88%	30.00%	30.00%
EBIT(1-T)	643	1,391	2,549	4,145	6,501	9,966	13,472	17,376	21,363	25,011	27,841	29,598
Sales to Capital	0.70x	0.96x	1.22x	1.48x	1.74x	2.00x	2.00x	2.00x	2.00x	2.00x	2.00x	2.00x
Less: Reinvestment		10,822	9,382	8,560	9,668	11,249	12,420	12,711	11,804	9,518	5,903	10,178
FCFF		-9,431	-6,834	-4,415	-3,167	-1,283	1,053	4,665	9,560	15,493	21,937	19,420
Cost of Capital		13.36%	13.36%	13.36%	13.36%	13.36%	13.36%	13.36%	13.36%	13.36%	13.36%	13.36%
Discount Factor		0.882	0.778	0.687	0.606	0.534	0.471	0.416	0.367	0.324	0.285	
PV(FCFF)		-8,320	-5,318	-3,031	-1,918	-686	496	1,940	3,507	5,014	6,262	
Invested capital	28,748	39,570	48,952	57,513	67,181	78,430	90,850	103,561	115,364	124,882	130,786	
ROIC	2.24%	3.52%	5.21%	7.21%	9.68%	12.71%	14.83%	16.78%	18.52%	20.03%	21.29%	18.36%

Calculation of Terminal Value		Calculation of Enterprise Value		Calculation of Intrinsic Value	
Terminal Cash flow	19,420	PV (CF over next 10 years)	-2,054	Less: Debt	2,045
Terminal Cost of Capital	13.36%	Sum of PV	76,652	Less: Minority Interest	-7
Terminal Value	275,706	Default Spread	0.77%	Add: Cash	3,614
PV(Terminal Value)	78,706	Synthetic Rating	A1/A+	Value of Equity	77,004
		Probability of failure ²	2%	Number of Shares	965.04
		Distress Proceeds ¹	B 65%	Current Price	267.85
		Proceeds if firm fails	21,031	Estimated value/share	₹ 79.79
		Value of Operating Assets	75,428	Trading at Premium: Overvalued by -	235.69%

Notes:

1. Distress Proceeds (or Recovery Rate): This represents the expected percentage of debt value recoverable per ₹ 100 of face amount in a default scenario. Methodologically, we infer it by mapping the firm's synthetic credit spread—itsself derived from the Interest Coverage Ratio—to a corresponding credit-rating bucket, and then applying long-term empirical "distress proceeds" averages for that bucket (e.g. ~70% for AAA, ~55% for BBB, ~25% for CCC).

2. Probability of Failure: The one-year default probability reflects the market's implied likelihood of default, net of expected recoveries. We calculate it by first converting the ICR into a synthetic spread (using an approximate-match lookup of coverage bands), then applying the standard market-implied formula:

$$\text{Probability} = \text{Synthetic Spread} / (1 - \text{Recovery Rate})$$

3. Terminal Growth Rate: The terminal growth rate is set equal to the risk-free rate (typically the 10-year T-bond yield), representing the long-term sustainable growth ceiling aligned with the economy's risk-free expansion potential.

4. Terminal Cost of Capital: Mature firms tend to have cost of capital levels closer to the market average. A general rule is:

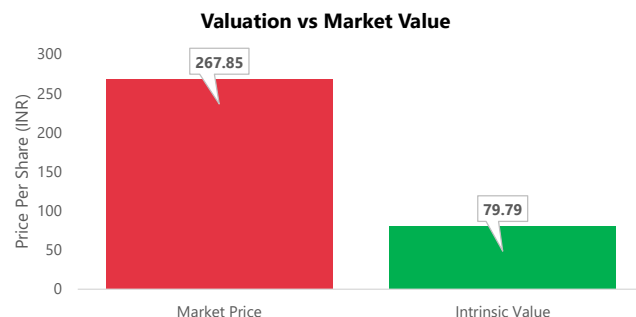
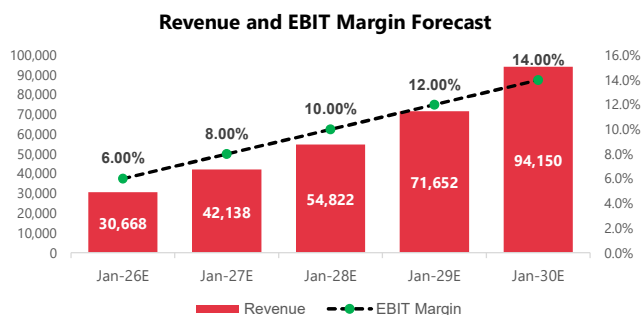
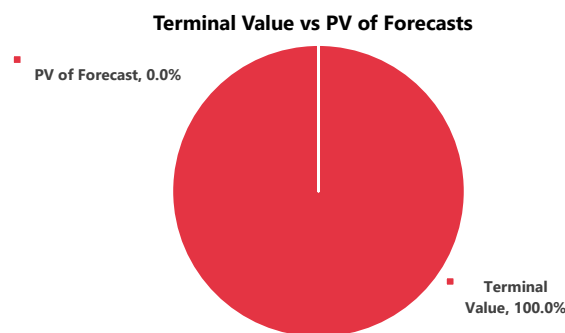
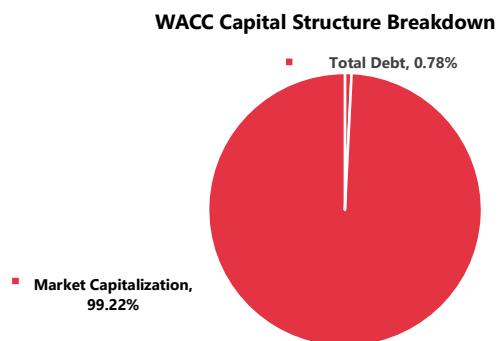
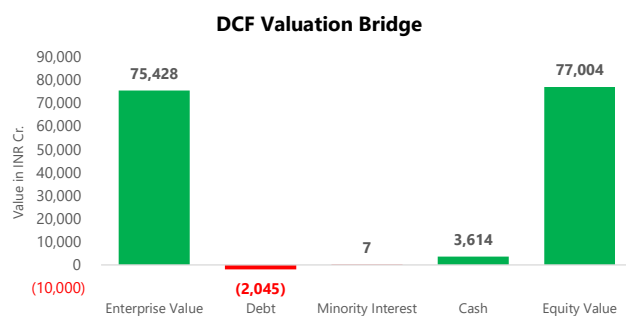
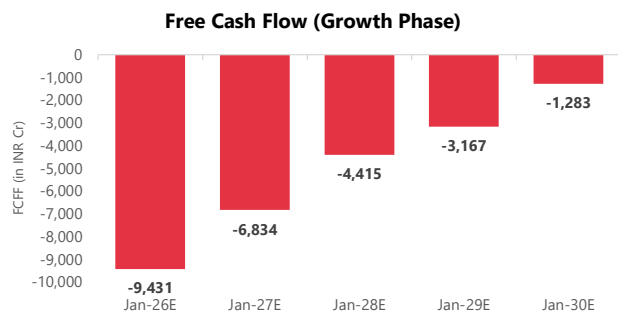
Risk-free rate + 4.5% for an average-risk mature firm

Risk-free rate + 6% for mature firms in riskier industries

Risk-free rate + 4% for safer, more stable mature companies

(This adjustment reflects the declining business risk profile over time.)

5. Terminal Return on Invested Capital (ROIC): The default assumption is that competitive advantages diminish over time, causing ROIC to converge to the cost of capital. This is a realistic scenario for most firms. However, firms with strong and sustainable competitive advantages (e.g., brand power or network effects) may continue earning **excess returns** beyond year 10. In such cases, a terminal ROIC slightly above the cost of capital may be justified, but should be capped—**not exceeding a 5% spread** for mature companies to avoid overestimation.



Model Output

Under the base case scenario, the FCFF valuation model estimates an enterprise value of ₹75,428 crore. After adjusting for net debt and minority interests, the resulting equity value is ₹77,004 crore, implying an intrinsic value of ₹79.79 per share. In comparison to the current market price of ₹267.85, the stock appears to be trading at a Premium of approximately 235.69%, suggesting Overvalued under the given assumptions.

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Key Value Driver Sensitivity

While the Discounted Cash Flow (DCF) valuation using the Free Cash Flow to Firm (FCFF) approach provides a detailed intrinsic value estimate, it heavily depends on input assumptions. Given the inherent uncertainty in long-term forecasting, we conduct a **sensitivity analysis** to evaluate how changes in key variables affect the estimated fair value of the business. This adds a layer of robustness and transparency to our valuation by highlighting the range of potential outcomes.

Variables Selected for Sensitivity Testing:

After evaluating various drivers of the model, we selected the following two variables for sensitivity analysis:

1. Terminal Growth Rate (g): The **terminal value** contributes a significant portion of the total enterprise value in a DCF model—often over 50%. A slight change in the **terminal growth rate** materially affects the terminal value and thus the overall valuation. Since estimating growth in perpetuity is speculative and macro-driven, testing its impact helps investors understand best-case and worst-case long-term scenarios.

2. Weighted Average Cost of Capital (WACC): WACC is the discount rate applied to future free cash flows; even minor adjustments can cause large valuation shifts, especially in longer-duration cash flows. It reflects the **cost of equity, debt, and overall capital structure**—which may change due to market volatility, interest rate movement, or perceived business risk. Stress-testing the WACC helps gauge how sensitive the business's valuation is to changes in its risk premium or capital mix.

Sensitivity Table:

Below is the matrix showing how the Enterprise value and Intrinsic equity value per share changes with different combinations of WACC and terminal growth rate.

Implied Enterprise Value (INR Crores)						
WACC ↓	Terminal Growth Rate →					
	5.05%	5.68%	6.31%	6.94%	7.57%	
	12.13%	87,947	93,348	99,758	107,537	117,248
	12.74%	77,091	81,426	86,479	92,481	99,774
	13.36%	67,838	71,370	75,428	80,163	85,792
	13.97%	59,873	62,790	66,099	69,903	74,345
	14.58%	52,962	55,397	58,130	61,234	64,804

Implied Value Per Share (INR)						
WACC ↓	Terminal Growth Rate →					
	5.05%	5.68%	6.31%	6.94%	7.57%	
	12.13%	92.8	98.4	105.0	113.1	123.1
	12.74%	81.5	86.0	91.3	97.5	105.0
	13.36%	71.9	75.6	79.8	84.7	90.5
	13.97%	63.7	66.7	70.1	74.1	78.7
	14.58%	56.5	59.0	61.9	65.1	68.8

Sensitivity Table Output:

This sensitivity analysis demonstrates that the DCF output is particularly reactive to **WACC and terminal growth rate**—underscoring the importance of precision in estimating these inputs. The **lower range** of valuation occurs when WACC is high and terminal growth is low, indicating a pessimistic market and business environment. The **upper range** reflects optimistic growth expectations and lower capital costs.

In our base case, assuming a WACC of 13.36% and a terminal growth rate of 6.31%, we estimate: Enterprise Value of ₹75,428 Cr, Intrinsic Equity Value per Share of ₹79.8. However, under reasonable variations, the valuation range spans: EV: ₹52,962 Cr to ₹117,248 Cr and Per Share: ₹56.5 to ₹123.1.

This range provides investors with a more realistic view of valuation risk under differing macro or business assumptions.

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Scenario-Based Valuation Outlook

This section presents a scenario analysis for the Discounted Cash Flow (DCF) valuation using Free Cash Flow to the Firm (FCFF). The analysis evaluates the impact of varying four key inputs—revenue growth, operating margin, Weighted Average Cost of Capital (WACC), and terminal growth rate—across three scenarios: Base Case, Optimistic Case, and Pessimistic Case. The scenarios are designed to reflect potential economic, market, and operational conditions affecting the valuation. Detailed assumptions for revenue growth and operating margin are provided in the Projection section, while reasons for WACC and terminal growth rate variations are outlined below.

Statistical Forecast Validation: OLS Regression Cross-Check:

While the Base, Bull, and Bear case forecasts in this report are meticulously constructed using a combination of, **Historical financial performance**, **Management guidance from the latest earnings call**, and **Macroeconomic and industry-specific dynamics**, we recognize the importance of validating these scenario-based projections through an **objective, data-driven lens**.

To this end, we have employed a **linear regression model (OLS – Ordinary Least Squares)** based on historical trends of key financial metrics (e.g., Revenue). This regression provides a **statistically derived “intrinsic growth trajectory”**, free from any judgmental or qualitative bias. The intent here is **not to replace** scenario-based forecasting, but to **stress test and benchmark** its assumptions. If the Base Case projections significantly deviate from the OLS-estimated path, it may indicate either overly optimistic/pessimistic assumptions or a structural shift in business fundamentals.

Interpretation Framework:

To assess how closely the Cases aligns with the OLS estimate, we classify the deviation as follows:

- a) **> 15% deviation** = “**Statistically Divergent**” - Projections may reflect aggressive assumptions or a major anticipated shift
- b) **5 – 15% deviation** = “**Statistically Marginal**” - Projections differ but within a justifiable range given qualitative context
- c) **< 5% deviation** = “**Statistically Aligned**” - Projections closely follow historical patterns; assumptions appear validated

Year	Sales	Growth
Mar-25A	20,243	
Mar-26E	34,641	71.13%
Mar-27E	55,839	61.19%
Mar-28E	84,464	51.26%
Mar-29E	119,375	41.33%
Mar-30E	156,858	31.40%

Key Assumptions:

(For detailed explanation refer Projections section)

1. Revenue Growth Rates					
	Mar-26E	Mar-27E	Mar-28E	Mar-29E	Mar-30E
Bull	65.30%	61.30%	39.70%	40.60%	41.60%
Base	51.50%	37.40%	30.10%	30.70%	31.40%
Bear	30.80%	34.10%	22.50%	22.80%	23.20%
OLS	71.13%	61.19%	51.26%	41.33%	31.40%

(For detailed explanation refer Projections section)

2. Operating Margins					
	Mar-26E	Mar-27E	Mar-28E	Mar-29E	Mar-30E
Bull	7.00%	10.00%	15.00%	18.00%	20.00%
Base	6.00%	8.00%	10.00%	12.00%	14.00%
Bear	5.00%	6.00%	7.00%	8.00%	9.00%
OLS	5.78%	7.36%	8.94%	10.52%	12.10%

3. WACC (Cost of Capital): We adjust the WACC to reflect broad economic and market conditions. In the Bull scenario we assume a more favorable macro environment (lower risk premiums, stable rates), resulting in a lower WACC. In the Bear scenario we assume rising interest rates, higher credit spreads and risk aversion, yielding a higher WACC. WACC inputs (risk-free rate, equity premium, debt spread) vary with macroeconomic and capital market factors. For example, if central banks raise rates or investors demand higher returns for risk, the company's cost of capital increases (raising WACC).

4. Terminal Growth Rate: The terminal growth rate reflects long-term economic and industry factors. It is typically set in line with sustainable GDP or inflation rates, since a firm cannot grow perpetually faster than the economy. In our Base case we use a conservative long-term growth (e.g. near long-run GDP), the Bull case may allow a slightly higher rate if secular tailwinds are expected, and the Bear case assumes a lower terminal growth (mature industry or deflationary pressures). As valuation best practices note, terminal growth should remain realistic (often in the

	Bull	Base	Bear	OLS
WACC	12.74%	13.36%	13.97%	13.36%
Terminal	6.94%	6.31%	5.68%	6.31%

Scenario Output Comparison:

	Bull Case	Base Case	Bear Case	OLS
Enterprise Value (EV)	241,401	75,428	14,392	113,989
Equity Value	242,977	77,004	15,968	115,565
Intrinsic Value per Share	251.78	79.79	16.55	119.75

Statistically Divergent

The above scenario analysis yields an equity value per share of ₹251.78, ₹79.79, and ₹16.55 under the Bull, Base, and Bear cases, respectively. Based on our OLS (Ordinary Least Squares) regression analysis, the Base Case projection is considered ‘Statistically Divergent’ with the historical statistical trend.

Excess Return Model (ERM) - ETERNAL LTD

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The **Excess Return Model (ERM)** is an advanced equity valuation methodology widely accepted across global finance institutions and academic circles, especially those affiliated with Ivy League research¹. Unlike conventional Free Cash Flow to Firm (FCFF) or Free Cash Flow to Equity (FCFE) models that rely on estimating cash flows and discounting them using WACC or cost of equity, the ERM takes a more return-oriented view.

At its core, the ERM values a firm's equity as the **sum of the current equity capital invested** and the **present value of expected excess returns** generated on that equity over time:

$$\text{Value of Equity} = \text{Book Value of Equity} + \text{Present Value of Expected Excess Returns}$$

This method is particularly useful in valuing **firms**, where defining free cash flows and total capital invested is often challenging due to the nature of their operations and accounting. Therefore, ERM narrows its focus to **equity capital and returns to equity investors**, making it both practical and insightful for financial institutions.

To realistically capture the evolution of a firm's value, the Excess Return Model is applied in **three phases**:

- 1. High Growth Phase (Years 1–5):** During this period, the firm is expected to earn **ROEs significantly above its cost of equity**, supported by competitive advantages, strong brand equity, and efficient capital allocation. The **reinvestment rate** or **retention ratio** during this phase is usually high, indicating aggressive growth.
- 2. Transition Phase (Years 6–10):** As the firm matures, competitive pressures increase and incremental returns on new investments begin to decline. This phase reflects a **gradual convergence of ROE toward the cost of equity**.
- 3. Terminal Phase (Year 11 Onwards):** In the final stage, the firm reaches financial stability with modest, perpetual growth. Cash flows are assumed to grow at a constant rate, and excess returns diminish as the company becomes fully mature.

Note: Forecast assumptions such as **Return on Equity (ROE)**, **Retention Ratios**, and **Growth** are discussed in the **Financial Projections** section, while **Cost of Equity** is detailed in the **WACC** section. The table presented here reflects the **Base Case Scenario**. For alternate outcomes, refer to the upcoming **Scenario Analysis** section.

Cash Flow Assumptions

All figures are in INR Cr. unless stated otherwise.

Inputs from Current Financials		
Net Income	527	
Book Value of Equity (Current)	30,317	
Book Value of Equity (Last Year)	20,413	
Current Earnings Per Share	0.55	
Current Dividends Per Share	0.00	
Number of Shares Outstanding	965.0	
Do we want to normalize the net income/earnings per share?	(Yes or No)	No

Normalized Earnings Calculation (Not Applicable Here)		
Approach to normalized earnings:	1	
Approach 1: Average Net Income over last 5 years		
	Year	Net Income
	-5	(816)
	-4	(1,223)
	-3	(971)
	-2	351
	Current	527
	Average	(426)

Approach 2: Normalized Return on Equity	
Normalized ROE	4%

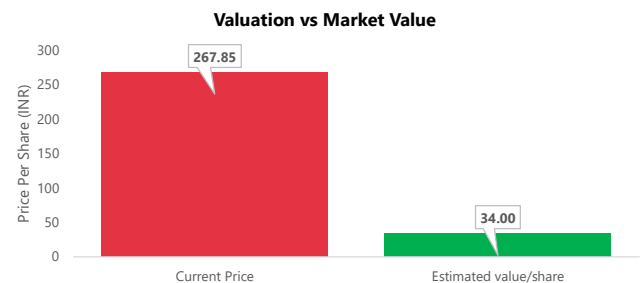
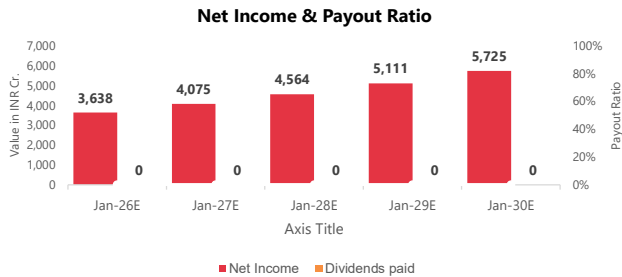
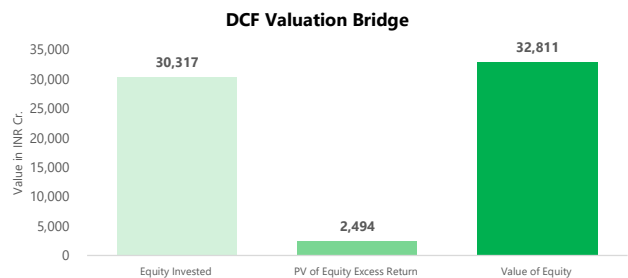
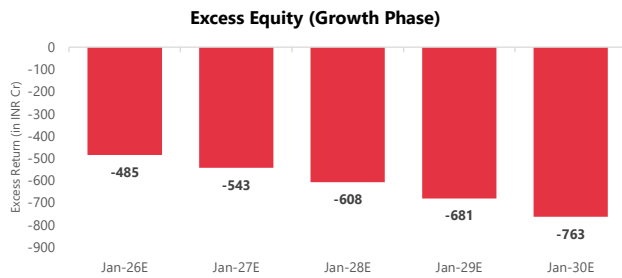
Inputs for Discount Rate		
Beta of the stock	1.06	
Riskfree rate	6.31%	
Risk Premium	6.87%	

(Amount in INR Cr.)												
Year	Mar-25A	Mar-26E	Mar-27E	Mar-28E	Mar-29E	Mar-30E	Mar-31E	Mar-32E	Mar-33E	Mar-34E	Mar-35E	Terminal Value
Net Income	527	3,638	4,075	4,564	5,111	5,725	6,732	7,838	9,026	10,266	11,520	12,247
Less: Equity Cost (see below)		4,123	4,618	5,172	5,792	6,487	7,266	8,075	8,894	9,695	10,444	11,104
Excess Equity Return (ERM)		-485	-543	-608	-681	-763	-534	-237	131	571	1,076	1,144
Cumulated Cost of Equity		1.136	1.290	1.466	1.665	1.892	2.149	2.441	2.773	3.151	3.579	
Terminal Value (ERM)											15,694	
Present Value		-427	-421	-415	-409	-403	-248	-97	47	181	4,686	
Beginning BV of Equity	20,413	30,317	33,955	38,030	42,593	47,704	53,429	59,381	65,403	71,293	76,802	81,649
Cost of Equity		13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%
Equity Cost		4,123	4,618	5,172	5,792	6,487	7,266	8,075	8,894	9,695	10,444	11,104
Return on Equity	2.58%	12.00%	12.00%	12.00%	12.00%	12.00%	12.60%	13.20%	13.80%	14.40%	15.00%	15.00%
Net Income	527	3,638	4,075	4,564	5,111	5,725	6,732	7,838	9,026	10,266	11,520	12,247
Dividend Payout Ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.58%	23.17%	34.75%	46.34%	57.92%	57.92%
Dividends paid	0	0	0	0	0	0	780	1,816	3,137	4,757	6,673	
Retained Earnings	527	3,638	4,075	4,564	5,111	5,725	5,952	6,022	5,889	5,509	4,848	

Calculation of Growth Rate	
Cost of Equity	13.60%
Return on Equity	12.00%
Retention Ratio	100.00%
Expected Growth Rate	12.00%

Calculation of Equity Value	
Equity Invested	30,317
PV of Equity Excess Return	2,494
Value of Equity	32,811

Calculation of Intrinsic Value	
Number of shares	965.04
Current Price	267.85
Estimated value/share	₹ 34.00
Trading at Premium: Overvalued by -	687.79%



Model Output

Under the base case scenario, the Excess Return Model estimates an equity value of ₹32,811 crore, implying an intrinsic value of ₹34 per share. In comparison to the current market price of ₹267.85, the stock appears to be trading at a Premium of approximately 687.79%, suggesting Overvalued under the given assumptions.

Notes:

1. Why Use ERM When FCFF Already Exists?

While FCFF is robust and widely used, the Excess Return Model offers several advantages in specific contexts:

- Focus on Economic Profitability:** Unlike FCFF, which aggregates cash flow, ERM emphasizes the quality of returns by isolating how much value the company creates *above* the required rate of return (cost of equity).
- Better Fit for Financial Institutions:** Since banks and NBFCs (Non-Banking Financial Companies) often have volatile or non-existent free cash flows, ERM's reliance on book value and ROE provides a more stable and interpretable framework.
- Direct Link to Value Creation:** ERM offers a direct assessment of whether a firm is creating or destroying shareholder value by comparing ROE to the cost of equity.
- Avoids Terminal Value Sensitivity:** ERM reduces dependence on distant terminal values, especially when value is driven by near-to-mid-term excess returns.

2. Key Inputs and Model Dynamics

The ERM relies on **two primary inputs**:

I. Equity Capital Invested: Measured as the **book value of equity**, this represents the shareholder capital currently employed in the business. For financial service firms, this is a relatively reliable metric due to:

- Assets often marked to market (e.g., loans, investments)
- Minimal depreciation or fixed asset distortions
- Less complex capital expenditure tracking than manufacturing

Adjustment Note: Stock buybacks and one-time losses may reduce book value, and adjustments might be required to reflect true economic capital.

II. Excess Returns on Equity: $\text{Excess Return} = (\text{ROE} - \text{Cost of Equity}) \times \text{Book Value of Equity}$

This component captures the firm's ability to generate economic profits. It reflects future expectations based on:

- Competitive positioning
- Regulatory environment
- Macroeconomic and interest rate trends
- Historical consistency of ROE

Key Value Driver Sensitivity

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The valuation based on the **Excess Return Model (ERM)** is highly sensitive to the firm's ability to generate **economic profits** — returns above its cost of equity — over time. To evaluate the reliability and robustness of our base case valuation, we conduct a **sensitivity analysis** using two key variables that directly influence the present value of future excess returns: **Return on Equity (ROE)** and **Cost of Equity (Ke)**.

These two inputs are central to the model's excess return component: $\text{Excess Return} = (\text{ROE} - \text{Ke}) \times \text{Book Value of Equity}$

By testing a range of realistic ROE and Ke combinations, we present a valuation spectrum that reflects both optimistic and conservative scenarios, helping investors gauge the risk and opportunity embedded in the assumptions.

Key Variables Selected: We have chosen the following two variables for the ERM sensitivity analysis:

1. Return on Equity (ROE): ROE reflects the firm's profitability and ability to generate value from shareholder capital. It is the **primary driver** of excess returns and hence of equity value in the ERM. Small changes in ROE, especially when it hovers near the cost of equity, have a **non-linear impact** on valuation.

2. Cost of Equity (Ke): Cost of equity reflects the **required rate of return** by investors based on business risk, market volatility, and macroeconomic factors. It acts as the threshold over which value is created or destroyed. Even a $\pm 0.5\%$ change can materially affect the excess return stream, especially during the high-growth phase.

Sensitivity Table:

Below is the matrix showing how the Enterprise value and Intrinsic equity value per share changes with different combinations of WACC and terminal growth rate.

Implied Equity Value (INR Crores)							Implied Value Per Share (INR)						
Cost of ↓	Return on Equity (Growth Phase) →						Cost of ↓	Return on Equity (Growth Phase) →					
	9.60%	10.80%	12.00%	13.20%	14.40%	9.60%		10.80%	12.00%	13.20%	14.40%		
	12.34%	37,067	39,925	42,971	46,217	49,673		12.34%	38.4	41.4	44.5	47.9	51.5
	12.97%	32,220	34,714	37,374	40,209	43,228		12.97%	33.4	36.0	38.7	41.7	44.8
	13.60%	28,269	30,467	32,811	35,310	37,971		13.60%	29.3	31.6	34.0	36.6	39.4
	14.23%	24,997	26,948	29,030	31,250	33,615		14.23%	25.9	27.9	30.1	32.4	34.8
	14.86%	22,251	23,995	25,857	27,842	29,958		14.86%	23.1	24.9	26.8	28.9	31.0

Sensitivity Table Output:

The sensitivity analysis clearly demonstrates that the **intrinsic equity value** is highly responsive to variations in both **Return on Equity (ROE)** and **Cost of Equity (Ke)**: **Higher ROE** and **lower Ke** significantly expand excess returns, thereby increasing equity value. Conversely, **lower ROE** or **higher Ke** compresses excess returns, resulting in more conservative valuations — and in some cases, value destruction.

In our base case, assuming a COE of 13.6% and a growth phase ROE of 12%, we estimate: Equity Value of ₹32,811 Cr, Intrinsic Equity Value per Share of ₹34. However, under reasonable variations, the valuation range spans: Equity: ₹22,251 Cr to ₹49,673 Cr and Per Share: ₹23.1 to ₹51.5

This analysis highlights the importance of sustaining superior ROE and managing risk (captured in Ke) to drive long-term shareholder value. It also equips investors with a clearer understanding of how changes in macro and business fundamentals might influence the fair value of equity..

Scenario-Based Valuation Outlook



Under the Excess Return Model, equity value is driven by “excess returns” – the amount ROE exceeds the cost of equity (CoE). By definition, value is created when ROE surpasses CoE and destroyed when ROE falls below CoE. In ERM, intrinsic value equals current book equity plus the present value of expected future excess earnings. This section sets up bull/base/bear cases with ROE and CoE assumptions around the central base case, using the 5-year historical ROE as a validation benchmark.

Statistical Forecast Validation:

We compare the base-case ROE forecasts against the company’s 5-year median historical ROE. The 5-year median ROE serves as a robust historical benchmark (less sensitive to outliers than a mean). If the forecasted ROE deviates materially from the median, the analyst should justify the deviation (e.g. cyclical tailwinds or structural shifts). In practice, the median ROE anchors expectations and flags any overly aggressive or conservative assumptions in the model.

Interpretation Framework:

To assess how closely the Cases aligns with the stats-based estimate, we classify the deviation as follows:

- a) > 15% deviation = "Statistically Divergent" - Projections may reflect aggressive assumptions or a major anticipated shift
- b) 5 – 15% deviation = "Statistically Marginal" - Projections differ but within a justifiable range given qualitative context
- c) < 5% deviation = "Statistically Aligned" - Projections closely follow historical patterns;

	Bull	Base	Bear	Stats-based
CoE	12.97%	13.60%	14.23%	13.60%
Terminal	5.68%	6.31%	6.94%	6.31%

(For detailed explanation refer Projections section)

1. Return on Equity (Growth Phase)					
Bull	18.00%	18.00%	18.00%	18.00%	18.00%
Base	12.00%	12.00%	12.00%	12.00%	12.00%
Bear	8.00%	8.00%	8.00%	8.00%	8.00%
Stats-Based	12.00%	12.00%	12.00%	12.00%	12.00%

2. Cost of Equity (CoE): We input scenario-specific CoE to reflect macro conditions. In a Bull case, lower interest rates or a thinner equity risk premium would yield a lower CoE (raising valuations), whereas in a Bear case higher rates or risk aversion increase CoE. Thus CoE in each scenario encapsulates broad equity-risk expectations – it is not driven by firm operations but by market/interest-rate outlook. In practice, analysts often tie CoE to long-term bond yields plus a risk spread.

3. Terminal Growth Rate: The terminal growth rate reflects long-term economic and industry factors. It is typically set in line with sustainable GDP or inflation rates, since a firm cannot grow perpetually faster than the economy. In our Base case we use a conservative long-term growth (e.g. near long-run GDP), the Bull case may allow a slightly higher rate if secular tailwinds are expected, and the Bear case assumes a lower terminal growth (mature industry or deflationary pressures). As valuation best practices note, terminal growth should remain realistic (often in the low single digits) and congruent with broad economic growth

Scenario Output Comparison:

	Bull Case	Base Case	Bear Case	Stats-based
Equity Value	81,143	32,811	8,564	32,811
Intrinsic Value per Share	84.08	34.00	8.87	34.00

Statistically Aligned

The above scenario analysis yields an equity value per share of ₹84.08, ₹34, and ₹8.87 under the Bull, Base, and Bear cases, respectively. Based on our stats-based analysis, the Base Case projection is considered 'Statistically Aligned' with the historical statistical trend.

Relative Valuation - ETERNAL LTD

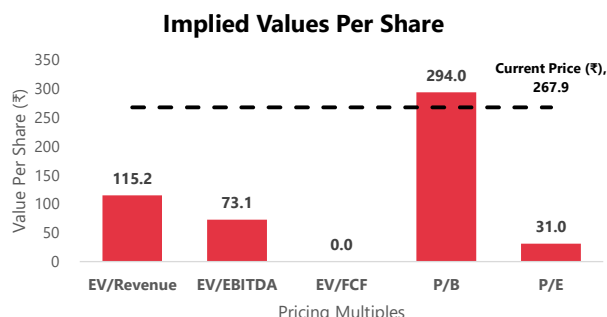
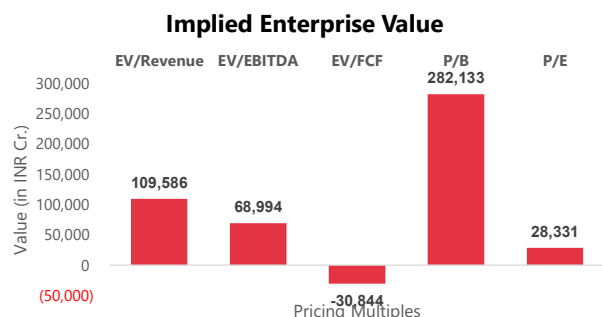
This report applies a **comparables (peer) valuation** framework using key pricing multiples. In a comparables analysis, we identify similar companies and compute standardized multiples (e.g. EV/Revenue, EV/EBITDA, EV/FCF, P/B, P/E). We then take a central tendency (commonly the median) of these peer multiples and apply it to the company's own financial metrics to estimate its value. This approach is straightforward and widely used, though it relies on the assumption that the company's growth, margins and risk profile are broadly in line with the peer group.

Peer Selection: Our peer set includes the largest publicly traded firms that operate in similar markets and business segments. We gather the latest market and financial data for each: share price and count, market capitalization, net debt (total debt less cash), revenue, EBITDA, free cash flow (FCF), book value and net income. These figures are taken from recent financial statements, stock exchange filings or financial databases as of the valuation date. Enterprise Value (EV) is computed as Equity Value + Debt – Cash. Net debt is defined as total interest-bearing debt minus cash/cash equivalents. All values are in ₹ (crore) for consistency.

Multiples and Percentiles: For each company we compute the following multiples: **EV/Revenue**, **EV/EBITDA**, **EV/FCF**, **P/B (Price/Book)**, and **P/E (Price/Earnings)**. (EV-based multiples are capital-structure-neutral, using EV in numerator and sales/EBITDA/FCF in denominator; equity multiples use share price and per-share metrics.) We then aggregate the peer multiples. To summarize these, we calculate the **25th percentile**, **median (50th percentile)**, and **75th percentile** of each multiple across the peer set. In practice, analysts often

(Amount in INR Cr.)

Company	Market Data			Financials				Pricing Multiples				
	Share Price	Shares Outstanding	Enterprise Value	Revenue	EBITDA	Free Cash Flow	Net Income	EV/Revenue	EV/EBITDA	EV/FCF	P/B	P/E
Eternal Ltd	268	965.04	256,916	20,243	1,714	-623	527	12.7x	149.9x	-412.4x	8.6x	490.5x
Swiggy	391	249.36	95,818	15,227	-2,392	-2,913	-3,117	6.3x	-40.1x	-32.9x		-31.3x
FSN E-Commerce	218	286.02	63,342	7,950	501	339	72	8.0x	126.4x	186.6x	47.8x	863.6x
Brainbees Solut.	384	52.18	19,900	7,660	380	138	-265	2.6x	52.3x	143.9x	4.3x	-75.7x
Cartrade Tech	1,923	4.75	9,188	641	220	166	145	14.3x	41.7x	55.4x	4.1x	62.9x
RattanIndia Ent	62	138.23	9,425	6,866	262	297	81	1.4x	35.9x	31.7x	9.4x	106.9x
Macfos	731	0.94	708	255	27	-29	18	2.8x	26.1x	-24.2x	9.8x	38.3x
Intrasoft Tech.	109	1.63	186	507	19	41	13	0.4x	9.8x	4.5x	0.8x	14.0x
Kaushalya	80	1.85	227	1,227	25	-20	12	0.2x	9.0x	-11.1x	2.5x	12.5x
Womancart	221	0.60	137	59	11	-43	7	2.3x	12.4x	-3.2x	2.0x	18.5x
Digidrive Dist.	32	3.86	120	50	10	-8	8	2.4x	11.7x	-14.9x	0.4x	15.4x
High								14.3x	126.4x	186.6x	47.8x	863.6x
75th Percentile								5.4x	40.3x	49.5x	9.4x	56.7x
Median								2.5x	19.2x	0.7x	4.1x	16.9x
25th Percentile								1.6x	10.3x	-13.9x	2.0x	12.9x
Low								0.2x	-40.1x	-32.9x	0.4x	-75.7x
Implied Enterprise Value								109,586	68,994	-30,844	282,133	28,331
Net Debt								-1,569	-1,569	-1,569	-1,569	-1,569
Implied Market Value								111,155	70,563	-29,275	283,702	29,900
Shares Outstanding								965.04	965.04	965.04	965.04	965.04
								115.18	73.12	-30.34	293.98	30.98
Implied Value per Share (₹)	(Based on Median)							115.2	73.1	-	294.0	31.0
Current Price (₹)	267.9											
								Overpriced	Overpriced	-	Underpriced	Overpriced



Model Output

Based on the 75th Percentile peer multiples, ETERNAL LTD's implied equity value per share ranges roughly from ₹31 to ₹294 depending on the chosen metric. We stress that this is a simplified illustrative exercise: true valuation would require adjustments for growth differences, one-time items, accounting variations, and forward ("next-twelve-months") estimates. Moreover, the use of historical or forward multiples, currency effects, and market timing can all sway the result. Analysts often present a valuation range (e.g. using the 25th–75th percentile of each multiple) to capture this uncertainty.

Monte Carlo Simulation & VaR Model

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1-Year Value at Risk (VaR) Report

This report estimates the 1-year Value at Risk (VaR) for ETERNAL LTD using a Monte Carlo Simulation approach. By simulating 10,000 potential future price paths based on historical volatility and mean return, we quantify the risk of extreme loss under normal market conditions.

Date	Price	Returns	Replication	Simulated Returns	Simulated Price	VaR
8-Feb-2022	56	20.0%	1	4.96%	281	14
30-05-2022	71	14.5%	2	71.29%	546	279
24-05-2022	65	13.8%	3	-64.19%	141	-127
11-Nov-2022	73	13.8%	4	53.05%	455	187
8-Feb-2024	262	12.1%	5	64.95%	513	245
8-Apr-2023	95	10.2%	6	112.42%	824	557
2-Aug-2023	54	10.0%	7	-50.72%	161	-107
25-01-2022	100	10.0%	8	54.02%	460	192
13-05-2022	57	9.4%	9	9.10%	293	26
9-Mar-2021	150	8.8%	10	27.57%	353	85
30-03-2022	85	8.8%	11	82.11%	609	341
11-Dec-2021	153	8.6%	12	50.94%	446	178
26-12-2022	58	8.4%	13	-58.74%	149	-119
8-Nov-2021	136	8.3%	14	74.79%	566	298
11-Mar-2023	117	8.3%	15	21.99%	334	66
29-07-2021	142	7.9%	16	16.87%	317	49
9-Jan-2022	62	7.8%	17	45.96%	424	156
2-Jan-2025	236	7.2%	18	95.51%	696	428
18-03-2025	218	7.1%	19	-6.31%	251	-16
30-08-2021	134	7.1%	20	-15.00%	231	-37
28-04-2023	65	6.9%	21	-30.74%	197	-71
29-01-2025	223	6.9%	22	4.91%	281	13
6-May-2024	184	6.9%	23	66.99%	523	256
18-10-2021	144	6.7%	24	-18.95%	222	-46
8-Jul-2024	266	6.7%	25	-15.18%	230	-38
8-Dec-2022	62	6.6%	26	-27.56%	203	-65
17-03-2022	81	6.5%	27	-3.76%	258	-10
10-Jul-2022	70	6.1%	28	-0.29%	267	-1
13-07-2023	82	6.1%	29	62.07%	498	230
11-Jun-2023	123	5.8%	30	103.75%	756	488
23-02-2022	84	5.6%	31	71.00%	545	277
12-Aug-2021	148	5.6%	32	18.15%	321	53
27-07-2022	44	5.5%	33	74.55%	564	297
5-Dec-2025	240	5.4%	34	47.87%	432	164
29-09-2022	61	5.4%	35	13.24%	306	38
20-02-2023	55	5.4%	36	38.47%	394	126
11-Jun-2024	255	5.4%	37	-84.72%	115	-153
30-08-2023	100	5.4%	38	81.30%	604	336
22-12-2021	139	5.4%	39	60.27%	489	222
19-06-2024	198	5.2%	40	27.25%	352	84
7-Dec-2022	59	5.2%	41	-49.84%	163	-105
27-09-2021	144	5.2%	42	70.32%	541	273
31-05-2022	75	5.1%	43	85.42%	629	361
4-Feb-2025	212	5.0%	44	4.30%	280	12
31-01-2023	50	5.0%	45	67.89%	528	260
11-Sep-2021	138	5.0%	46	10.30%	297	29
17-02-2022	89	4.9%	47	15.56%	313	45
9-May-2024	255	4.9%	48	-10.53%	241	-27
4-Apr-2024	187	4.9%	49	23.94%	340	72
20-05-2022	58	4.9%	50	37.28%	389	121
20-03-2024	166	4.8%	51	86.75%	638	370
19-02-2025	234	4.8%	52	115.11%	847	579
26-03-2024	183	4.8%	53	72.21%	551	284
15-03-2024	160	4.8%	54	48.82%	436	169

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Descriptive Statistics (5Y - Daily)

Mean	0.11%
Standard Error	0.10%
Median	0.08%
Standard Deviation	3.11%
Sample Variance	0.00
Kurtosis	5.04
Skewness	0.26
Range	0.40
Minimum	-19.62%
Maximum	19.98%
Sum	1.10
Count	988

Monte Carlo Simulation 1-Year

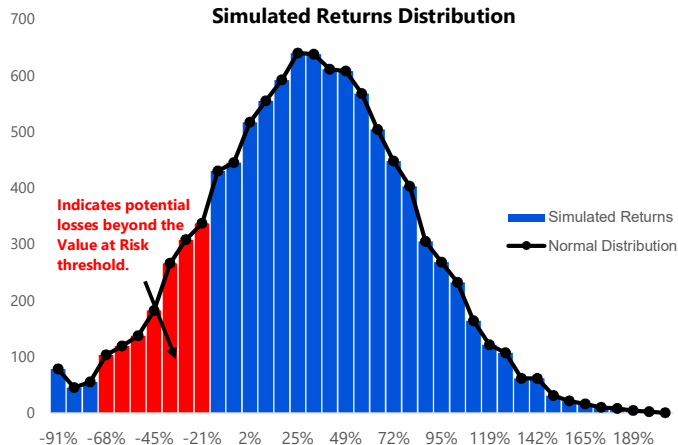
Current Price	₹ 267.85
Time Horizon (Days)	252
Mean	28.09%
Std Deviation	48.97%
Min	-170.87%
Max	210.51%

Output Summary

Average Simulated Price	₹ 400.05
Minimum Simulated Price	₹ 48.51
Maximum Simulated Price	₹ 2,198.56
5th Percentile Simulated Price	₹ 157.79
1-Year 95% VaR	₹ 110.06
1-Year 95% VaR (%)	41.09%

Percentile	Confidence Level	1 Year VAR	VaR %
10 th	90.0%	79.08	29.53%
5 th	95.0%	110.06	41.09%
1 st	99.0%	150.91	56.34%
0.1 th	99.9%	183.43	68.48%

Simulated Returns Distribution



The results of the Monte Carlo simulation provide a probabilistic framework for assessing the downside risk in ETERNAL LTD's equity over a 1-year horizon. By generating 10,000 potential future price paths based on historically observed mean returns and volatility, we arrive at a 95% confidence Value at Risk (VaR) of ₹110.06, or 41.09% of the current stock price.

This implies that, under normal market conditions, we can be 95% confident that ETERNAL LTD's share price will not fall below ₹157.79 within one year. Conversely, there exists a 5% probability that the losses could exceed this threshold.

Interpretation in Context:

1) Volatility-Driven Exposure:

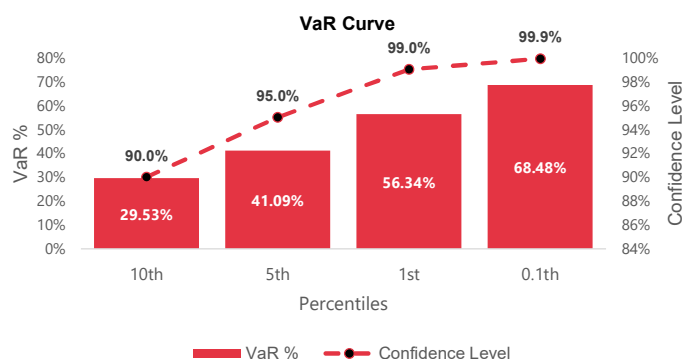
With a daily volatility of 3.11%, the risk profile of ETERNAL LTD over a 252-day trading horizon scales materially. The wide distribution of final simulated prices — from a low of ₹48.51 to a high of ₹2198.56 — reflects both upside and downside tail exposures.

2) Positive Drift, But Non-negligible Tail Risk:

The simulation incorporates a small positive drift (daily mean return of 0.11%), consistent with historical equity returns. Despite this, the left tail remains significant due to the compounding impact of volatility over time.

3) Skewness Not Captured:

Since the simulation assumes normally distributed returns, it may understate extreme downside moves (negative skew, here skewness is equal to 0.258) that are often observed during market crises. This suggests that actual downside risk could be higher in a stressed environment.



Notes and Disclosures:

1) Model Assumptions: The Monte Carlo simulation assumes returns follow a normal distribution and that stock prices evolve according to a Geometric Brownian Motion (GBM) process. Inputs for drift (mean return) and volatility are based on historical estimates and assumed constant throughout the simulation period.

2) Time Horizon: The simulation covers a one-year (252 trading days) investment horizon. Shorter- or longer-term results may differ materially and should be interpreted with caution.

3) Confidence Levels: Value at Risk (VaR) estimates are provided at 90%, 95%, and 99% confidence levels. For instance, a 95% confidence level indicates there is a 5% chance that losses will exceed the stated VaR amount over the simulated period.

4) Simulated Returns: For each simulated path, we draw a random probability via RAND() and convert it into a normally distributed annual log-return using Excel's NORM.INV function:

$$\text{Simulated Return} = \text{NORM.INV}(\text{RAND}(), \mu_1, \sigma_1)$$

Here, μ_1 (= daily_mean $\times$ 252) is the annualized expected return and σ_1 (= daily_volatility $\times$ $\sqrt{252}$) is the annualized volatility. By mapping a uniform [0,1] random draw through the inverse normal distribution, we generate realistic, normally distributed log-returns for each Monte Carlo trial.

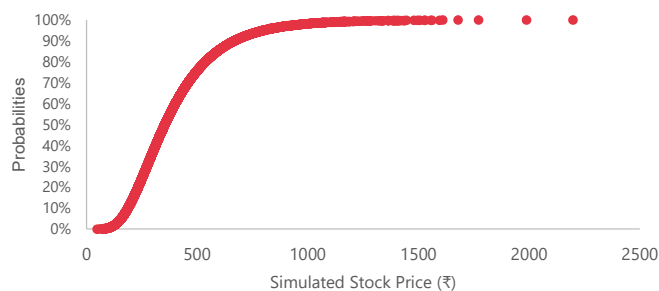
5) Price Calculation Method: Simulated prices are computed using the formula:

$$\text{Price}_t = \text{Price}_0 \times e^{\text{Simulated Return}_t}$$

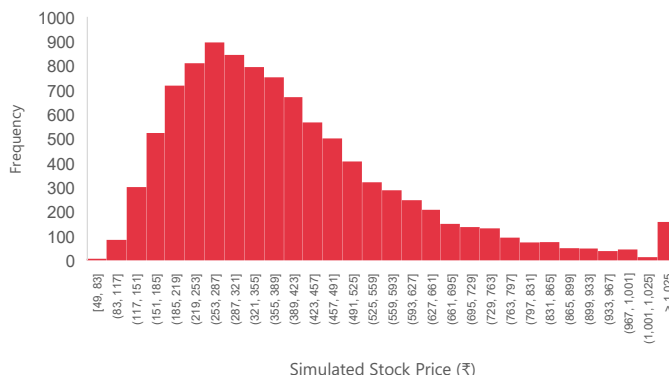
This approach assumes continuously compounded returns and ensures that prices remain positive, reflecting the log-normal nature of equity returns.

6) Historical Volatility and Drift: Volatility and mean return are calculated using historical daily return data. These are backward-looking and may not reflect future conditions or incorporate real-time market dynamics.

Stock Price Distribution via Normal Inverse Mapping



Simulated Stock Price Distribution



Limitations & Enhancements:

While Monte Carlo simulation offers flexibility and a robust stochastic approach, certain limitations must be acknowledged:

- 1) The model assumes constant volatility and normally distributed returns, which may not hold in real-world equity markets.
- 2) Macroeconomic shocks, regime shifts, or company-specific events are not explicitly modeled but could materially alter risk estimates.

Introduction

Eternal Ltd, formerly Zomato Ltd, is a leading player in India's rapidly evolving food delivery and quick commerce sectors. This Business Resilience & Opportunity Analysis, structured as a SWOT (Strengths, Weaknesses, Opportunities, Threats) assessment, leverages insights from the company's Q4 FY25 earnings call transcript (dated May 1, 2025) to evaluate its internal capabilities and external market dynamics. By analyzing key performance indicators (KPIs) and strategic initiatives, this report provides a comprehensive overview of Eternal Ltd's current position and future prospects in a highly competitive landscape. The analysis is tailored for an equity research audience, focusing on operational and strategic factors while excluding financial modeling components such as historical financials, projections, or valuations, as specified.

Key Financial Metrics

The following KPIs from the Q4 FY25 earnings call provide a snapshot of Eternal Ltd's performance across its key business segments:

Food Delivery

- YoY Growth: 16% (below 20%+ long-term CAGR target)
Long-term target: 20%+ CAGR over 4-5 years

Quick Commerce (Blinkit)

- Adjusted EBITDA Margin: -2% of Net Order Value (NOV)
Stores Added: ~300 in Q4 FY25
Advertising Income: >4% of Gross Order Value (GOV)
Customer Fees: ~3% of GOV

Going-Out Business

- YoY GOV Growth: >100%
Adjusted EBITDA Margin: -2% to -2.5% of NOV

Other Financials

- Other Income: INR 368 crore
Losses in 'Others' Segment: INR 16 crore

These metrics highlight Eternal Ltd's growth trajectory and challenges, particularly in achieving profitability amidst competitive pressures.

Strengths

Eternal Ltd's internal strengths position it as a formidable player in India's food delivery and quick commerce markets. These strengths are rooted in its operational capabilities, market presence, and strategic discipline.

1. Robust Market Position in Quick Commerce

Eternal Ltd has maintained a strong market share in the quick commerce segment through its Blinkit platform, despite intense competition from players like Swiggy Instamart and Zepto. As Albinder Singh Dhindsa, Founder and CEO of Blinkit, noted, "Our understanding is that even with the new competition, we have more or less maintained our market share over the last few quarters" (Earnings Call Transcript, Page 8). In Q4 FY25, the company added approximately 300 new stores, with a significant portion targeting smaller, non-top-eight markets where customer adoption is strong. The consistent ramp-up time for new stores to reach breakeven underscores operational efficiency and scalability, enabling Eternal Ltd to expand its footprint effectively.

2. Stable Financial Metrics Amid Competition

Despite competitive pressures, Eternal Ltd has maintained stable contribution margins quarter-over-quarter in its quick commerce segment. The adjusted EBITDA margin for Blinkit stands at -2% of NOV, indicating that while the business is not yet profitable, it is not deeply unprofitable.

Ancillary revenue streams, such as advertising income (over 4% of GOV) and customer fees (approximately 3% of GOV), provide a significant boost to revenue, as highlighted by CFO Akshant Goyal: "The ad income directly goes to our revenue. It's north of 4% of GOV today for us" (Earnings Call Transcript, Page 6). These streams help offset operational losses and enhance financial resilience.

3. Strong Customer Growth and Engagement

Blinkit reported one of its best quarters for Monthly Transacting Users (MTUs) growth in Q4 FY25, reflecting a growing and engaged customer base. This growth is critical for sustaining long-term revenue and market dominance, as it indicates strong brand loyalty and customer satisfaction. The ability to attract and retain customers in a competitive market underscores Eternal Ltd's effective marketing and service quality.

4. Strategic Discipline and Focus

Eternal Ltd has demonstrated strategic discipline by avoiding heavy subsidies, unlike some competitors. This approach has helped maintain market share without significantly eroding profitability. Akshant Goyal emphasized, "We have not seen a loss in business due to avoiding heavy subsidies". The management's focus on long-term sustainability over short-term gains positions the company well for future success.

5. Diversified Business Model

Operating across food delivery, quick commerce, and the emerging "going-out" business, Eternal Ltd mitigates risks through diversification. While some initiatives, such as Zomato Everyday, were discontinued due to limited scale, the company continues to innovate with ventures like Zomato Bistro and Nugget, ensuring it remains adaptable to market trends.

Weaknesses

Eternal Ltd faces internal challenges that could hinder its growth and profitability if not addressed. These weaknesses are primarily related to competitive pressures and operational constraints.

1. Margin Pressures Due to Competition

Intense competition in quick commerce has prevented significant margin expansion. Increased costs in marketing, real estate, and last-mile delivery have impacted profitability. Albinder Singh Dhindsa noted, "The impact of competition is visible in the lack of significant margin expansion that we would have otherwise expected" (Earnings Call Transcript, Page 2). Blinkit's adjusted EBITDA margin of -2% reflects ongoing losses, highlighting the challenge of achieving profitability in a competitive environment.

2. Subpar Growth in Food Delivery

The food delivery segment reported a 16% YoY growth in Q4 FY25, falling short of the company's long-term guidance of 20%+ CAGR. Challenges in improving affordability, assortment, and delivery timelines have constrained growth. Akshant Goyal admitted, "We've not been able to actually make a meaningful dent on these three metrics, assortment, delivery times and affordability" (Earnings Call Transcript, Page 4). This underperformance indicates a need for strategic interventions to regain momentum.

3. Operational Challenges

A temporary shortage of last-mile delivery workers has impacted food delivery, leading to longer delivery times and potential customer dissatisfaction. Additionally, scaling new initiatives has proven challenging, as evidenced by the discontinuation of Zomato Everyday and Zomato Quick. Akshant Goyal explained, "Given the overall size of that business, in our mind, we didn't feel that it would move the needle for the food delivery business" (Earnings Call Transcript, Page 5).

4. Limited Control in Marketplace Model

As a marketplace business in food delivery, Eternal Ltd has limited control over the end-to-end customer experience, hindering efforts to optimize key growth vectors. This lack of control contrasts with the quick commerce segment, where Blinkit's direct operational oversight allows for greater flexibility.

5. Increased Losses in 'Others' Segment

Losses in the 'Others' segment, which includes experimental initiatives like Bistro and Nugget, rose to INR 16 crore in Q4 FY25 from INR 1 crore in the previous quarter. These losses reflect the high costs of innovation, requiring careful management to avoid resource drain.

Opportunities

Eternal Ltd has several external opportunities to drive growth and enhance its market position, particularly in quick commerce and operational improvements.

1. Geographical Expansion in Quick Commerce

India's quick commerce market is projected to reach USD 5 billion by 2025, with significant growth potential in tier 2 and tier 3 cities where penetration remains low Outlook Business, March 28, 2025. Eternal Ltd can capitalize on this by expanding Blinkit's operations into these underserved markets, leveraging its expertise in store rollouts. Albinder Singh Dhindsa affirmed, "That is why we are expanding aggressively" (Earnings Call Transcript, Page 8).

2. Category Diversification

Expanding into high-margin categories like toys and general merchandise offers an opportunity to boost revenue and margins. However, this requires evaluating inventory models to ensure healthy returns on capital, as noted by Dhindsa: "The categories which we are keen to do ourselves, hopefully, are the ones where, even if you build the inventory, there is still a very healthy return on capital" (Earnings Call Transcript, Page 7).

3. Improving Operational Efficiency in Food Delivery

Optimizing logistics to reduce average delivery times from 30 minutes to 20-25 minutes could enhance customer satisfaction and drive growth. Akshant Goyal outlined, "Our view is that we should try and bring that 30 minutes down to maybe 20-25 minutes over time by making our overall logistic fleet delivery system more efficient" (Earnings Call Transcript, Page 11). Addressing the last-mile worker shortage is also critical.

4. Leveraging Data and Technology

Utilizing data analytics to personalize offerings and optimize operations can provide a competitive edge. Enhancing the District app for the going-out business could attract more users, driving engagement and revenue.

5. Strategic Partnerships

Forming alliances with restaurants, suppliers, or fintech companies can enhance service quality and customer experience. For example, partnerships with payment gateways could streamline transactions, improving user satisfaction.

Threats

External factors pose significant risks to Eternal Ltd's growth and profitability, requiring proactive management to mitigate their impact.

1. Intense Competition

The quick commerce and food delivery markets are highly competitive, with players like Swiggy, Zepto, and Dunzo challenging Eternal Ltd's market share. Swiggy reported a 17.6% YoY GOV growth in food delivery for Q4 FY25, closely matching Eternal Ltd's 16% Anytime Invest, May 13, 2025. New entrants like Amazon and Flipkart's quick commerce ventures further intensify competition.

2. Margin Erosion

Competitive pressures increase costs in marketing, real estate, and delivery, eroding margins. Akshant Goyal noted, "Every part of the business becomes more expensive once there is the level of competition that we are seeing today" (Earnings Call Transcript, Page 12). This makes achieving sustainable profitability challenging.

3. Regulatory and Compliance Risks

Changes in regulations related to food safety, labor laws, or data privacy could increase compliance costs. Stricter gig worker regulations could impact delivery personnel availability and costs, affecting service levels.

4. Economic Downturns

Economic slowdowns could reduce consumer spending on food delivery and quick commerce, impacting revenue. Inflationary pressures may also increase operational costs, necessitating price adjustments that could deter customers.

5. Technological Disruptions

Emerging business models, such as subscription-based food delivery, could disrupt Eternal Ltd's operations. Failure to adapt to technological advancements or shifting consumer preferences risks loss of market share.

Commentary

Eternal Ltd stands at a pivotal moment, balancing its strengths in market position and customer engagement against challenges from intense competition and operational constraints. The company's focus on expanding quick commerce into smaller markets and improving food delivery efficiency presents significant growth opportunities. However, navigating the competitive landscape, managing costs, and addressing regulatory risks will be critical to achieving sustainable profitability. By leveraging its diversified business model, operational expertise, and customer-centric approach, Eternal Ltd is well-positioned to capitalize on market dynamics and drive long-term value creation.

Citations

- Eternal Ltd Q4 FY25 Earnings Conference Call Transcript, May 1, 2025.
- "India's Quick Commerce Market Set to Grow 40% Annually Until 2030, Says Report," Outlook Business, March 28, 2025, <https://www.outlookbusiness.com/start-up/news/indias-quick-commerce-market-set-to-grow-40-annually-until-2030-says-report>.
- "Swiggy Q4 FY25: Rising Losses, But Revenue Growth Shows Hope," Anytime Invest, May 13, 2025, <https://www.anytimeinvest.com/blog/swiggy-q4-fy25-rising-losses%2C-but-revenue-growth-shows-hope-for-the-future>.

Introduction

The Industry Competitive Forces Framework, commonly known as Porter's Five Forces Analysis, provides a structured approach to evaluating the competitive dynamics within an industry. This report applies the framework to Eternal Ltd (formerly Zomato Ltd), a leading player in India's food delivery and quick commerce sectors, based on insights from its Q4 FY25 earnings call dated July 17, 2025. By analyzing the five forces—Threat of New Entrants, Bargaining Power of Suppliers, Bargaining Power of Buyers, Threat of Substitute Products or Services, and Rivalry Among Existing Competitors—this report assesses the competitive landscape and strategic positioning of Eternal Ltd. Each force is rated as High, Low, or Moderate, supported by key performance indicators (KPIs) and industry data, ensuring a comprehensive analysis tailored for an equity research audience. The report uses INR or INR Cr. as the currency, adhering to the specified requirements, and excludes financial modeling components to focus on competitive dynamics.

Key Financial Metrics

The following KPIs from the Q4 FY25 earnings call provide context for Eternal Ltd's performance and competitive environment:

Food Delivery

- YoY Growth: 16% (below 20%+ long-term CAGR target)
- Long-term target: 20%+ CAGR over 4-5 years

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- YoY GOV Growth: >100%
- Adjusted EBITDA Margin: -2% to -2.5% of NOV

Other Financials

- Other Income: INR 368 crore
- Losses in 'Others' Segment: INR 16 crore

These metrics highlight Eternal Ltd's growth trajectory and the competitive pressures impacting profitability.

1. Threat of New Entrants: High

The Indian quick commerce and food delivery industries face a high threat of new entrants due to relatively low barriers to entry and significant market growth potential. The business models are replicable, as evidenced by the rapid emergence of players like Zepto and Dunzo, alongside traditional e-commerce giants such as Amazon (with its Tez platform) and Flipkart (Flipkart Minutes) entering the quick commerce space. A report by CoherentMI projects the India Quick E-Commerce Market to grow at a CAGR of 63.20%, reaching INR 4,46,000 crore (USD 53,546.2 million) by 2032 from INR 14,470 crore (USD 1,736.6 million) in 2025 [1]. This growth attracts new competitors, intensifying market dynamics.

Eternal Ltd has maintained its market share despite new entrants, as noted by Albinder Singh Dhindsa, Founder and CEO of Blinkit: "Our understanding is that even with the new competition, we have more or less maintained our market share over the last few quarters" [2]. However, the aggressive tactics of new entrants, such as heavy discounting and expanded marketing, increase operational costs. For example, the earnings call highlights rising expenses in marketing, real estate, and last-mile delivery due to competitive pressures [2]. The ability of large players like Amazon to leverage existing logistics networks lowers entry barriers further, making the threat of new entrants high.

Case Study: The entry of Flipkart Minutes and Amazon Tez illustrates how established e-commerce players can quickly adapt to quick commerce, leveraging their infrastructure to challenge incumbents like Eternal Ltd. This underscores the need for continuous innovation to maintain a competitive edge.

2. Bargaining Power of Suppliers: Low

Suppliers in the quick commerce sector include manufacturers and distributors of consumer goods, such as groceries and personal care products. The large number of suppliers and the commoditized nature of many products reduce their individual bargaining power. Eternal Ltd's strategy to partner with established brands rather than pursuing private labels, as noted in the earnings call, indicates reliance on a diverse supplier base, further diminishing supplier leverage [2]. The company's potential shift to an inventory-based model, which involves holding more stock, could enhance its control over supply chains, allowing flexibility in sourcing decisions [2].

Industry analysis supports this assessment, noting that in e-commerce, supplier power is low due to the abundance of suppliers and the platforms' significant market reach [3]. For instance, quick commerce platforms can switch between suppliers or negotiate bulk deals, as seen with Eternal Ltd's ability to source from multiple vendors. This flexibility ensures that suppliers have limited ability to dictate terms, resulting in a low bargaining power of suppliers.

Example: Eternal Ltd's partnership with Apple Premium Reseller Unicorn Infosolutions to offer iPhone 16 series products on Blinkit demonstrates its ability to collaborate with high-value suppliers without ceding significant control, reinforcing low supplier power [4].

3. Bargaining Power of Buyers: High

End consumers in the quick commerce and food delivery markets wield high bargaining power due to the availability of multiple platforms and negligible switching costs. The presence of competitors like Swiggy, Zepto, and Dunzo enables customers to choose based on price, delivery speed, or service quality. The earnings call highlights competitors' aggressive tactics, such as discounts and free delivery offers, which cater to price-sensitive consumers [2]. Akshant Goyal, CFO, noted, "Every part of the business becomes more expensive once there is the level of competition that we are seeing today" [2], indicating that buyer expectations drive cost increases.

The ease of switching between apps, facilitated by widespread smartphone penetration (projected to reach 4.0% user penetration in quick commerce by 2029 [5]), empowers consumers to demand better value. While Eternal Ltd has avoided heavy subsidies without losing significant business, suggesting some brand loyalty, the industry's overall dynamics indicate high buyer power. Consumers' ability to influence pricing and service standards through their choices makes this a critical force.

Case Study: The competitive pricing strategies of Swiggy Instamart, offering free delivery to attract customers, illustrate how buyer power forces platforms to compete aggressively, impacting profitability [2].

4. Threat of Substitute Products or Services: Moderate

Substitutes for quick commerce and food delivery include traditional retail stores, e-commerce platforms with longer delivery times, and alternative services like dining out or cooking at home. The unique value proposition of quick commerce—delivery within 10-30 minutes—differentiates it from these alternatives. However, the earnings call notes that next-day delivery platforms, such as Amazon and Flipkart, are reducing delivery timelines to same-day (4-6 hours), posing a potential substitute for less urgent purchases [2]. This convergence increases the threat of substitutes, particularly for price-sensitive consumers.

In food delivery, substitutes like dining out or home cooking exist, but the convenience of delivery maintains its appeal. A Bain and Company report highlights that quick commerce platforms accounted for over two-thirds of e-grocery orders in 2024, suggesting a strong preference for their speed [6]. However, for non-urgent needs, traditional retail or e-commerce remains viable, moderating the threat of substitutes. The unique speed advantage of quick commerce and food delivery limits the overall threat to a moderate level.

Example: A consumer needing groceries immediately may prefer Blinkit's 10-minute delivery over Amazon's same-day delivery, but for planned purchases, the latter could suffice, illustrating the moderate threat of substitutes [2].

5. Rivalry Among Existing Competitors: High

Rivalry among existing competitors in the quick commerce and food delivery sectors is intense, driven by multiple players vying for market share. Key competitors include Swiggy, Zepto, Dunzo, and emerging entrants like BigBasket's BB Now. The earnings call underscores that competition has constrained margin expansion, with Blinkit's adjusted EBITDA margin at -2% of NOV, reflecting the impact of competitive pressures [2]. In food delivery, Eternal Ltd's 16% YoY growth lags behind its 20%+ CAGR target, partly due to competition from Swiggy, which reported a 17.6% YoY growth in Q4 FY25 [7].

Competitors' aggressive strategies, including price wars, free delivery, and increased marketing, elevate operational costs. The transcript notes, "The impact of competition is visible in the lack of significant margin expansion that we would have otherwise expected" [2]. The need for continuous innovation, such as reducing delivery times from 30 to 20-25 minutes, highlights the intensity of rivalry [2]. This high level of competition shapes the industry's profitability and strategic priorities.

Case Study: Swiggy's close competition with Eternal Ltd in food delivery, with similar growth rates, exemplifies the tight rivalry, requiring both companies to invest heavily in customer acquisition and retention [7].

Commentary

Eternal Ltd operates in a highly competitive environment where the high threat of new entrants and intense rivalry among existing competitors pose significant challenges. The low bargaining power of suppliers offers a strategic advantage, enabling cost management, while the high bargaining power of buyers demands continuous focus on pricing and service quality. The moderate threat of substitutes requires Eternal Ltd to emphasize its unique value proposition of ultra-fast delivery. To sustain its market leadership, the company must leverage its operational strengths, such as its extensive store network and customer engagement, while pursuing strategic initiatives like geographical expansion and operational efficiency improvements. Navigating these competitive forces will be critical for achieving long-term profitability and growth in India's dynamic quick commerce and food delivery markets.

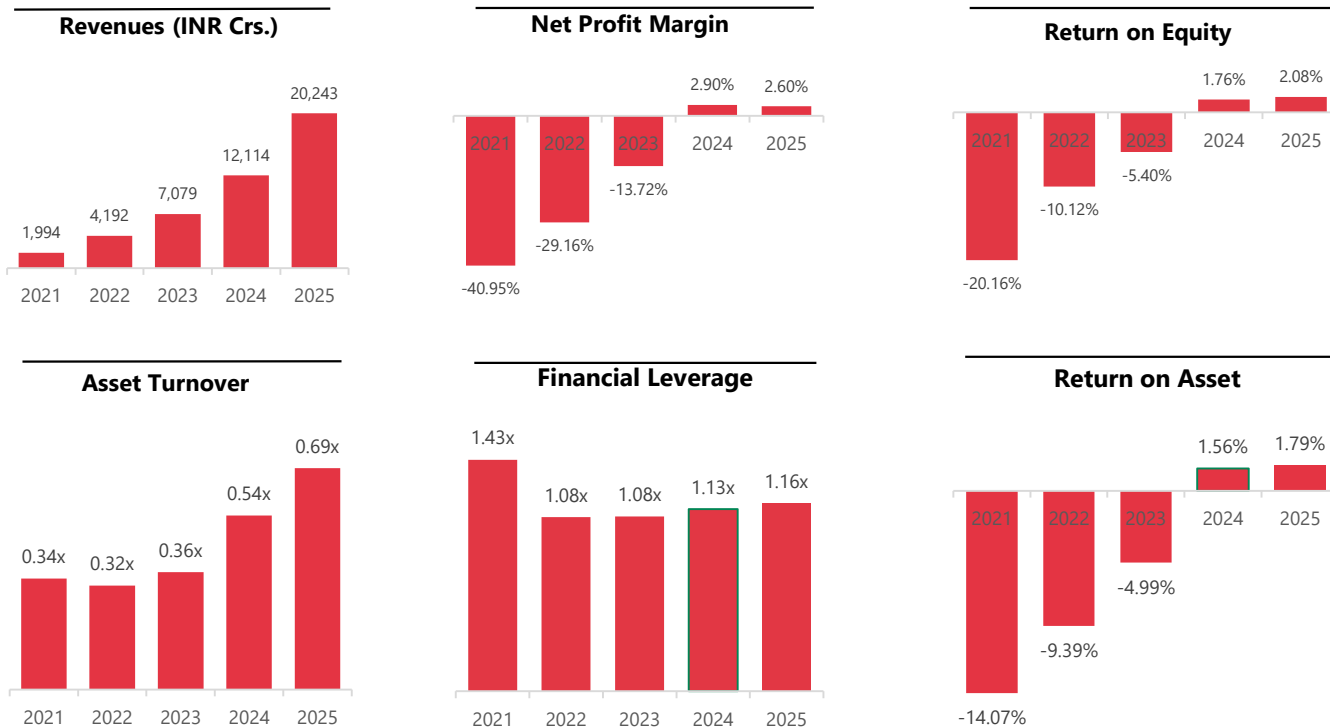
Citations

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2. Eternal Ltd Q4 FY25 Earnings Conference Call Transcript, July 17, 2025.
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7. Anytime Invest. "Swiggy Q4 FY25: Rising Losses, But Revenue Growth Shows Hope." <https://www.anytimeinvest.com/blog/swiggy-q4-fy25-rising-losses%2C-but-revenue-growth-shows-hope-for-the-future>

Dupont Analysis - ETERNAL LTD

This DuPont Analysis report provides a comprehensive evaluation of ETERNAL LTD's financial performance by dissecting its Return on Equity (ROE) and Return on Assets (ROA) through the DuPont framework. By breaking down these key metrics into their underlying components, this report aims to uncover the operational, financial, and strategic factors influencing profitability.

Financial Summary



Return on Equity (ROE) Analysis

Return on Equity (ROE)							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Net Profit	-1,010	-2,386	-816	-1,223	-971	351	527
Average Shareholder Equity	1,696	1,407	4,051	12,075	17,983	19,937	25,365
Return on Equity	-59.57%	-169.61%	-20.16%	-10.12%	-5.40%	1.76%	2.08%

ROE - Dupont Equation							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Net Profit	-1,010	-2,386	-816	-1,223	-971	351	527
Revenue	1,313	2,605	1,994	4,192	7,079	12,114	20,243
Net Profit Margin (A)	-76.97%	-91.59%	-40.95%	-29.16%	-13.72%	2.90%	2.60%
Revenue	1,313	2,605	1,994	4,192	7,079	12,114	20,243
Average Total Asset	2,394	3,157	5,802	13,015	19,463	22,478	29,490
Asset Turnover Ratio (B)	0.55x	0.83x	0.34x	0.32x	0.36x	0.54x	0.69x
Average Total Asset	2,394	3,157	5,802	13,015	19,463	22,478	29,490
Average Shareholder Equity	1,696	1,407	4,051	12,075	17,983	19,937	25,365
Equity Multiplier (C)	1.41x	2.24x	1.43x	1.08x	1.08x	1.13x	1.16x
Return on Equity (A*B*C)	-59.57%	-169.61%	-20.16%	-10.12%	-5.40%	1.76%	2.08%

Key Observations

- **Negative ROE in Early Years:** From March 2019 to March 2023, ROE was negative, ranging from -169.61% in March 2020 to -5.40% in March 2023, driven by consistent net losses, with net profit figures ranging from -2,386 to -816.
- **Turnaround to Positive ROE:** ROE turned positive in March 2024 at 1.76% and slightly increased to 2.08% in March 2025, coinciding with positive net profits of 351 and 527, respectively.
- **Peak Negative Performance:** The most severe ROE was in March 2020 (-169.61%), amplified by a deeply negative net profit margin (-91.59%) and a high equity multiplier (2.24x), indicating significant leverage during a loss-making period.
- **Stabilized Leverage:** The equity multiplier decreased after March 2020 and stabilized between 1.08x and 1.16x from March 2022 to March 2025, suggesting a more conservative capital structure as profitability improved.

Trend Analysis

- **Net Profit Margin:** The net profit margin improved significantly over the period. It started at -76.97% in March 2019, worsened to -91.59% in March 2020, then progressively improved to -40.95% (Mar-21), -29.16% (Mar-22), and -13.72% (Mar-23). By March 2024, it turned positive at 2.90%, though it slightly declined to 2.60% in March 2025. This trend reflects a transition from substantial losses to modest profitability.
- **Asset Turnover Ratio:** Asset turnover fluctuated, peaking at 0.83x in March 2020, likely due to a significant increase in revenue (from 1,313 to 2,605). It then declined to 0.34x in March 2021 and remained low (0.32x–0.36x) through March 2023. A recovery began in March 2024 (0.54x) and continued to March 2025 (0.69x), indicating improved revenue generation per unit of assets.
- **Equity Multiplier:** The equity multiplier was highest in March 2020 (2.24x), amplifying the negative ROE due to higher leverage. It decreased to 1.43x in March 2021 and further to 1.08x–1.16x from March 2022 to March 2025, reflecting reduced reliance on debt financing as the company stabilized.

Return on Assets (ROA) Analysis

Return on Asset							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Net Profit	-1,010	-2,386	-816	-1,223	-971	351	527
Average Total Asset	2,394	3,157	5,802	13,015	19,463	22,478	29,490
Return on Asset	-42.20%	-75.57%	-14.07%	-9.39%	-4.99%	1.56%	1.79%

ROA - Dupont Equation							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Net Profit	-1,010	-2,386	-816	-1,223	-971	351	527
Revenue	1,313	2,605	1,994	4,192	7,079	12,114	20,243
Net Profit Margin (A)	-76.97%	-91.59%	-40.95%	-29.16%	-13.72%	2.90%	2.60%
Revenue	1,313	2,605	1,994	4,192	7,079	12,114	20,243
Average Total Asset	2,394	3,157	5,802	13,015	19,463	22,478	29,490
Asset Turnover Ratio (B)	0.55x	0.83x	0.34x	0.32x	0.36x	0.54x	0.69x
Return on Asset (A*B)	-42.20%	-75.57%	-14.07%	-9.39%	-4.99%	1.56%	1.79%

Key Observations

- **Negative ROA in Early Years:** ROA was negative from March 2019 to March 2023, ranging from -75.57% in March 2020 to -4.99% in March 2023, reflecting inefficiencies in asset utilization during loss-making periods.
- **Positive ROA Achieved:** ROA turned positive in March 2024 at 1.56% and increased to 1.79% in March 2025, aligning with the shift to positive net profits.
- **Worst Performance in 2020:** The lowest ROA occurred in March 2020 (-75.57%), driven by a significant net loss (-2,386) and a deeply negative net profit margin (-91.59%).
- **Improved Asset Efficiency:** The positive ROA in recent years reflects better asset utilization, supported by both improved profitability and higher revenue generation per asset.

Trend Analysis

- **Net Profit Margin:** As noted in the ROE analysis, the net profit margin improved steadily from -76.97% in March 2019 to 2.60% in March 2025, with a notable transition to positive in March 2024.
- **Asset Turnover Ratio:** The asset turnover ratio followed a similar pattern to that observed in the ROE analysis, declining after a peak in March 2020 (0.83x) to a low of 0.34x in March 2021, then recovering to 0.69x by March 2025. This upward trend indicates enhanced operational efficiency in generating revenue from assets.

The shift to positive ROA is driven by the combination of improved net profit margins and increasing asset turnover, reflecting a

Commentary

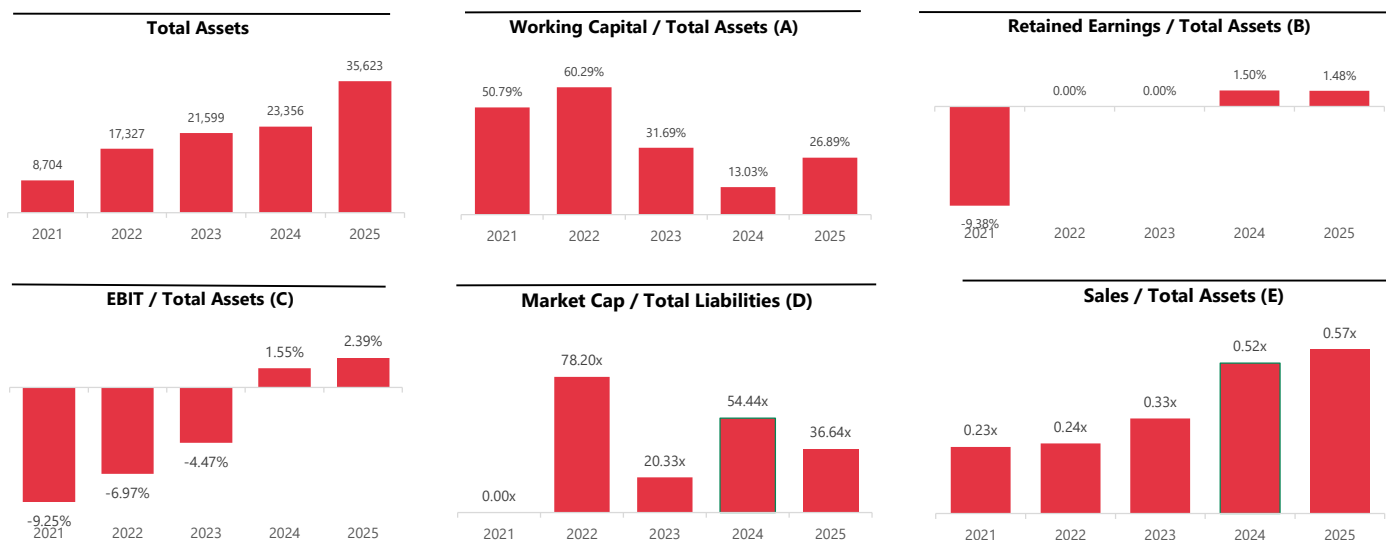
Eternal Ltd. has undergone a significant financial turnaround from March 2019 to March 2025. The company transitioned from substantial losses, with ROE and ROA reaching their lowest points in March 2020 (-169.61% and -75.57%, respectively), to achieving positive returns in March 2024 (ROE: 1.76%, ROA: 1.56%) and March 2025 (ROE: 2.08%, ROA: 1.79%). This recovery is primarily driven by a consistent improvement in net profit margin, which shifted from deeply negative to positive, coupled with an increasing asset turnover ratio, indicating enhanced operational efficiency. The stabilization of the equity multiplier reflects a more conservative capital structure, reducing financial risk as the company enters a phase of profitability. The positive trajectory in both ROE and ROA, supported by robust revenue growth and strategic asset management, positions Eternal Ltd. for continued improvement. However, the slight decline in net profit margin from March 2024 to March 2025 (from 2.90% to 2.60%) suggests a need for vigilance to ensure sustained profitability. Overall, the data indicates that Eternal Ltd. has successfully navigated its challenges and is now generating

**** Concept Behind DuPont Analysis :** The DuPont Analysis, developed by the DuPont Corporation in the early 20th century, is a financial performance framework that decomposes ROE and ROA into their constituent parts to reveal the drivers of profitability. This methodology enables a granular understanding of how operational efficiency, asset utilization, and financial leverage contribute to shareholder returns.

Corporate Default Probability Screening

This Corporate Default Probability Screening Analysis report provides a comprehensive evaluation of ETERNAL LTD's financial health. By applying the Altman Z-Score model, a robust framework for predicting bankruptcy risk, this report dissects key financial ratios to uncover the underlying factors influencing ETERNAL LTD's creditworthiness and operational resilience. By analyzing key financial ratios related to profitability, leverage, liquidity, and activity, the score provides insight into a company's financial stability and its chances of defaulting on obligations.

Financial Summary



1. Working Capital / Total Assets (A)

Working Capital / Total Assets							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Working Capital	138	-1,138	4,421	10,446	6,844	3,044	9,580
Total Assets	3,413	2,900	8,704	17,327	21,599	23,356	35,623
Working Capital / Total Assets (A)	4.05%	-39.25%	50.79%	60.29%	31.69%	13.03%	26.89%

- **Significant Fluctuations in Liquidity:** The ratio shows extreme volatility, dropping to -39.25% in March 2020, indicating a liquidity crisis where current liabilities exceeded current assets. This was followed by a sharp recovery to 50.79% in March 2021 and a peak of 60.29% in March 2022, suggesting significant capital infusions or improved working capital management, possibly linked to strategic financing or operational adjustments.
- **Recent Improvement in Liquidity:** After declining from 60.29% in March 2022 to 13.03% in March 2024, the ratio rebounded to 26.89% in March 2025. This improvement indicates enhanced short-term liquidity, crucial for operational flexibility and meeting short-term obligations, though it remains below the peak levels of 2021–2022.

2. Retained Earnings / Total Assets (B)

Retained Earnings / Total Assets							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Retained Earnings	-1,010	-2,386	-816	0	0	351	527
Total Assets	3,413	2,900	8,704	17,327	21,599	23,356	35,623
Retained Earnings / Total Assets (B)	-29.60%	-82.25%	-9.38%	0.00%	0.00%	1.50%	1.48%

- **Transition from Losses to Profitability:** Negative ratios from March 2019 to March 2021, with a low of -82.25% in March 2020, reflect accumulated losses, typical of a company in a growth phase. The shift to zero in March 2022 and March 2023, followed by positive values of 1.50% and 1.48% in March 2024 and 2025, respectively, signals the onset of profitability and the beginning of profit retention.
- **Modest Retention Levels:** Despite turning positive, the ratio remains low (around 1.5%), indicating that retained earnings constitute a small portion of total assets. This is characteristic of a growth-oriented company that likely reinvests profits into expansion rather than accumulating significant retained earnings, prioritizing growth over

3. EBIT / Total Assets (C)

EBIT / Total Assets							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
EBIT	-1,002	-2,373	-805	-1,209	-966	363	851
Total Assets	3,413	2,900	8,704	17,327	21,599	23,356	35,623
EBIT / Total Assets (C)	-29.35%	-81.82%	-9.25%	-6.97%	-4.47%	1.55%	2.39%

- **Shift to Operational Profitability:** The ratio was negative from March 2019 to March 2023, with a low of -81.82% in March 2020, indicating significant operational losses. The transition to positive values in March 2024 (1.55%) and March 2025 (2.39%) reflects improved operational efficiency and the ability to generate earnings from assets, marking a significant turnaround.
- **Gradual Improvement:** The increasing trend from March 2024 to March 2025 shows ongoing enhancement in operational performance. This gradual improvement is essential for sustaining long-term financial health and indicates better management of operational activities.

4. Market Cap / Total Liabilities (D)

Market Cap / Total Liabilities							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Market Cap	0	0	0	64,786	43,623	160,609	194,649
Total Liabilities	1,088	2,449	1,066	829	2,146	2,950	5,313
Market Cap / Total Liabilities (D)	0.00x	0.00x	0.00x	78.20x	20.33x	54.44x	36.64x

- **Impact of Public Listing:** The ratio was zero from March 2019 to March 2021, likely because the company was not publicly traded, resulting in no market capitalization data. The significant increase to 78.20x in March 2022 coincides with the company's public listing, indicating strong market confidence in its financial prospects.
- **Sustained High Valuation:** Despite fluctuations, the ratio remains high, ranging from 20.33x to 78.20x from March 2022 to March 2025. This suggests that the market consistently values the company's equity well above its liabilities, reflecting positive investor sentiment and confidence in its financial stability.

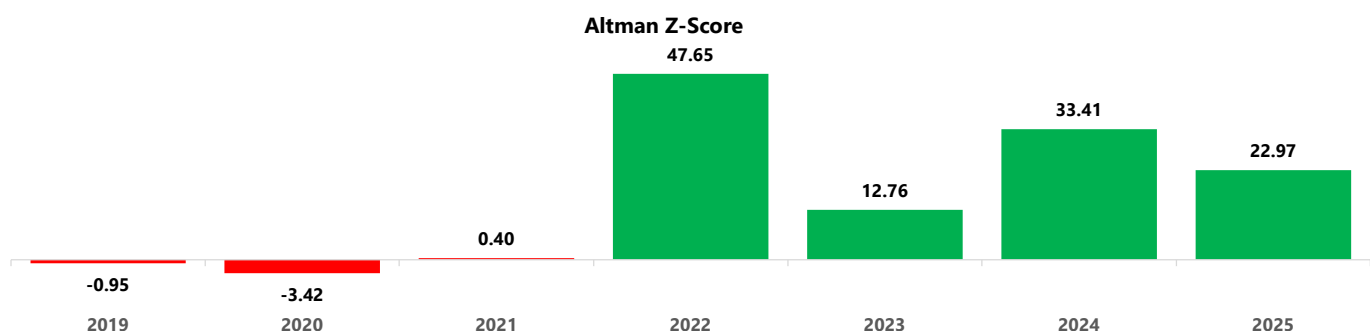
5. Sales / Total Assets (E)

Sales / Total Assets							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Total Sales	1,313	2,605	1,994	4,192	7,079	12,114	20,243
Total Assets	3,413	2,900	8,704	17,327	21,599	23,356	35,623
Sales / Total Assets (E)	0.38x	0.90x	0.23x	0.24x	0.33x	0.52x	0.57x

- **Spike in Asset Turnover:** The ratio peaked at 0.90x in March 2020, driven by a significant increase in sales (from 1,313 to 2,605) and a reduction in total assets (from 3,413 to 2,900), possibly due to strategic asset management or sales. The subsequent drop to 0.23x in March 2021 reflects a substantial increase in assets without a proportional sales increase, likely due to investments or acquisitions.
- **Improving Efficiency:** From March 2023 to March 2025, the ratio improved from 0.33x to 0.57x, indicating better utilization of assets to generate sales. This positive trend reflects enhanced operational efficiency, crucial for supporting revenue growth.

Altman Z-Score and Financial Stability

Altman's Z Score							
	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Final Score	-0.9	-3.4	0.4	47.7	12.8	33.4	23.0
Financial Stability	Distressed	Distressed	Distressed	Strong	Strong	Strong	Strong



Model Interpretation & Disclaimer

The Altman Z-score for Eternal Ltd. reflects the characteristics of a young, growth-oriented company, particularly in its early years. From March 2019 to March 2021, low Z-scores (-1.3 to 0.2) indicate financial distress, driven by negative earnings, liquidity challenges (e.g., negative working capital in March 2020), and the absence of market capitalization data due to the company's private status. These low scores are typical for growth companies that prioritize investment in expansion over immediate profitability, often resulting in negative financial metrics during early stages.

The significant increase in Z-scores from March 2022 onwards (4.2 to 17.2) coincides with the company's public listing, introducing a high market capitalization component, and improvements in profitability and liquidity. The high Z-scores in recent years suggest strong financial health, but the volatility in the Market Cap / Total Liabilities ratio indicates that market sentiment plays a significant role in the score. For a growth company like Eternal Ltd., traditional financial metrics may not fully capture its long-term potential, especially in early years when investment precedes profitability.

Financial Performance Insights

- **Revenue Growth:** Total sales increased from 1,313 in March 2019 to 20,243 in March 2025, reflecting robust top-line growth that supports improving financial metrics.
- **Asset Expansion:** Total assets grew from 3,413 to 35,623 over the period, indicating significant investment in the company's asset base, which has begun to yield positive returns.
- **Public Listing Impact:** The introduction of market capitalization data in March 2022, likely due to an IPO, significantly boosted the Z-score, reflecting strong market confidence.
- **Profitability Turnaround:** The shift from negative to positive EBIT and retained earnings in March 2024 and 2025 underscores the company's transition to profitability, a key driver of improved Z-scores.

Final Conclusion

The Altman Z-score for Eternal Ltd. transitioned from distressed levels (-1.3 to 0.2) in March 2019 to March 2021 to strong financial health (4.2 to 17.2) from March 2022 to March 2025. This shift is primarily driven by the company's public listing in 2022, which introduced a substantial market capitalization component, and by improvements in operational profitability and liquidity management. Early low Z-scores reflect the typical financial profile of a young growth company investing heavily in expansion, while recent high scores indicate robust financial stability and positive market perception. Based on the Z-score analysis, Eternal Ltd. currently exhibits strong financial health with a

**** Concept Behind Altman Z-Score :** The Altman Z-Score, developed by Edward I. Altman in 1968, is a predictive model that assesses the likelihood of a company facing bankruptcy within two years. The Z-Score combines five financial ratios, each weighted to produce a single score that categorizes a company into one of three zones: Safe, Grey, or Distress. The formula for publicly traded companies is: $Z = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E$. Where:

A: Working Capital / Total Assets (liquidity), B: Retained Earnings / Total Assets (cumulative profitability), C: Earnings Before Interest and Taxes (EBIT) / Total Assets (operating efficiency), D: Market Value of Equity / Total Liabilities (financial leverage), E: Sales (Revenue) / Total Assets (asset turnover)

Eternal Ltd, formerly Zomato, stands as a leading force in India's rapidly growing food delivery and quick commerce markets, offering a compelling investment opportunity driven by its strategic vision and operational achievements. The company has transitioned from a period of significant losses to profitability, underpinned by robust revenue growth and improving margins. Its growth strategy is centered on expanding its quick commerce arm, Blinkit, which aims to nearly double its store count from 1,301 to approximately 2,000 by the end of 2025, enhancing market penetration and scale. In parallel, the food delivery segment continues to demonstrate solid growth, with projected revenue increases of 15-20% year-over-year, supported by rising urban demand and an improving EBITDA margin, which reached 5.2% in Q4 FY25.

Eternal's commitment to technological innovation, including investments in AI, route optimization, and warehouse automation, positions it to enhance operational efficiency and customer engagement. The integration of the District events business and potential expansions into adjacent verticals, such as fintech or meal-kit ventures, further diversify its revenue streams. However, the stock's current market price of ₹267.85 reflects a significant premium over its estimated intrinsic value, suggesting that the market is pricing in high expectations for future growth. Investors must carefully assess the company's ability to execute its ambitious plans amidst a competitive landscape and potential regulatory challenges.

Valuation Rationale

The valuation of Eternal Ltd presents a complex picture, with traditional models indicating a premium valuation that may not fully capture the company's growth potential. A Discounted Cash Flow (DCF) analysis under the base case scenario estimates an enterprise value of ₹75,428 crore, translating to an equity value of ₹77,004 crore or ₹79.79 per share. Compared to the current market price of ₹267.85, this suggests a premium of approximately 235.69%, indicating that the stock is overvalued based on fundamental metrics. Similarly, relative valuation using median peer multiples yields an implied share price range of ₹31 to ₹294, further underscoring the premium at which the stock trades.

However, traditional valuation approaches may not fully account for Eternal's growth trajectory and strategic optionalities, particularly in its quick commerce segment, Blinkit. The market appears to be factoring in the potential for Blinkit to achieve breakeven by FY27 and the scalability of its inventory-led model, which could drive significant margin improvements. Additionally, market discussions, such as those on X, highlight a sum-of-the-parts valuation where Blinkit is valued higher than the food delivery business, reflecting its higher growth potential (Zomato Valuation Breakdown). The company's technological advancements and potential for new revenue streams through partnerships or acquisitions further contribute to market optimism.

Investors should consider both the fundamental valuations and the market's growth expectations. While the stock's premium valuation introduces risks, it may be justified if Eternal successfully executes its expansion plans and achieves its profitability targets. The discrepancy between intrinsic and market values underscores the importance of monitoring key performance indicators and strategic milestones.

Key Catalysts

Several catalysts could unlock or accelerate value creation for Eternal Ltd, positioning it for long-term success:

- **Blinkit Expansion:** The planned increase in Blinkit's store count to approximately 2,000 by the end of 2025 is a pivotal driver of growth. This expansion will enable deeper penetration into existing markets and entry into new cities, increasing customer reach and order volumes. The transition to an inventory-led model, supported by the Integrated Operations Control Center (IOCC), is expected to improve margins and support private label development (Blinkit Inventory Model).
- **Profitability Milestones:** Achieving breakeven for Blinkit by FY27 and maintaining mid-single-digit EBITDA margins in food-delivery are critical financial targets. The food delivery segment's EBITDA margin improved to 5.2% in Q4 FY25, reflecting scale benefits, and continued progress could enhance investor confidence.
- **Technological Advancements:** Eternal's investments in AI, such as Zomato AI, and automation in route and warehouse operations are expected to drive operational efficiencies and enhance customer experiences. These innovations could provide a competitive edge in a crowded market.

- **Strategic Partnerships and Acquisitions:** Potential collaborations, such as integrations with payment platforms like Google Pay or expansions into adjacent verticals like meal-kit ventures, could open new revenue streams and strengthen market position.
- **Favorable Market Trends:** The growing adoption of online food delivery and quick commerce, particularly in urban areas, supports Eternal's growth outlook. Post-pandemic recovery and increasing disposable incomes are likely to sustain demand for its services.

Risks to the Thesis

Despite its strong growth prospects, Eternal Ltd faces several risks that could impact its investment outlook:

- **Intense Competition:** The food delivery and quick commerce sectors are highly competitive, with players like Swiggy and new entrants vying for market share. Aggressive pricing and promotional strategies could pressure margins, as noted in market discussions (Competitive Intensity).
- **Operational Challenges:** Scaling Blinkit rapidly while maintaining service quality and managing costs is a complex undertaking. Recent financial results indicate that expansion has led to profit declines, with Q4 FY25 net profit falling 78% to ₹39 crore despite strong revenue growth (Q4 FY25 Results).
- **Regulatory Risks:** Changes in labor laws, data privacy regulations, or e-commerce policies could impose additional compliance costs or restrict operational flexibility, impacting profitability.
- **Macroeconomic Factors:** Economic slowdowns, inflation, or shifts in consumer spending patterns could reduce demand for discretionary services like food delivery and quick commerce, affecting revenue growth.
- **Execution Risks:** The success of Eternal's growth strategy depends on effective execution of its expansion plans, technological initiatives, and profitability targets. Failure to meet these objectives could lead to financial underperformance and stock price corrections, given the high valuation multiples.

Eternal Ltd presents a dynamic investment opportunity, leveraging its market leadership, strategic expansions, and technological innovations to capitalize on India's growing food delivery and quick commerce markets. The company's financial turnaround, evidenced by positive ROE and ROA, and a strong Altman Z-score indicating low default probability, underscores its robust financial health. However, the stock's premium valuation, trading significantly above its intrinsic value, reflects high market expectations that introduce risks if growth targets are not met. Investors should closely monitor Eternal's execution of its Blinkit expansion, profitability milestones, and competitive positioning, while remaining mindful of regulatory and macroeconomic challenges. The balance between its growth potential and inherent risks makes Eternal a nuanced investment case, requiring careful consideration of both fundamental and market sentiment factors.

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