

13 October 2023

India | Equity Research | Q2FY24 preview

Internet

Q2FY24 preview : Online still growing faster

The trend of online growing faster than offline ([link](#)) may have likely sustained in Q2FY24E. This is evident from the trends in 'consumer foodservice' and 'fashion and lifestyle' categories, where both Zomato and Nykaa are likely to post higher growth than their offline peers. In the listed B2B e-commerce space, we believe demand-led growth should have improved sequentially; however, IndiaMart's net customer addition would continue to be below the 7K-8K per quarter desired run rate. In our view, gaming sector (specially e-sports) is likely to grow as some key multiplayer games have been re-introduced into the Indian market. We believe, gradual recovery in matrimonial space should continue.

Our top picks for the quarter: Zomato, Nazara and Just Dial

Zomato (BUY, TP: INR 160)

We estimate Zomato's food delivery GOV to grow 4% QoQ (14.8% YoY) in Q2FY24E given a high base of 11.4% QoQ GOV growth in Q1FY24. We estimate food AOV to remain flattish sequentially (3.2% YoY). We estimate food ordering contribution margin to expand by 60bps QoQ led by take rate improvements. We estimate Blinkit to grow 30.9% QoQ (aided by a low base in Q1FY24) and Hyperpure business (B2B) to grow 7% QoQ in Q2FY24E. Overall, we estimate adjusted revenue growth of 10.1% QoQ (46% YoY) and overall adjusted EBITDA margin to improve to 3.4% as a proportion of adjusted revenue (vs 0.4% in Q1FY24). We estimate an adjusted EBITDA of INR1.1bn in Q2FY24E (vs INR0.1bn in Q1FY24). We maintain **BUY** on the stock with target price of INR 160.

Delhivery (BUY, TP: INR 500)

In Q2FY24E, we estimate the company's express parcel shipment volumes to be flattish sequentially (7.9% YoY: 1% QoQ) given the festive season has been delayed this year. We estimate steady improvement (3.5% QoQ) in PTL volumes; however, it would still be ~25% below pre-acquisition levels. Overall, we estimate revenue to grow 2% QoQ (9.6% YoY) and adjusted EBITDA to improve to INR 68mn, with adj. EBITDA margins improving 100bps QoQ to -0.3%. We maintain **BUY** on the stock with target price of INR 500.

IndiaMart (BUY, INR 3,500)

We estimate Q2FY24E revenue to grow 26.8% YoY (8.2% QoQ) led by 25.2% (YoY) growth in collections in Q2FY24E. We believe subscriber addition may be ~5.2K this quarter, an improvement from Q1FY24 but still below the company's desired range of 7K-8K per quarter. We estimate EBITDA margin to improve by 87bps QoQ (+35bps YoY) in Q2FY24E. Overall, we estimate EBITDA to grow 28.4% YoY and PAT to grow 19.5% YoY in Q2FY24E. We maintain **BUY** on the stock with target price of INR 3,500.

JustDial (BUY, INR 870)

Overall, we estimate revenue to grow 4.9% QoQ (26.2% YoY) aided by B2B revenue growth of 8.3% QoQ (50.4% YoY) in Q2FY24E. We estimate EBITDA to grow 15.0% QoQ (1.48x YoY) to INR 422mn in Q2FY24E, with margin expansion of 140 bps QoQ. We upgrade the stock to **BUY** (from ADD) and maintain our target price of INR 870.

Abhisek Banerjee

abhisek.banerjee@icicisecurities.com
+91 22 6807 7574

Manoj Menon

manoj.menon@icicisecurities.com

Pradyut Ganesh

pradyut.ganesh@icicisecurities.com

Zomato - TP: 160, (BUY)

Delhivery - TP: INR 500, (BUY)

Indiamart - TP: 3500, (BUY)

Justdial - TP: 870, (BUY)

Nazara - TP:1080, (BUY)

Matrimony - TP:750, (BUY)

Nykaa - TP:165, (ADD)

Nazara (BUY, INR 1,080)

We estimate revenue to grow 20.1% YoY (15.8%QoQ) in Q2FY24E. In our view, this may be led by sustained strong growth in e-sports (40% YoY), gamified early learning (54% YoY) and ad-tech segments (34% YoY). We estimate EBITDA margin to improve to 10.9% in Q2FY24E vs 8.1% in Q2FY23 and overall EBITDA to grow 56.9% YoY to INR 334mn. We increase our target EV/EBITDA multiple from 32x to 38x in line with stock's CMP. We maintain **BUY** on the stock and raise our target price to INR 1080 from INR 850.

Matrimony (BUY, INR 750)

We estimate the company's matchmaking services to grow 4% QoQ in revenue terms in Q2FY24E. We believe marriage services (~2.5% of revenues) may continue to grow faster at 6.2% QoQ. We estimate overall revenue to grow 4% QoQ and 11.7% YoY. We expect EBITDA margin expansion of 40bps QoQ to 17.1% in Q2FY24E. By our estimates, EBITDA and PAT are likely to grow 6.6%QoQ / 18.5%YoY and 5.0%QoQ / 27.1%YoY, respectively. Given the recent correction in share price, we upgrade the stock to **BUY** (from **ADD**), and maintain our target price of INR 750.

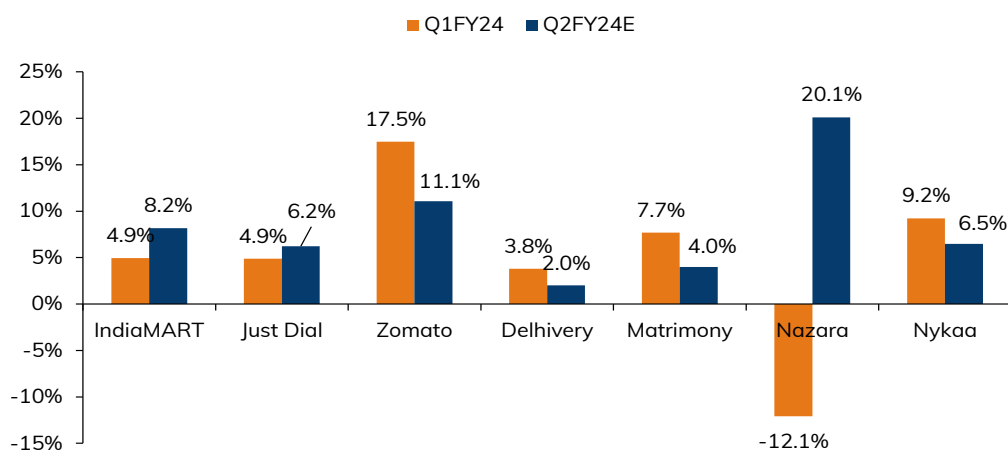
Nykaa (ADD, INR 165)

In its earnings preview, management highlighted that fashion segment saw a sharp recovery in Q2FY24 with NSV growth in 'early thirties' (I-Sec: 31%YoY). This was a significant acceleration from a trend growth of 14.1%YoY seen in Q1FY24, which we believe was due to the 'Hot Pink Sale' in Jul'23. Also, the trend of online growing faster than offline in Q2FY24 was called out by management. In BPC category, NSV grew ~20% YoY according to the release ([link](#)). Management attributed the slower growth trend to delayed festive season (NSV growth in Q1FY24 was 22.8%YoY). The release has also guided for consolidated revenue growth in 'early twenties' (I-Sec: 23%YoY). We believe EBITDA margin improvement in the near term could be lower than estimated. We estimate 20bps QoQ EBITDA margin improvement in Q2FY24E. Overall, we estimate revenue growth of 23% YoY with EBITDA growth of 32.7% YoY (EBITDA margin expansion of 39bps YoY/ 19bps QoQ) on account of scale efficiencies. We maintain **ADD** on the stock with target price of INR 165.

Exhibit 1: Q2FY24 Preview

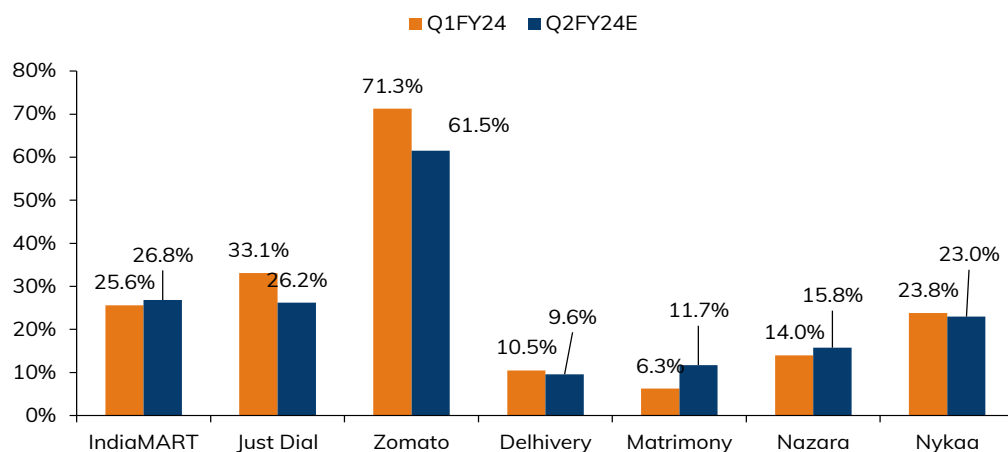
(in INR mn)	Q2FY24E	Q1FY24	QoQ	Q2FY23	YoY
IndiaMART					
Revenue	3,051	2,821	8.2%	2,406	26.8%
EBITDA	863	773	11.6%	672	28.4%
EBITDA margin	28.3%	27.4%	87 bps	27.9%	35 bps
PAT	817	831	-1.7%	684	19.5%
Just Dial					
Revenue	2,590	2,470	4.9%	2,053	26.2%
Adj. EBITDA	447	363	23.2%	195	129.4%
Adj. EBITDA margin	17.3%	14.7%	257 bps	9.5%	777 bps
PAT	895	834	7.3%	522	71.5%
Zomato					
Revenue	26,838	24,160	11.1%	16,610	61.6%
Adj. EBITDA	1,054	120	778%	-1,920	n.a.
Adj. EBITDA margin	3.9%	0.5%	340 bps	-11.6%	1550 bps
PAT	1,304	20	6418%	-2,510	n.a.
Delhivery					
Revenue	19,690	19,297	2%	17,961	10%
EBITDA	72	-130	n.a.	-1,377	n.a.
EBITDA margin	0.4%	-0.7%	110bps	-7.7%	810bps
PAT	-757	-959	n.a.	-2,623	n.a.
Matrimony					
Revenue	1,283	1,233	4%	1,149	12%
EBITDA	219	206	7%	185	18%
EBITDA margin	17.1%	16.7%	41 bps	16.1%	98 bps
PAT	149	142	5%	117	27%
Nazara					
Revenue	3,055	2,544	20%	2,638	16%
EBITDA	334	331	1%	213	57%
EBITDA margin	10.9%	13.0%	-207 bps	8.1%	287 bps
PAT	144	209	-31%	174	-17%
Nykaa					
Revenue	15,139	14,218	6%	12,308	23%
EBITDA	811	735	10%	611	33%
EBITDA margin	5.4%	5.2%	19 bps	5.0%	39 bps
PAT	112	33	239%	41	172%

Source: I-Sec research, Company data

Exhibit 2: QoQ revenue growth (%)


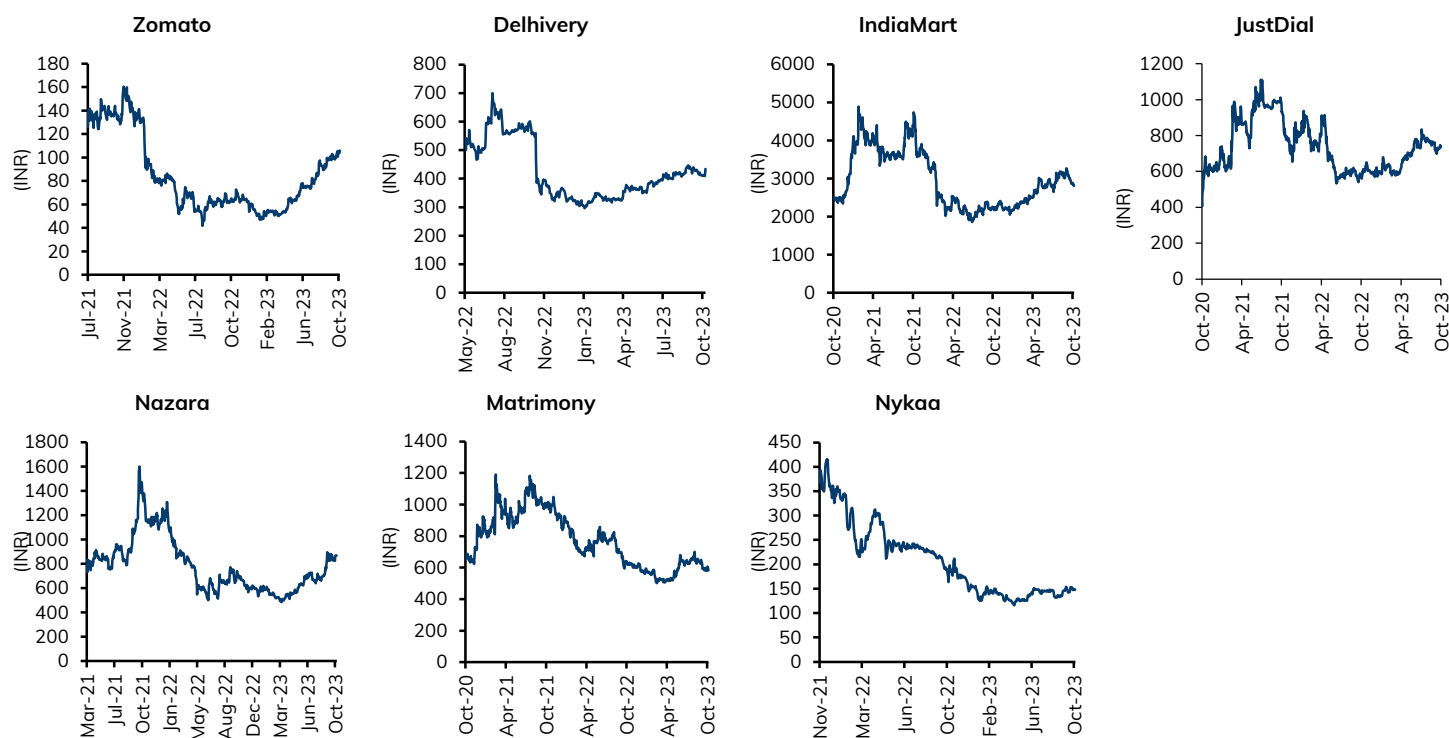
Source: I-Sec research, Company data

Exhibit 3: YoY revenue growth (%)



Source: I-Sec research, Company data

Price charts



Source: Bloomberg

"In case of industry/sector reports or a report containing multiple stocks, the rating/recommendation for a particular stock may be based on the last released stock specific report for that company."

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Abhisek Banerjee, MBA; Manoj Menon, MBA,CMA; Pradyut Ganesh, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](#) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
