FILLED TO THE BRIM AND BEYOND

Zomato is flush with funds. Why is it still raising Rs 8,500 cr?

By Aakriti Bhalla

The timing of the share sale matters as much as what it is for

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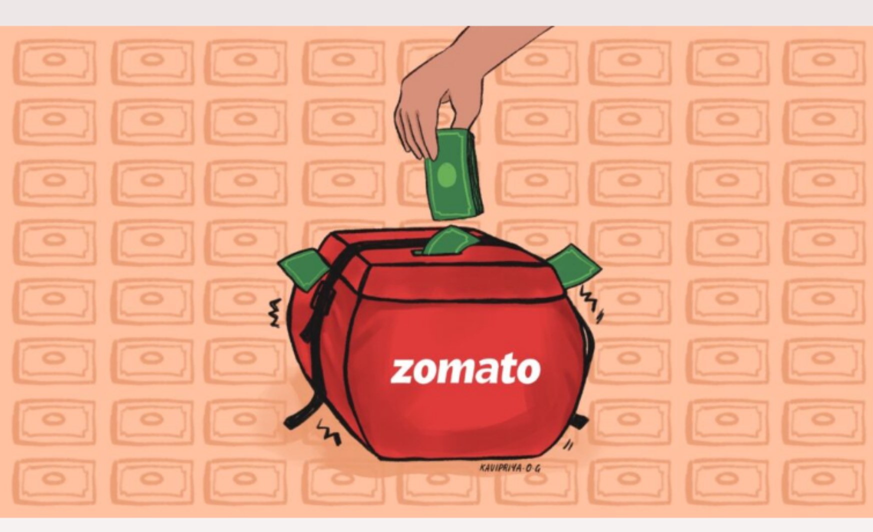


Aakriti is a business reporter spotting trends in consumerism. She works at the intersection of the food & beverages, consumer and retail industry.

HIDE SUMMARY

- Zomato is raising up to Rs 8,500 crore in funds alongside competitors Zepto and Swiggy
- The funds will act as a war-chest for the company as its quick commerce business, Blinkit, gears up to defend and expand its market share
- Now that the e-retail wars have begun, offline distributor groups have already started writing to the government and competition commision to rein-in the hyper growth
- But the new capital is also expected to rejig company's captable, reducing the stake of foreign investors

Just over three years after its blockbuster flotation, Zomato is once again raising almost as much from investors.

On 22 October, the food-and-grocery delivery giant, whose shares have doubled in value since January, announced plans to raise up to Rs 8,500 crore (US$1 billion) through a qualified institutional placement (QIP). That's nearly 1.7X the amount its archrival Swiggy plans to raise as a fresh issue and 3X the amount Zepto raised in the last four months.

But why is the Deepinder Goyal-led company looking for more funding when it's already sitting on Rs 10,800 crore in cash as of 30 September? And just as Swiggy is gearing up for its own initial public offering (IPO)?

In a letter to shareholders, Goyal, the company's chief executive and founder, wrote that the fundraise is intended to ensure a "level playing field with competitors who continue to raise additional capital" and to "strengthen its balance sheet". There was no mention of how the funds would be used.

When asked about the share sale during a post-results analyst call, chief financial officer Akshant Goyal didn't get into specifics. He only said that the cap on the size of the issue indicates the ballpark range the company aims to raise. "We will tweak the size if needed based on market conditions."

At first glance, this move looks like Zomato's declaration of war in the quick-commerce space. Some analysts believe it could be a move to show the market that it has a balance sheet that is the "strongest of all," an analyst from a domestic brokerage who tracks the food-tech space told *The Ken*.

Value delivery // Zomato, with a market cap of Rs 2.3 lakh crore, ranks among the 40 most valuable listed companies in India

Beyond the competitive fireworks, the move is also likely part of a broader strategy to rejig its shareholding by paring the stake held by foreign investors and insulate the business from future regulatory risks, said another consumer analyst. After all, global investors currently own more than half of the company. The analyst did not want to be named as they were not authorised to speak to the media.

Beyond the numbers, this fundraise signals where the online retail market is headed, as the quick-commerce trio—Blinkit, Instamart, and Zepto—gear up to expand beyond the metros and into smaller cities. And with new, deep-pocketed companies like Reliance Retail and Flipkart also elbowing into the race, the incumbents wouldn't want to be caught napping.

Investors' matter

On 18 October, a national association of 400,000 FMCG distributors wrote a letter to the Competition Commission of India (CCI), accusing rapid-delivery apps of undercutting traditional retailers by selling goods at steep discounts. The antitrust watchdog has since opened a probe into the matter.

But this is just the latest salvo in a larger fight.

In recent months, the same association has also written to the government about quick-commerce companies allegedly engaging in predatory pricing and circumventing regulations related to inventory-based e-commerce.

"These companies exercise significant control over their inventory, which directly violates the law, both in letter and spirit," it stated in a press note in August. "The question is whether convenience and technology can be used as an excuse to dismantle the traditional retail sector."

Meanwhile, the instant-delivery players disagree. Blinkit CEO Albinder Dhindsa, for instance, has previously claimed that his company isn't eating into the market share of mom-and-pop stores. But Zomato's recent fundraise suggests something else. Analysts see it as a reshuffling of the investor deck.

Under India's e-commerce regulations, companies with more than 49% foreign ownership cannot legally own their inventory—a rule designed to protect small retailers. So, foreign-owned e-commerce firms must operate under a marketplace model.

That's why quick-commerce companies may eventually explore an inventory-based model. To do so, they would need to secure 51% domestic shareholding, said Ankush Agrawal, founder of Surge Capital, an equity-research firm. In comparison, Reliance Retail's Jiomart owns its inventory and retails private label products because its ownership is predominantly Indian.

While a franchisee store may technically own the inventory, quick-commerce companies often maintain full control since the inventory is stored in their warehouses, allowing them to fulfil logistics from end to end, as per Agrawal. That said, it's a fairly new model and would evolve, he added.

During the analyst call, Goyal noted that owning inventory has its pros and cons, and the marketplace model works well for the company, its sellers, and customers. He added that the company will continue to evaluate its business model as the quick-commerce sector evolves.

Zomato's shareholding table tells part of this story. Currently, foreign institutional investors own about 52% of the company, down from 58% two years ago. Meanwhile, domestic institutional ownership has climbed to 17% from 6.4% in the same period.

For instance, Antfin Financial—an affiliate of Chinese conglomerate Alibaba Group—has seen its shareholding fall to 2.1% as of September, down from about 6.4% two years ago. Alipay, another Alibaba entity, no longer holds over 1% stake, and Fidelity Investments has reduced its share from 2.5% to 1%.

But Zomato isn't alone here.

In the case of Zepto, aside from Nexus Partners, most shareholders are foreign investors, including Stepstone Capital, Y-Combinator, and investor and solo VC Lachy Groom. This has led Zepto to open another round for domestic investors and family offices, with interest from groups like Manipal and Mankind Pharma.

Similarly, Swiggy's draft IPO document indicates that it has received foreign direct investment of up to 85% of its share capital. Although global investors like Accel Partners and Tencent Cloud are selling shares during the listing, the company is expected to remain predominantly foreign-owned.

This reshuffling is no coincidence—these are the risks quick-commerce firms are likely preparing to sidestep.

The real deal

The current excitement surrounding quick-commerce bears similarities to the e-commerce frenzy of the 2010s—but with notable distinctions.

Back then, Amazon, Flipkart, and Snapdeal were in a fierce battle for market share, raising billions from marquee investors. But, since 2019, when e-commerce regulations played a spoilsport, Amazon has had to shutter its largest sellers, Appario Retail and Cloudtail.

In contrast, quick-commerce companies aren't pushing the legal boundaries in the same way. In fact, they're playing by the book and showing early signs of viability, something that has eluded e-commerce for years. Blinkit is close to breaking even, while Instamart has been narrowing its losses sequentially, according to a report by Macquarie Capital, an equity-research firm.

Moreover, when looking at historical data, it's unusual for a tech company to raise as much as Rs 8,500 crore so soon after its IPO.

In fact, since 2010, out of the 75 companies that secured equity funding within 40 months after their IPO, 90% were in high capital-expenditure sectors, according to data from Prime Database, a market data firm.

> *Companies in capital-intensive sectors like infrastructure, real estate, energy, and financial services typically dominate QIP fundraising in terms of the amount. As such, Zomato is an outlier*
>
> PRANAV HALDEA, MANAGING DIRECTOR OF PRIME DATABASE

While Zomato isn't as capex-heavy as real estate or chemical manufacturing, its fixed assets have surged from Rs 190 crore (US$22 million) in March 2018 to around Rs 8,390 crore as of September 2025.

But most of these assets—more than Rs 6,000 crore—are intangible, including goodwill that it has in the books because of acquisitions and investments, including that of Blinkit, said Ankit Kanodia, founder of Smart Sync Services, an investment-advisory firm.

Today, Zomato's core businesses, i.e., food delivery and quick-commerce, are making some money. Yet, the consolidated profit is mainly due to the treasury income they make, Kanodia said.

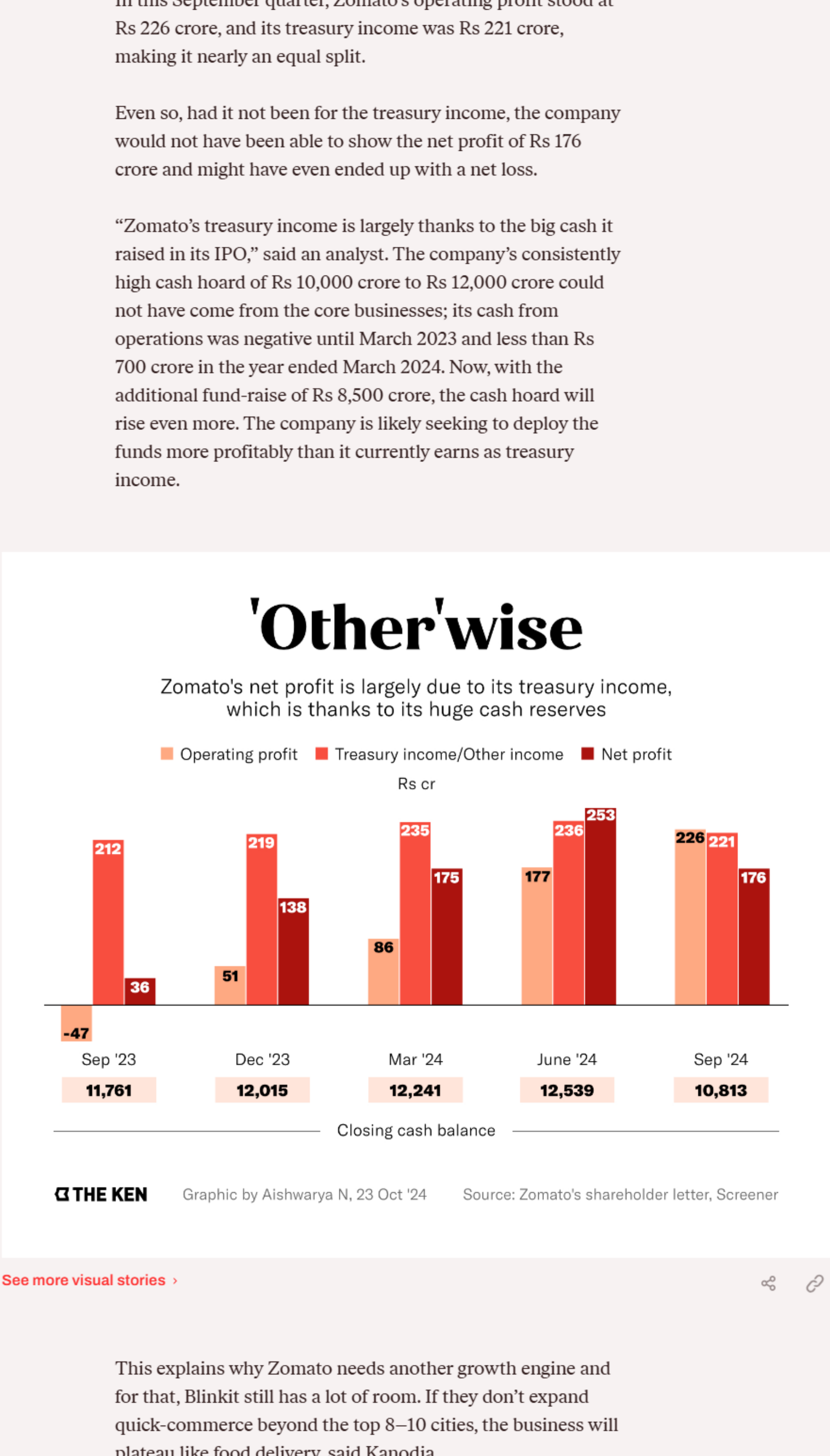
Zomato has improved its profit in the last few quarters. In the September quarter last year, the company's operating loss was Rs 47 crore, its treasury income was Rs 212 crore, and its net profit was Rs 36 crore.

Things have taken a turn for the better a year later.

In this September quarter, Zomato's operating profit stood at Rs 226 crore, and its treasury income was Rs 221 crore, making it nearly an equal split.

Even so, had it not been for the treasury income, the company would not have been able to show the net profit of Rs 176 crore and might have even ended up with a net loss.

"Zomato's treasury income is largely thanks to the big cash it raised in its IPO," said an analyst. The company's consistently high cash hoard of Rs 10,000 crore to Rs 12,000 crore could not have come from the core businesses; its cash from operations was negative until March 2023 and less than Rs 700 crore in the year ended March 2024. Now, with the additional fund-raise of Rs 8,500 crore, the cash hoard will rise even more. The company is likely seeking to deploy the funds more profitably than it currently earns as treasury income.



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This explains why Zomato needs another growth engine and for that, Blinkit still has a lot of room. If they don't expand quick-commerce beyond the top 8–10 cities, the business will plateau like food delivery, said Kanodia.

The game of expansion // Blinkit nearly doubled its store count to 791 in 40 cities as of H1 FY25 and is targeting 2,000 new stores by December 2026. Swiggy, using IPO proceeds, aims to expand its dark-store network through its subsidiary Scootsy, which has 557 dark stores in 32 cities as of Q1 FY25

Even opening a dark store affects profitability in the short term, as seen with Blinkit, due to the costs of setting up warehouses. In the analyst call, it was noted that there would be margin pressure for a few quarters because of fixed costs from dark-store expansion. Blinkit will continue to open both company-owned and franchisee-owned dark stores, depending on the availability of franchise partners.

The cost of opening a dark store ranges from Rs 80 lakh to Rs 1 crore, according to Karan Taurani of Elara Securities. If Blinkit opens all the remaining dark stores without franchise investment, total costs could reach Rs 970–1,200 crore, plus additional expenses for high-cost inventories like smartphones and gold coins.

Besides, technology companies typically face higher marketing expenses, investments in technology, and potential acquisitions, added Taurani.

But, since all other entrants, except Zepto, are part of large conglomerates like Reliance Industries, Amazon, Tata Group's Bigbasket, or Flipkart, an acquisition is unlikely, he noted.

Goyal, too, stated in the shareholder letter that there are no plans for minority investments or acquisitions. This stance comes after Zomato's previous attempt to acquire Zepto, which fell through when Zepto's Aadit Palicha declined the offer, an investor in the know had told *The Ken*.

Market heat-up

The quick-commerce segment is attracting money from all directions.

Take startups like Swish, which is an instant food delivery company that has raised funds from Accel Partners. Former Cleartrip CEO Ayyappan R is also raising funds for a quick-commerce venture. Similarly, fashion platforms like Myntra, Newme, and Snitch have begun experimenting with quick deliveries. Additionally, investment firms like Titan Capital have invested in Blitz, a company building a network of third-party dark stores for brands.

But Zomato's fundraise near the IPO of its Swiggy could further deepen the quick-commerce market as investors double down on the segment. But this move could also impact Swiggy's valuations.

From the perspective of a market leader, Zomato is raising capital because it can, as well as to future-proof its business.

The fundraise will not come cheap for investors as the current valuations are stretched after the stock's huge run-up, think analysts. "I am not saying the stock may not go up from here; all I am saying it would be an expensive buy," said Kanodia. The stock is currently trading at a price-to-earnings ratio of over 300X.

But any new equity issue by a listed company is at a discount to the market price, which means potential investors who baulk at Zomato's current valuation may be tempted to subscribe to the current issue. Zomato's timing of the fundraise also means Swiggy's investment bankers will have to make its pricing even more appealing relative to Zomato's.

For Zomato, the share sale is yet another instance of being opportunistic. It went public just as pandemic-battered investors were once again warming to capital markets. Now, few businesses are growing at such a rapid clip, quarter after quarter, as quick commerce. It doesn't hurt that investors have never been so enamoured of Zomato.