

Zomato gets Sebi approval for IPO

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BIG BITE

Top players in terms of fresh issuance

Food delivery company Zomato has obtained market regulator Securities and Exchange Board of India's (Sebi's) approval to launch its ₹7,875-crore initial public offering (IPO). Investment banking sources said the mega issue could hit the market as early as this month.

The processing status of draft red herring prospectus (DRHP) filed on the regulator's website showed Zomato, Chemplast Sanmar, and Tatva Chintan Pharma received observation letters from Sebi last week. Getting a final observation letter is akin to getting the go-ahead to launch the IPO, said investment bankers. About 20 other DRHPs filed with Sebi are in various stages of the approval process.

Zomato had filed its offer document with Sebi on April 28. The company, backed by China's Ant Group, is planning to issue fresh shares worth ₹7,500 crore in the IPO. This will make it India's third-largest offering after Reliance Power and DLF. However, the company has the option to raise ₹1,500 crore by way of pre-IPO placement. This could reduce the potential IPO size to that extent.

Meanwhile, Info Edge in a

regulatory filing has said it will offload shares worth ₹375 crore of Zomato in the IPO. At the time of DRHP filing, the company had intended to sell shares worth ₹750 crore. Info Edge, which holds 18.55 per cent stake in the company, didn't provide a reason behind the move. This reduces Zomato's total IPO size from ₹8,250 crore to ₹7,875 crore (\$1.06 billion). No other existing shareholder is parting with their stake in the IPO.

Investment banking sources said they have already commenced roadshows for Zomato's IPO and they are anticipating a strong response.

"The interest from investors across the board is encouraging. Zomato's IPO will pave the way for other domestic unicorns and start-ups to go public," said an investment banker handling the share sale.

Industry players say Zomato's valuation in the IPO

Date	Total size (₹ cr)	Fresh (₹ cr)	Secondary (₹ cr)
Jan '08	10,123	10,123	0
Jun '07	9,188	9,188	0
Jul '21*	7,875	7,500	375
Dec '06	5,789	5,789	0
Augt '09	6,039	4,026	2,013

*According to industry sources

Source: PRIME Database

could be in the ₹50,000-60,000 crore range. The company will finalise the IPO price and valuations closer to the launch of the issue.

For the nine months ended December 2020, Zomato had total cash and cash equivalents of ₹4,967 crore. Earlier this year, the company had raised ₹1,800 crore from Tiger Global, Kora, and others. After the IPO, the company will add ₹7,500 crore to its kitty, taking the total to over ₹14,000 crore. Analysts will give Zomato's major financial muscle to tap the rapid growth in the food delivery space in India.

Presently, the company is burning cash to get a strong foothold in the market. Zomato's losses have widened every year between FY18 and FY20 from ₹107 crore to ₹2,386 crore. However, the cash burn has helped the company grow its top line by five times from ₹466 crore to ₹2,605 crore.