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Major Research Project

IMPACT OF ACQUISITION OF BLINKIT ON THE FINANCIAL PERFORMANCE OF ZOMATO

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24/DMBA/148

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CERTIFICATE

DECLARATION

I, Neha Thakur student of Delhi School of Managemnet, DTU declares that "A study on the impact of acquisition of blinkit on the financial performance of Zomato" is an original research work conducted by myself under the supervision of my faculty guide. This project work is being presented for the partial fulfillment of the requirement for awarding the degree of master of business administration (MBA).

The above-mentioned research work has not been submitted for the grant of any other degree in any other institute or university. I declare that the material provided in this report has been obtained through reliable sources. Proper references have been made wherever necessary.

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EXECUTIVE SUMMARY

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INTRODUCTION

1.1 BACKGROUND

The mergers and acquisitions (M&A) are the strategic steps for the corporations that intend to grow their business. Thus, in a merger, two firms decide to unite together by forming a joint venture, whereas, in an acquisition, one firm purchases the other one. Both approaches can be used by companies to increase their competitiveness and profitability. A merger implies the process of combining the efforts of two or more corporations, whereas in the course of acquisition one corporation gains control over another firm, which either continues working as a subsidiary firm or becomes an integral part of the parent firm.

There are various types of M&A deals that differ based on the types of companies that are combined within the framework of the transaction. Horizontal mergers are carried out among enterprises that operate in the same industrial sector. The vertical mergers mean the union of businesses that perform different functions on the same production chain. Conglomerates imply M&A of two companies whose business is not related. Market-extension merges help firms to enter a new geographical market while product-extension mergers allow for expanding the product range of the corporation.

Though beneficial in several ways, M&As also pose some threats and challenges for companies. These include cultural clashes between the organizations, operational integration problems, expensive cost of doing business, and regulatory concerns. Moreover, there is always the danger of over-exaggeration of the benefits or synergy from the deal. This means that for M&As to be successful, they must be planned carefully and effectively integrated after the acquisition.

STARTUP GROWTH AND DIGITAL ECONOMY DEVELOPMENT IN INDIA

The rise of startups and the digital economy in India is one phenomenon that stands out in the past decade due to several factors, including increased internet accessibility, higher numbers of smartphones in use, and several government policies aimed at boosting such an economy, including those under the Startup India and Digital India programs. India has become one of the largest startup ecosystems around the world due to the high number of innovations being made in industries such as fintech, e-commerce, edtech, and healthtech. With the rise of digital payment channels, such as the Unified Payment Interface, economic transactions have been made easier, leading to more inclusive and efficient economic transactions.

FUTURE OF ONLINE FOOD DELIVERY PLATFORMS

The future of online food delivery platforms will witness major transformational change in the food services industry, due to several factors like urbanization, change in lifestyle, and higher

penetration of smartphones and internet in our lives. Platforms like Zomato and Swiggy in India have made tremendous contribution to the evolution of food services, where customers can order food from any place using smartphones. These companies use sophisticated technology such as data analytics and real-time tracking in their operations, making them more efficient and user-friendly.

Besides, the emergence of new methods of payments and gig workers have also helped to grow this industry. Online food deliveries experienced unprecedented growth due to the outbreak of coronavirus as people preferred contactless orders in the pandemic era.

QUICK COMMERCE INTRODUCTION

Quick commerce or q-commerce can be understood as a new form of online business based on the ultra-rapid delivery of goods, which takes place in the range of 10-20 minutes only. This type of business is a result of the development of traditional forms of commerce and food delivery services, which respond to the rising demand among consumers for instant gratification and convenience. Quick commerce is implemented in India by companies like Blinkit, Zepto, and Swiggy Instamart with the help of a vast system of dark stores (small warehouses situated near the consumers) and effective delivery systems to provide quick delivery of various necessities.

The main advantage of quick commerce businesses lies in the use of cutting-edge technologies, such as real-time inventory management systems, route optimization software, and analytics tools to reduce delivery times. The expansion of quick commerce has been facilitated by the growing popularity of smartphones and the prevalence of a fast-paced lifestyle in urbanized cities. Nonetheless, the model still faces some challenges, such as high operating expenses and profitability issues.

BRIEF INTODUCTION

ZOMATO

One of the most prominent online food delivery and dining guides websites in India is Zomato, established by Deepinder Goyal and Pankaj Chaddah back in 2008. As a restaurant listing website initially, it allowed users to find out menus of various eateries along with their ratings and reviews to guide them on where to eat. However, the service was later extended to include online ordering of foods as well. Currently, it forms the main service offered by Zomato.

Over the past few years, Zomato has concentrated more on its footprint in the digital commerce ecosystem. An example of this is the purchase of Blinkit, which helped Zomato to gain access into the rapidly growing area of quick commerce. Instead of the challenges like stiff competition and profitability issues, Zomato has continued to grow within the Indian digital ecosystem.

BLINKIT

The company Blinkit has been instrumental in defining the Quick Commerce space as it caters to the rising need for fast and easy transactions among urban customers. Utilizing cutting-edge technology including real-time inventory tracking, analysis, and efficient routing, the firm ensures

smooth functioning and improved customer satisfaction. The company's business strategy revolves around offering instant solutions for everyday products, thus making it a popular brand among time-sensitive customers.

Blinkit was bought by the Zomato group in 2022, representing an effort to bolster the latter's performance in the quick commerce space. While the business has experienced rapid growth in recent times, it is plagued by problems such as rising costs, stiff competition, and issues related to profitability. Nonetheless, the company has managed to grow its influence in various cities within India.

OVERVIEW OF THE ACQUISITION

The 2022 Blinkit acquisition by Zomato is an important part of the history of digital commerce in India. According to the terms of the deal, Zomato acquired Blinkit (previously known as Grofers) in an all-stock transaction worth around $568 million. The main goal of this merger was to diversify the operations of Zomato from the primary food deliveries and move into quick commerce. Through Blinkit, Zomato could utilize a strong logistics system based on the company's network of dark stores and fast delivery capabilities.
This merger was made to respond to the growing need for instant deliveries in urbanized regions of India.

The transaction, nevertheless, invited the attention of investors and analysts, who had raised questions about the poor financial performance of Blinkit, its rapid consumption of capital and whether this would affect the profitability of Zomato. Nevertheless, the acquisition was an indication of Zomato's long-term goal of being a one-stop shop for consumers.

It is essential to evaluate the merger and acquisition transaction between Zomato and Blinkit. This acquisition serves as an example of how corporations engage in diversification strategies to innovate in the modern digital economy. It offers an opportunity to learn how organizations make use of mergers and acquisitions to penetrate new markets and grow in response to changing consumer behavior.

1.2 PROBLEM STATEMENT

Businesses frequently use M&A because it facilitates their growth and expansion. Even while mergers and acquisitions offer many advantages, they frequently cause the company's financial performance to decline. In a startup ecosystem, acquisitions can lead to increased operating costs and even unstable finances. Therefore, this question raises the question of whether M&A is beneficial or causes acquiring firms to face financial challenges.

In 2022, food delivery platform Zomato acquired instant retail platform Blinkit. Even before this acquisition, Zomato had already been operating at a loss. The company originally planned to use this deal to enter the fast commerce sector, which carries strong profit potential. Unexpectedly, after the acquisition, three pressures tied to Blinkit—high operating costs, the need for infrastructure investment, and continuous heavy cash burn—

drove up Zomato's total expenditures. Can this type of strategic decision truly support the long-term development of an enterprise?

Therefore, determining whether the acquisition of Blinkit has had a favorable or unfavorable effect on Zomato's financial performance is the main issue this study attempts to answer. In order to shed light on the real-world effects of M&A tactics in the digital economy, the study aims to assess whether the purchase has enhanced financial difficulties or added to value creation and long-term growth.

1.3 OBJECTIVES OF THE STUDY

Objective of this study is to find out the impact of the acquisition of Blinkit on Zomato's financial performance. For this purpose, the financial position of the organization before and during the acquisition will be analyzed to identify changes, if any, in the financial performance of the organization.
Specific objectives of this study are to analyze the financial performance of Zomato before and after the acquisition and determine its impact on various aspects of financial performance such as profit and revenue generation. Further, the study will focus on finding out the contribution of Blinkit to the overall business performance of Zomato, specifically revenue generation.

Additionally, the study seeks to evaluate the acquisition's immediate and long-term impacts, offering a thorough grasp of whether the strategic choice has led to the company's sustainable growth and value generation.

1.4 SCOPE OF THE STUDY

The financial performance of Zomato after taking over Blinkit will form the crux of this analysis. The objective behind conducting this analysis is to get an understanding of the impact that the strategic acquisition has had on the firm's finances over a particular period of time. This will be carried out through a comparative analysis which will be conducted in two distinct periods; one before the acquisition (pre-2022) and another after the acquisition (post-2022).

As the current research is conducted based on secondary sources of data alone, the analysis will be conducted on the basis of real and publicly available data. The information required for the purpose of the research has been obtained from various sources of data such as financial reports, financial disclosures, investor presentations, and annual reports by Zomato. Financial metrics analysis will include an in-depth study of crucial aspects such as revenue growth, profitability, efficiency ratios, and the cost structure of the company. Segment-wise performance will also be considered.

In addition, the study also attempts to evaluate the impact of the purchase in terms of both its immediate and long-term consequences for the finances of Zomato. The long term view

focuses on understanding any potential benefits such as diversification of income, market extension, and improved competitive position, while the short-term view highlights the effect of increased expenditures and other financial consequences. With consideration of multiple financial aspects taken into account, such wide coverage helps achieve unbiased evaluation.

However, one must be cognizant of the fact that there are certain limitations associated with the extent of this research. There might be certain limits to the depth of interpretation in this case, due to the fact that the research is based only on the publicly available financial statements and not on any original data or management insight. Also, another limitation is that this research does not consider certain external factors that can influence financial performance. However, despite these shortcomings, this research provides a focused and systematic look at the financial impacts of this acquisition, which makes it relevant to studying mergers and acquisitions in the digital economy.

2. LITERATURE REVIEW

2.1 REVIEW OF THE PREVIOUS STUDIES ON MERGERS AND ACQUISITIONS

One of the strategic tools that have always been regarded as highly important when it comes to expanding and restructuring a business, as well as creating more value, includes mergers and acquisitions (M&As). Based on studies, businesses are supposed to adopt an M&A strategy in order to make quick expansions, create more market share, reduce competition, and have access to new capabilities and technologies. With M&A, companies will be able to expand fast compared to using organic expansion that takes time. Moreover, M&As play a major role in competitive industries.

It has been proven that synergy has been recognized as the major motivation factor in numerous studies where causes of M&A activities were investigated. "Synergy," which refers to potential benefits that arise due to the merger of two companies' operations and lead to improvements in efficiency, may include increased income and reduced costs. On the other hand, it is clear that achieving synergy often proves to be challenging for organizations, thus preventing them from reaping any benefits associated with M&A activities.

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2.2 STUDIES RELATED TO FINANCIAL PERFORMANCE POST ACQUISITION

There have been many scientific attempts to investigate the performance of businesses both pre- and post-M&A activities. In order to determine whether mergers and acquisitions were successful or not, various indicators were used in research, such as revenue increase, profitability, ROA, ROE, and liquidity ratios. However, as the issue under investigation is rather complicated, the findings in this area are inconsistent.

Based on some studies, acquisitions increase market power, efficiencies, and economies of scale, all of which contribute to better performance financially. Customer expansion, effective distribution, and utilization of new technologies can facilitate business expansion

and lead to profitability for firms. In several cases, the advantages of mergers and acquisitions come about through time rather than immediately.

On the contrary, evidence from various other studies indicates that acquisitions can have negative implications on the financial performance of acquiring organizations, at least in the short run. Acquisitions are known to reduce profit margins owing to higher expenses and costs incurred in the process of integrating the acquired firm into the organizational structure. It requires more resources to manage the acquired firm, which leads to a decrease in financial ratios for the acquiring organizations. This holds especially true for start-ups and rapidly growing organizations.

Moreover, research indicates that the degree of success achieved during the process of post-merger integration significantly affects the outcome following the acquisition process. The likelihood of achieving positive financial outcomes is higher for companies that succeed in integrating their processes, cultures, and resources. Conversely, failure to do so can lead to inefficiency and financial losses.

2.3 RESEARCH ON QUICK COMMERCE INDUSTRY

Quick commerce has become a relatively recent and rapidly growing part of the digital economy. It is characterized by highly speedy delivery, with time taken not exceeding 10 to 20 minutes. Given that customers want to be provided with convenience and immediate satisfaction, quick commerce has emerged as a development of the traditional forms of online retailing and food delivery services.

As per industry studies and past literature, rapid commerce organizations depend greatly on logistics and technology for fast delivery services. One of the main reasons why quick delivery can be provided is that organizations use dark stores. These are miniature warehouses located near customers. Moreover, technology such as artificial intelligence, data analytics, and route optimization is used to ensure improved performance and efficiency.

The rapid commerce industry faces several issues despite the quick expansion of the industry. Organizations find it difficult to earn profits because of high operational expenses. This includes labor management, logistics, and warehousing costs. The profit margins are quite low in most companies involved in the industry.

Moreover, the literature indicates that enterprises in the fast business industry tend to place client acquisition and growth above profits. While this helps achieve business growth, it also poses a high degree of financial risks, hence making the company rely heavily on external sources of finance. As such, the need to grow, improve efficiency, and strengthen market position may lead to acquisitions.

2.4 KEY FINDINGS FROM THE LITERATURE

A number of notable discoveries about mergers and acquisitions and the impact that they have on financial performance can be derived from the existing body of literature. Firstly, even though mergers and acquisitions are recognized as one of the most efficient means of achieving competitive advantage, no guarantee can be given concerning their successful outcomes. The outcomes of such ventures heavily depend on a variety of factors.

Secondly, there are contradictory consequences of mergers in terms of financial performance. Although some companies experience economies of scale and synergy effects, others face financial issues due to such acquisitions.

Additionally, planning and implementing an M&A successfully are paramount to the achievement of the desired goals. The accomplishment of the set goals will require adequate due diligence, proper valuation, and proper post-M&A integration, all of which, if overlooked, can lead to financial difficulties.

Lastly, literature highlights the unique opportunities and challenges associated with industries such as rapid commerce. While there is plenty of growth potential in such industries, there is also significant financial risk. It is for this reason that a review of acquisitions in such industries will be important in understanding their impact on financial performance.

2.5 RESEARCH GAP

It is important to note that even though there is much research that has been done on mergers and acquisitions, some gaps remain unfilled. The research on digital firms is not as much as in other sectors, for instance, banking, manufacturing, and large firm mergers. It is important that specialized research should be conducted because of the unique characteristics of digital firms.

Additionally, there are relatively few studies that concentrate specifically on acquisitions in the rapidly growing business sector, even though several studies have examined the overall impact of M&A on the financial performance of companies. The reason for this is that since the rapidly growing business sector is new, very little academic study has been carried out in this field. A comprehensive review of the performance of rapidly growing business companies is essential due to the unique financial dynamics of these businesses.

Moreover, there have been no studies dedicated to the specific case of the Zomato acquisition of Blinkit and its effect on the finances of the company that made the purchase. In view of the significance of this event for India's digital economy, this provides an important opportunity to analyze the consequences of mergers and acquisitions for business.

This study is aimed at addressing the existing research gap in relation to the impact of the acquisition of Blinkit on the finances of Zomato.

3. RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

In this study, both the analytic and descriptive approaches to research design have been employed. The descriptive element in this study lies in the presentation and explanation of the financial performance of Zomato before and after the merger of Blinkit. For this purpose, financial data need to be analyzed systematically over time.

On the contrary, the collected data will be analyzed in the context of the analytical research design framework. In this process, the examination of the accounts and computation of financial measures and arriving at conclusions will form a part of the process. This type of research helps to evaluate whether the effect of acquisition has been good or bad for the business performance.

3.2 OBJECTIVES OF THE STUDY

The major objective of this study is to analyze the effect of the Blinkit acquisition on the financial performance of Zomato. This can be achieved by comparing the pre-acquisition financial performance of the company and its post-acquisition financial performance to determine how such a business decision has impacted its financial standing.

The other factor that is taken into consideration in the research is the success level that can be achieved through the acquisition in terms of certain financial metrics such as profitability, revenues, and performance. The influence of Blinkit on the overall business performance of Zomato, in particular its ability to earn revenues and expand into the fast commerce domain, is also considered in this research.

The second objective of the study is to conduct an analysis of both the immediate and future consequences that the acquisition would have on the financial position of the company. This means that while looking at the future, the possible benefits would be taken into account such as sustainable growth and wealth creation, while in the short term, the consequences that include increased costs and profits would be assessed.

3.3 HYPOTHESIS

To ensure that there is an effective framework for the study in terms of the impact of the Blinkit acquisition on the financial performance of Zomato, hypotheses have been formulated. It is necessary for developing a basis upon which the significance of the

changes in financial performance will be determined. Moreover, it ensures that the study is objective and focused in its analysis of financial performance.

Null Hypothesis (H_0) and Alternative Hypothesis (H_1) serve as the starting point for the study. As per the Null Hypothesis, the performance of Zomato has not been affected much owing to the acquisition of Blinkit, implying that any change observed in its performance is due to factors other than the acquisition itself. Alternatively, the Alternative Hypothesis states that the acquisition does have an effect on the performance of Zomato, whether positive or negative.

Financial statement analysis, ratio analysis, and pre- and post-acquisition performance comparisons will all be employed to validate these hypotheses. This research will help in determining whether the acquisition has increased the financial challenges of the business or created value. Therefore, in order to draw significant and factual conclusions from this research, hypothesis testing is vital.

3.4 DATA COLLECTION METHODS

Secondary data for the research presented in this paper has all been acquired from reliable sources that are publicly available. The reason why secondary data is appropriate in this context is that it provides accurate and validated financial information necessary to determine the effects of Blinkit's acquisition on Zomato's financial performance. Secondary data will ensure that there is no need for direct interaction with respondents.

Sources of the data collected in this analysis are numerous and include the annual reports of Zomato, financial statement (consisting of Income Statement, Balance Sheet, and Cash Flow Statement), investors' presentations, and corporate releases. Internet sources, such as databases of finances and various company websites, have also contributed. All of these sources give comprehensive views of the financial status of the company and help compare the period before acquisition to the one after acquisition.

The use of secondary data improves the reliability and validity of the analysis as it ensures that the data used is both reliable and authentic. Also, it makes comparison between various time periods more comfortable, helping us identify the financial performance trends. A weakness of using publicly available data that may not include all qualitative information is evident in the study since it did not include any qualitative data. Nonetheless, the use of secondary data remains an efficient method for conducting financial analysis.

3.5 TIME PERIOD OF STUDY

In order for the analysis in question to make sense, this study involves a specific period of time, which will be divided into two segments. The time before 2022, which means Zomato's operations without the incorporation of Blinkit into its strategy, belongs to the

pre-acquisition period. After the purchase of Blinkit in 2022, the post-acquisition period begins, allowing one to examine the effect of the integration of rapid commerce on financial performance.

The particular time frame selected here is intended to analyze the short and long-term impacts of the acquisition on the financial position of Zomato. Patterns related to revenue generation, profits, and other areas of performance can be identified using multiple years within this time frame. At the same time, it also becomes possible to assess the long-term impacts of the acquisition, including growth, diversification, and value creation, as well as its short-term financial impacts.

3.6 TOOLS AND TECHNIQUES

Different kinds of financial analytical techniques and models have been utilized to evaluate the financial performance of Zomato. The financial technologies will help the researchers make proper conclusions and analyze the information.

1. Ratio Analysis

This technique has been adopted by the researchers to gauge the performance and the financial position of the company. It involves the identification of different types of ratios such as:

- Profitability Ratios (Operating Margin and Net Profit Margin)
- Liquidity Ratios (Quick Ratio & Current Ratio)
- Efficiency Ratios (Asset Turnover Ratio)

2. Trend Analysis

Trend analysis helps in analyzing changes in financial performance over some period. It involves analyzing the data of several years in order to see the trends and growths.

Trend analysis will help identify whether there have been any improvements in the company's performance since the takeover. Besides, trend analysis will provide details regarding expenses trends and revenue growth.

3. Comparative Analysis

Comparative comparison is performed on the basis of Zomato's financial performance before and after the acquisition. It helps understand the effect of the acquisition and points out any differences in key financial figures.

In the analysis, it is checked that the acquisition has helped improve the sales performance, profitability, and operational performance of the company through comparative analysis of the data before and after the acquisition.

4. Graphical Illustration

Besides the techniques described above, one can represent the financial figures graphically by means of charts and graphs.

3.7 LIMITATIONS OF THE STUDY

Although this study aims to provide an in-depth evaluation, it does come with some limitations.

1. **Limited Use of Secondary Sources**

The extent of the study may be limited by the use of only secondary sources in the research. Primary data collected through surveys and interviews has been ignored.

2. Time Boundaries:

This study has covered a specific time span before and after the take-over but beyond that, there could be further effects.

3. Untaken External Influences

Despite having possible influence on the financial performance, such factors as the state of the market, competitive environment, economic situation, and other external influences are not considered.

4. Data Limitations

As the research uses only publicly available financial data, it cannot contain the necessary internal data, needed for further deeper analysis.

5. Interpreting Subjectivity

Interpretation of financial data can be somewhat subjective, which may affect the findings made as part of the study.

4. COMPANY PROFILE

4.1 PROFILE OF ZOMATO

History and Background

Zomato is one of the major online meal delivery platforms and food services in India. It was established by Deepinder Goyal and Pankaj Chaddah in 2008. The platform operated as "Foodiebay" initially and aimed at providing customers with information about restaurant menus. However, after some time, the platform's founders renamed it into Zomato and expanded their business to several other countries. At first, Zomato used to be just an online restaurant listing platform, but now it has become a comprehensive food tech business offering online meals delivery services, subscriptions, and dining facilities.

Business Model

The business employs the platform business model whereby consumers, restaurants, and delivery drivers are all connected through an online medium. It acts as an intermediary between the consumers and restaurants for food ordering and delivery services. Technology such as real-time tracking, artificial intelligence, and data analytics is used to enhance customer satisfaction and improve delivery processes. Furthermore, Zomato offers value to everyone within the business ecosystem through visibility to the restaurants and marketing as well as access to a large number of consumers.

Revenue Streams

The revenue model of Zomato is diversified due to the fact that it earns its revenue through various sources. The primary source of revenue for Zomato comes from its food delivery services, through which it earns its revenue from delivering meals to its customers and earning commissions from restaurants. The other sources of revenues for Zomato are dining out services, restaurant advertisements, Zomato Gold subscriptions, and fast commerce services, the latter being the result of Blinkit's recent acquisition by Zomato.

Financial Overview

Revenue increases and losses have characterized the financial performance of Zomato, particularly during its formative years and expansion phases. In an effort to establish itself in the market, Zomato has invested heavily in marketing and logistics. High costs and competition have impacted profitability, although there has been a steady increase in the income figures. Costs have increased in the short run due to Blinkit, but growth is expected in the long term due to increased market penetration in the fast commerce segment.

4.2 PROFILE OF BLINKIT (FORMERLY GROFERS)

History & Evolution

Blinkit was founded by Albinder Dhindsa and Saurabh Kumar as Grofers in 2013. As a company, Grofers was initially an online grocery delivery app that brought consumers together with local vendors. Gradually, the company moved towards focusing on building its own logistics and warehousing capabilities. Grofers changed its name to Blinkit in 2021 in a bid to highlight the fact that it had moved into quick commerce and would be able to deliver consumer necessities within minutes. This marked a complete paradigm shift in its business strategy due to the transformation.

Business Model (Quick Commerce)

Blinkit is one of the businesses utilizing the concept of blink commerce where it promises its consumers daily necessities in ten to twenty minutes. In order to achieve its promise of providing fast service, Blinkit uses dark stores. These dark stores are small storage units located close to the customers' location. The firm relies significantly on technology to ensure that productivity and delivery times are reduced. Examples of the technologies used include data analytics and route optimization. Due to this strategy, the firm has become a leading company in quick commerce.

Market Position

As far as the emerging rapid commerce sector of India is concerned, Blinkit is no doubt a tough competitor for other giant companies including Zepto, Instamart, and Swiggy. In large cities, it has gained a significant reputation for fulfilling the needs of busy consumers. With the help of Zomato's takeover of Blinkit in 2022, it now enjoys even more popularity because Zomato helped the company in reaching out to a wider range of consumers along with better logistic support and funding.

5. DETAILS OF ACQUISITION

5.1 OVERVIEW OF THE DEAL

Notable occurrences in the Indian tech space include the purchase of Blinkit by Zomato in 2022. The aforementioned acquisition saw Zomato venture into the rapidly growing industry of quick commerce, which involves quick delivery of everyday essential items like groceries. Prior to the Blinkit acquisition, Zomato had been operating within the sector of food delivery services and restaurant business.

The acquisition of Blinkit has facilitated the expansion of Zomato's delivery operations beyond the conventional food delivery segment. This was through changing its mode of operation from food delivery to that of delivery of other products in line with its customer base and logistics capabilities. The deal signifies a departure from being a food delivery service provider to a general delivery services firm.

5.2 TIMELINE OF ACQUISITION

However, the acquisition strategy has been the result of the evolving relationship between both companies rather than being a stand-alone case. The fact that Zomato first funded Blinkit (previously known as Grofers) indicates its initial attraction towards fast commerce. Over time, the importance of Blinkit has become evident to Zomato in line with its long-term objectives.

In the year 2021, Blinkit underwent a name change from Grofers to concentrate on quick business and ensure that deliveries were made within 10–20 minutes. In addition, the name change made it easier for the company to move in line with the plans of growth that had been set out by Zomato. Blinkit was bought by Zomato in the year 2022 in an all-stock transaction. With the purchase of Blinkit, it became a subsidiary of Zomato Company, and measures were put in place to harmonize the two businesses.

5.3 DEAL VALUE AND STRUCTURE

The stock purchase deal between Zomata and Blinkit was done by an all-stock deal and valued at around $568 million. This shows that instead of using money, the company used its stocks to purchase Blinkit from its owners. This was important for the company since it helped in the completion of the transaction and ensured the company saved money, which is essential in fast-growing companies.

Because it ensures that both of their stakeholders have mutual interests in the matter, the all-stock transaction nature of the deal also implies that it is strategically motivated by the long term. The investors of Blinkit became stockholders of Zomato, who had become

involved in its future growth and success. The fear of the investors was justified because, on one hand, this kind of structure also diluted the stock held by existing stockholders.

5.4 STRATEGIC REASONS BEHIND THE ACQUISITION

The strategy of becoming a player in the quick commerce market was the key strategic factor that led to the deal. This was due to the natural evolution of Zomato's current food delivery business into quick commerce due to the rising need for fast delivery services. Blinkit allowed Zomato to gain access to an already established platform instead of building their own from scratch.

The potential for exploiting synergy between the two businesses was another crucial consideration. Because both Zomato and Blinkit used an almost identical strategy of providing services to customers through deliveries, the acquisition allowed both of them to share clients, technology, and logistical infrastructure. The merger also helped Zomato diversify its revenue streams and become less dependent on food deliveries. Diversity becomes necessary in order to mitigate risks and sustain themselves in the long run.

Also, the competition present in the market forced the acquisition. There was an urgent need for Zomato to strengthen itself so that it could compete effectively, especially with companies like Swiggy entering the fast-commerce segment. Zomato managed to get an edge due to the Blinkit acquisition, which helped it compete in the rapidly growing fast commerce and meals delivery segments.

5.5 EXPECTED SYNERGY

Blinkit acquisition would be able to bring about certain synergies that would make Zomato operate more efficiently. The first synergy would involve operational efficiency, which is realized through combining the logistics and delivery operations. In this way, the company would be able to save money and deliver the products quickly to its customers.

Revenue diversification was yet another major synergy. Zomato could earn from a wide array of products, including grocery and necessities, by adding on the fast commerce services feature. This would reduce the reliance on a specific product category while earning more revenues at the same time. There was also a cross-selling opportunity whereby customers using Zomato for food delivery services could be enticed to shop for groceries on Blinkit.

Since both organizations depend largely on data analytics and digital tools, the importance of technological synergy is also high. Forecasting demand, managing inventory, and gaining customer insight become easier with technological synergies. If done right, such synergies can bring many benefits to the organization in the long run.

5.6 CHALLENGES AND RISKS

There are quite a few challenges and risks involved in the process that may hamper the success of the transaction irrespective of the potential benefits. High operational costs associated with the rapid commerce business model is among the key concerns. Blinkit operates in an industry that requires huge spending on labor, transportation, and other infrastructure, leading to cash burn. Zomato's performance may be affected by it soon.

There are various challenges faced in the takeover that may make the process difficult even with all the potential benefits associated with it. One major challenge is the high operational cost for the business model of rapid commerce. Blinkit operates in an industry where there are heavy costs of labor, logistics, and infrastructure leading to cash burn.

Moreover, the success of the acquisition will be threatened by the high level of competition that exists within the fast-commerce industry. It can become difficult to sustain profitability where there are multiple firms competing for market share. External factors such as change in customer tastes, regulatory challenges, and the condition of the economy further create uncertainties. As such, although the acquisition brings about many opportunities, risk management should also be practiced.

6. DATA ANALYSIS AND INTERPRETATIONS

6.1 FINANCIAL PERFORMANCE ANALYSIS

Revenue Analysis

Zomato's revenue performance has been impressive over the years as it shows that the company has a dominant market position. Prior to Blinkit, revenue generation for the company came from its food delivery service, dining out service, restaurant advertisements, and subscriptions. Revenue growth for the company was sustained owing to the growing use of the platform by customers for food delivery and the expansion of operations to several cities.

Fast commerce services became part of the revenue model of Zomato after its purchase of Blinkit in 2022. This purchase contributed significantly to the increase in the total top-line revenue and Gross Order Value (GOV) by providing essential and grocery items daily. Therefore, Zomato was able to reduce its dependency on a single revenue stream and build itself as a complete digital commerce firm. It can be inferred from the increase in revenue after the purchase that it helped Zomato expand its business.

While the growth in revenue was positive, it is important to note that the aggressive nature of the company’s growth strategy and customer acquisition campaign, which has

contributed to increased cost, accounted for this. Thus, profitability must be maintained to suggest that an increase in sales is indicative of business success.

Before and before the acquisition of Blinkit, the company had shown positive performance with regard to revenue generation. Zomato generated an operating revenue of ₹4,687 crore in FY 2022. The operating revenue grew from ₹7,761 crore in FY 2023 to ₹12,961 crore in FY 2024 post-acquisition. This is because of the growth of its primary business model and Blinkit's e-commerce platform.

Revenue Growth Calculation

Formula:

Revenue Growth % = Current Year Revenue−Previous Year Revenue/Previous Year Revenue×100

FY 2023 Revenue Growth

7761−4687/4687×100 = 65.58

FY 2024 Revenue Growth

12961−7761/7761×100 = 66.99

This shows that Zomato experienced strong revenue growth after the acquisition, indicating business expansion and diversification.

Profit and Loss

Even though Zomato is known for its impressive profits, it has always been challenged in terms of making profits. This is because the company has been experiencing losses even before acquiring Blinkit because of the heavy expenses it incurs when it comes to technology, marketing, and delivery costs. The company's main concern is not about profits but the growth of its customers.

The purchase of Blinkit brought about higher operating and capital expenses, which in turn impacted the profits and losses of the business. Initially, there was an increase in the total losses since the firm operates in the fast commerce segment, which means that it is faced with high cash burn and lower profitability, mainly due to spending on dark stores, storage facilities, last mile delivery, and staff.

The expectation was that in the long term, the company would benefit in terms of profitability due to its size, efficiency, and synergies across different businesses, even though losses were expected in the short run post-acquisition. Hence, the profit/loss statement proves that while there might be some losses incurred by the acquisition in the short run, it is meant for long-term profitability.

Zomato made losses in FY 2022 and FY 2023 but still managed to earn high revenue. In FY 2022, Zomato made a loss of ₹1,222 crore while in FY 2023, it made a loss of ₹971 crore. However, in FY 2024, Zomato made a profit of ₹351 crore due to good performance in the rapid commerce and food delivery segments.

Net Profit Margin Calculation

Formula:
Net Profit Margin=Net ProfitRevenue×100

FY 2024 Net Profit Margin

351/12961×100 = 2.71%

This indicates that although profitability remained low, Zomato successfully moved from losses to profits after the acquisition period.

Expense Analysis

To understand the financial impact of the Zomato-Blinkit deal, it becomes imperative to analyze the cost structure of the business. The key costs involved for Zomato before the deal were that of deliveries, employee compensation, promotional costs, technology cost, and overheads. These costs were very high owing to the cut-throat competition in the food delivery industry and focus on customer acquisition.

Because of the large operating costs involved in Blinkit's fast commerce strategy, operating costs shot up tremendously after the takeover. In order to achieve very fast deliveries, it had to invest in dark storefronts, inventory control, warehouse management, and more delivery staff. Operating costs were further increased due to the costs incurred in integrating with the business as well as additional investment required to grow Blinkit.

Operating cost management is critical in maintaining profitable operations regardless of the fact that bigger expenditures are usually expected when expanding the business. This case study shows how effective growth through acquisitions can result in increased operating costs while at the same time increasing revenue opportunities.

The transition of Zomato into fast commerce and its purchase of Blinkit led to an increase in total expenses by a huge amount. Zomato had ₹6,206 crore of expenses during FY 2022, ₹8,775 crore during FY 2023, and ₹12,670 crore in FY 2024. The significant expenses included delivery charges, employee incentives, logistics management, dark stores management, and technology expenses.

Expense Growth Calculation

Formula:
Expense Growth %=Current Year Expenses−Previous Year Expenses/
Previous Year Expenses×100

FY 2023 Expense Growth

8775−6206/6206×100 = 41.39

FY 2024 Expense Growth

12670−8775/8775×100 = 44.39

This shows that while revenue increased, expenses also rose substantially, which initially affected profitability.

6

EBITDA Analysis

Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) is an important indicator that evaluates the performance of a business without considering any non-operating expenses. The evaluation of EBITDA will help us understand if the main business activities of Zomato have been performing well after its acquisition of Blinkit.

Before the merger, despite the rising cost of freight, discounts, and marketing costs, the company managed to improve its contribution margin due to the rise in orders and efficiency. Unit economics were preferred over profits.

The inclusion of Blinkit's losses in the computation of EBITDA became possible since most rapid commerce companies operate under losses in their initial period of growth. The acquisition affected the EBITDA of Zomato for a while. However, it is expected that the management will manage to improve EBITDA margin levels as Blinkit grows and matures.

Thus, the analysis of EBITDA demonstrates that even though the acquisition had some effect on operational profitability in the near future, the ultimate goal is the improvement of margins due to scale. This is more of an investment approach rather than a profit-making one.

The efficiency of the company in operations is measured through the EBITDA figure. Zomato was able to make an EBITDA loss of ₹1,058 crore in financial year 2022. In the financial year 2023, this figure reduced to a loss of ₹529 crore and became positive at ₹889 crore in financial year 2024.

EBITDA Margin Calculation

Formula:
EBITDA Margin=EBITDA/Revenue×100

FY 2024 EBITDA Margin

889/12961×100 = 6.86%

This improvement shows that although Blinkit initially increased losses, the acquisition supported long-term operational growth and stronger financial performance over time.

6.2 RATIO ANALYSIS

Ratio analysis plays an essential role in evaluating Zomato's financial position and performance both before and after Zomato's acquisition of Blinkit. It is used to evaluate a company's performance based on critical financial ratios that are found in financial reports. This paper analyzes profitability ratios, liquidity ratios, and leverage ratios to assess the impact of the acquisition on Zomato.

PROFITABILITY RATIO

1. Net Profit Margin

Net Profit Margin shows the percentage of profit earned from total revenue. It helps in evaluating how efficiently the company converts revenue into actual profit.

Formula

Net Profit Margin=Net Profit/Revenue from Operations×100\

Calculation for FY 2024

- Net Profit = ₹351 crore
- Revenue from Operations = ₹12,961 crore

351/12961×100 = 2.71%

Interpretation

Zomato earned profits worth ₹2.71 out of every ₹100 earned. As compared to previous years, where the company was running at losses, this is an indication that there has been some level of improvement.

Return on assets (ROA)

Return on assets is used to assess the efficiency with which a company uses its resources to earn profits.

Formula

ROA=Net Profit/Total Assets×100

Calculation for FY 2024

- Net Profit = ₹351 crore
- Total Assets = ₹17,081 crore (approx.)

351/17081×100 = 2.05%

Interpretation

With a ROA of 2.05%, Zomato produced a return of ₹2.05 for every ₹100 invested in assets. This demonstrates a moderate level of asset usage efficiency following the acquisition.

Liquidity Ratios

1. Current Ratio

The Current Ratio measures the company's ability to meet its short-term obligations using its current assets.

Formula

Current Ratio=Current Assets/Current Liabilities

Calculation for FY 2024

- Current Assets = ₹10,500 crore (approx.)
- Current Liabilities = ₹4,200 crore (approx.)

10500/4200=2.5

Interpretation

Zomato holds a current ratio of 2.5, indicating that for every Rs 1 it has of current liabilities, Zomato holds Rs 2.5 worth of current assets. This shows that Zomato has high liquidity and ability to meet its current obligations.

Leverage Ratios

1. Debt-Equity Ratio

Debt-Equity Ratio measures the relationship between borrowed funds and shareholders' equity. It indicates the financial risk and capital structure of the company.

Formula

Debt-Equity Ratio = Total Debt/Shareholders' Equity

Calculation for FY 2024

- Total Debt = ₹1,200 crore (approx.)
- Shareholders' Equity = ₹13,500 crore (approx.)

120013500=0.09\frac{1200}{13500} = 0.09135001200=0.09

Interpretation

The Debt/Equity ratio at 0.09 shows that Zomato employs very little debt financing while having greater use of equity financing. This translates to minimal financial risk and a good capital structure.

Overall Analysis

However, based on the ratio analysis, profitability and efficiency of operations of Zomato have improved after the acquisition of Blinkit, although the company experienced an uptick in its short-term costs. In its progress towards profitability, the Net Profit Margin and EBITDA grew while maintaining the same Current Ratio, showing proper management of liquidity. Low debt-to-equity ratio reveals that the company has a solid financial position and does not borrow from external sources.

It can be concluded that the financial metrics revealed improvements in the company's finances in spite of initial difficulties associated with the acquisition, confirming the hypothesis that acquisition of Blinkit had a positive effect on Zomato's operations.

6.3 GROWTH ANALYSIS

Growth analysis plays an important part in financial analysis because it helps in assessing whether the performance of the company has been better or worse than in previous periods. Growth analysis helps us to see whether the company is growing well and also whether the financial growth of the company has gotten any boost after purchasing Blinkit. In this part, we will analyze the performance of the company before and after making the purchase.

Whether or not Blinkit's acquisition strategy has resulted in greater profit and growth for the business can be measured by comparing the results prior to the acquisition and those after it. The growth in profit indicates that the firm has seen greater profitability once expenses have been covered, while the growth in revenue is an indicator of increasing income.

Rate of Revenue Growth

The change in the percentage of revenue of the company over a period is known as the revenue growth rate. It helps to know whether the operation and revenues of the business are growing.
Formula

Revenue Growth Rate = Current Year Revenue – Previous Year Revenue / Previous Year Revenue × 100

Calculation for FY 2023
• Revenue of FY 2022 is ₹4,687 crores.

• Revenue of FY 2023 = ₹7,761 crores
(7761−4687)/4687×100= 65.58

Interpretation

There was an increase in the revenue of Zomato after the acquisition of Blinkit, and it is reflected in the revenue growth rate of 65.58% in FY 2023 because of the expansion of food delivery services and rapid commerce revenue of Blinkit.

Calculation for FY 2024

- FY 2023 Revenue = ₹7,761 crore
- FY 2024 Revenue = ₹12,961 crore

12961−7761/7761×100 = 66.99%

Interpretation

The 66.99% revenue growth rate for the FY 2024 implies that there is an expansion within the organization due to more business. The high revenue growth rate is attributed to the fast commerce activities of Blinkit.

Rate of Profit Growth

The profit growth rate is used to measure the percentage change in net profit through time. It helps in identifying if the organization is expanding its sales growth and profit growth.

Formula

Profit Growth Rate= Current Year Profit− Previous Year Profit/Previous Year Profit×100

Calculation for FY 2023

- FY 2022 Net Loss = ₹1,222 crore
- FY 2023 Net Loss = ₹971 crore

Since losses reduced, profitability improved.

1222−971/1222×100 = 20.54%

Interpretation

Though the company continued making losses, the 20.54% reduction in net loss represents a positive trend as regards profitability. In spite of the cost incurred during Blinkit's acquisition, this indicates better cost management and performance.

FY 2024 calculation

• Net Loss for FY 2023 = Rs 971 crore

• Net Profit for FY 2024 = ₹351 crore

Shift from losses to profit:

351−(-971)/971×100 = 136.15%

Interpretation

This indicates a positive trend as far as financial performance is concerned since Zomato went from losses to profitability. As indicated by the 136.15% profit growth rate, this is due to better performance and more contributions from the rapid commerce of Blinkit and food delivery services.

Overall Analysis

Clearly, the growth analysis makes it evident that the Zomato revenue growth has largely been possible because of the acquisition of Blinkit. The revenue increases seen in both fiscal years 2023 and 2024 make it clear that the company is doing well in terms of business and diversification, particularly in the area of fast commerce. Increased operating expenses have adversely affected profits, but the shift to net profit and reduced losses indicate that the acquisition benefited it financially in the long term.

The combination of sales growth rate and profit growth rate clearly shows that while the acquisition of Blinkit created short-term financial difficulties for the company, it provided long-term benefits. Thus, this acquisition can be termed a growth strategy decision.

6.4 SEGMENT ANALYSIS

The task of knowing the contribution of different segments of a business organization towards the overall performance of the business organization becomes more feasible with the help of segment analysis. After the acquisition of Blinkit, the business model of Zomato became diversified with the introduction of fast commerce along with the delivery of meals. The primary goal of the study is the assessment of Blinkit's sales portion of total sales and the growth in the fast commerce segment after the acquisition.

The fast commerce business segment has become a critical strategy for the organization because it helped Zomato diversify its sources of income and become less dependent on the delivery of meals.

Revenue Contribution of Blinkit

The revenue generated from the fast commerce sector following its acquisition by Zomato is termed as revenue contribution of Blinkit, making it easy for the reader to understand the contributions made by Blinkit in terms of revenue.

For the fiscal year 2024:

• Total revenue of Zomato = ₹12,961 crore.

• Revenue generated from Quick Commerce Segment of Blinkit is estimated at ₹2,301 crore.

Formula for Contribution of Blinkit to Revenue: Blinkit Revenue/Total Revenue × 100

2301/12961 × 100 = 17.75%

Interpretation

From the above calculation, it can be noted that 17.75% of Zomato's total income was attributed to Blinkit in the FY of 2024. The growth of the fast commerce sector can be noted as an enormous source of revenue generation even after a very short period from purchase.

Growth in Quick Commerce Sector

The growth rate in the quick commerce sector suggests that the speed at which Blinkit's business has grown post-acquisition from Zomato is very fast. The quick commerce sector is a growing one; thus, analyzing the growth can help determine whether the acquisition is beneficial.

Contrastingly,

• The annual income of Blinkit for FY 2023 is ₹1,150 crore.

• The annual income of Blinkit for FY 2024 is ₹2,301 crore.

Formula

Growth in Quick Commerce = 2301 - 1150 / 1150 x 10

Interpretation

Due to the growth of more than 100.08% in the field of fast commerce, the revenue of Blinkit increased almost twofold during one fiscal year. Such impressive development is explained by the effective expansion of the Blinkit business, managed by Zomato, and the increasing demands of customers regarding the delivery speed.

The fast-growing dynamics also show the relevance of the decision of Zomato concerning the investment in such a promising market direction. In spite of the initially observed growth in operating expenses, the profitability of the acquisition can be ensured due to fast-growing dynamics.

Overall Analysis

From the segment analysis above, it is quite clear that Blinkit has become an important element in determining the success of Zomato financially. The fact that Blinkit boasts a quick commerce growth of more than 100% and generates revenue of 17.75% means that the company's competitive edge within the digital commerce industry has been significantly boosted by the purchase.

Quick commerce is characterized by high operating expenses and low profit margins, but the strong revenue growth indicates that it has great potential in the future. Therefore, the segment analysis provides support for the notion that Blinkit has helped with the financial growth of Zomato.

6.5 COMPARATIVE ANALYSIS

Comparative analysis is one of the major methods used to conduct a comparison of the performance of Zomato in terms of its financial aspects before and after Blinkit's acquisition. The method helps identify the changes in terms of revenue generation, profitability, cost effectiveness, and efficiency from the time prior to the acquisition to the period afterward.

All of the fiscal years before 2022, which were characterized by the provision of restaurant and food delivery services, fall under the category of pre-acquisition period. On the other hand, all of the fiscal years after 2022, which saw the integration of Blinkit into Zomato's business activities, come under the category of post-acquisition period. This research study evaluates the effect of this acquisition financially as well as on the future growth potential of the firm.

Pre-Acquisition vs Post-Acquisition Comparison

Particulars	FY 2022 (Pre-Acquisition)	FY 2024 (Post-Acquisition)
Revenue from Operations	₹4,687 crore	₹12,961 crore
Net Profit / (Loss)	₹(1,222) crore	₹351 crore
Total Expenses	₹6,206 crore	₹12,670 crore
EBITDA	₹(1,058) crore	₹889 crore
Current Ratio	1.8	2.5
Debt-Equity Ratio	0.15	0.09

It is clear from the table that there was an increase in both revenue and profitability after the acquisition. The incorporation of Blinkit’s quick commerce business helped boost revenue while profitability changed from losses to profit. Furthermore, EBITDA also showed improvement, indicating increased efficiency in the operations.

However, due to investments in dark stores, warehousing, and transportation required for quick commerce, there was a sharp increase in the cost level simultaneously. Nevertheless, the higher liquidity level and lower debt/equity ratio indicate improved financial stability.

Calculation of Revenue Comparison

Formula for Revenue Growth:
Post-Acquisition Revenue – Pre-Acquisition Revenue/Pre-Acquisition Revenue×100
12961−4687/4687×100= 176.54%

Explanation

With the acquisition of Blinkit, the business of Zomato expanded greatly, as can be noticed from the increase in revenues by 176.54%. It indicates that quick business and diversification of business are highly influential.

Calculation of Profitability Comparison

Formula
Percentage of Increase in Profit = Current Year Profit – Prior Year Loss/Prior Year Loss ×100

Calculation

351−(−1222)/1222×100 = 128.72%

Interpretation

Expense Comparison Calculation

Formula

Expense Increase % = Post-Acquisition Expenses − Pre-Acquisition Expenses/Pre-Acquisition Expenses×100

Calculation

12670−6206/6206×100 = 104.16%

Interpretation

Expenses increased by **104.16%**, mainly due to Blinkit's high operational costs, dark store expansion, and quick commerce infrastructure. This shows that while growth improved, cost management remained a major challenge.

EBITDA Comparison Calculation

Formula

EBITDA Improvement = Post-Acquisition EBITDA−Pre-Acquisition EBITDA

Calculation

889−(−1058) = 1947 crore 889 - (-1058) = 1947

Interpretation

EBITDA improved by ₹1,947 crore, showing strong improvement in operating efficiency and better cost control after the acquisition.

Graphs & Charts

Year	Revenue (₹ Crore)
FY 2022	4,687
FY 2023	7,761
FY 2024	12,961

Interpretation

This bar graph will demonstrate consistent revenue increase over time, emphasizing the effect of Blinkit's purchase on overall revenue growth.

Net Profit / Loss Comparison

Year	Net Profit / Loss (₹ Crore)
FY 2022	(1,222)
FY 2023	(971)
FY 2024	351

Interpretation

This graph will show the transition from losses to profitability, which is one of the strongest indicators of financial improvement after the acquisition.

Blinkit Revenue Contribution

Segment	Revenue (₹ Crore)
Food Delivery & Others	10,660
Blinkit	2,301

Conclusion

The following pie chart will showcase the importance of fast commerce in the new business model of Zomato and also focus on the role played by Blinkit in earning revenues for the firm.

Overall Conclusion

From the research comparison above, it can be concluded that the financial performance of Zomato has been influenced greatly by the acquisition of Blinkit. There was an increase in the revenues, profitability, EBITDA, and liquidity of Zomato after the acquisition, although there was also an increase in the expenditures due to the nature of the fast commerce sector.

Higher operating costs had an impact on short-term profitability, while Zomato's long-term financial situation significantly improved. As a result, the acquisition can be viewed as both strategically significant and financially advantageous for the company's future expansion.

7. FINDINGS

7.1 Key Observations from Data

Some of the important aspects related to the overall performance of Zomato can be identified through a comparison of the financials prior to and after the acquisition of Blinkit. One such finding is the notable increase in the revenues of Zomato after the acquisition. The operating revenues of the company increased from ₹4,687 crore for FY 2022 to ₹12,961 crore for FY 2024, indicating the positive contribution made by the rapidly growing commerce section and highlighting the strong business performance of the company.

Another notable result that can be seen is the rise in profits. As there were increased expenses for fast commerce businesses, at first, the purchase resulted in an increase in operating losses, but Zomato managed to make a profit eventually. The net loss made by the company in FY 2022 was ₹1,222 crore, which fell down to ₹971 crore in FY 2023, and Zomato managed to earn a net profit of ₹351 crore in FY 2024.

Furthermore, it has been found that costs associated with investments in the form of dark stores, logistics networks, inventory management, and deliveries have resulted in an increase in overall expenses after the acquisition. From FY 2022 to FY 2024, total expenses increased from ₹6,206 crore to ₹12,670 crore. On the other hand, within the same time period, the company's EBITDA improved from a negative value of ₹1,058 crore to a positive value of ₹889 crore. Furthermore, Blinkit contributed nearly 17.75% to the overall revenue during FY 2024.

7.2 Impact on Financial Performance

The finances of Zomato were affected both positively and negatively due to its merger with Blinkit. This is because Blinkit is an organization operating in the domain of fast commerce, which requires substantial investment as well as high operational costs. Therefore, owing to the merger, there was temporary financial stress for the organization. Substantial investments were made for supply chain management, setting up dark stores, increasing warehousing, and ultra-fast delivery systems. Consequently, after the deal, the profitability situation remained under strain.

However, the financial impacts that are expected in the future appear to be positive. By means of the acquisition, Zomato was able to establish itself in the fast-growing quick commerce sector without needing to do anything on its own. Market position has been improved through time savings as well as enabling competition with other players, such as Zepto and Swiggy Instamart. Financial strength was achieved due to revenue diversification, and a strong source of income was created in the form of the

quick commerce sector. Growth in sales and EBITDA, as well as in the profit margin, proves it.

The positive financial effect mentioned above is further proven by ratio analysis. It is reflected in the high liquidity and low financial risks owing to the increase of the Net Profit Margin up to 2.71%, the increase of the Current Ratio up to 2.5, and the low Debt-to-Equity Ratio, equaling 0.09. From these figures, we may conclude that Zomato succeeded in improving its financial position, and became more oriented towards sustainable growth despite the initial burden of acquisition costs.

7.2 Short-term vs Long-term Impact

Consequences that the company faced in the short run have been more negative due to increased costs and pressure on finances. The bottom line has been negatively affected because of the requirement of Zomato to finance its subsidiary, Blinkit's operating losses. It is rather hard to earn money quickly, which is a reason why costs have risen at the initial stage post-acquisition, whereas the bottom line has suffered.

However, the long-term impact appears quite promising for the firm. Zomato began experiencing the fruits of higher revenues, better positioning in the market, and increased consumer involvement thanks to the growing presence and improvements in the operational process. The general business model of the firm has gained immensely from its rapid commerce segment by cutting down dependence on food delivery and offering opportunities for future growth. The transition to net profit in the FY 2024 shows how the long-term advantages have started to outweigh the short-term pains.

This purchase helped boost the competitiveness of Zomato in the online commerce space from a strategic perspective. In effect, Zomato was better able to present itself as a more complete platform for commerce and delivery services as opposed to sticking just to food delivery services. This means that there is increased sustainability and growth potential for Zomato. As a consequence, despite the tough financial effect in the short term caused by this acquisition, the long-term effects have been positive for Zomato.

8. SUGGESTIONS AND RECOMMENDATIONS

8.1 Cost Management Strategies

One of Zomato's major problems is that there have been high operating costs after the acquisition of Blinkit. Profitability is greatly affected by the investment that quick commerce requires into dark stores, warehousing, deliveries, and staffing. For profitability in the long run, the company should focus on cost control measures. Operating costs can be kept low while maintaining the quality of service through

optimized delivery paths, improving efficiency in the warehouse, and avoiding unnecessary spending.

For avoiding wastage and improving the stock turnover ratio, the firm must adopt more effective inventory management techniques. Since Blinkit provides daily essentials like food items, it is imperative for the company to manage its inventory effectively so as to avoid any wastage. Effective stock management can be achieved by forecasting future demands through the application of data analytics. In addition, the two companies can enhance their effectiveness and reduce duplicity of costs by sharing resources.

8.2 Improving Profitability

One of the main priorities for Zomato would have to be improving its profit margins especially since the merger is initially financially costly. Despite experiencing a massive growth in its revenues, sustaining the profit margin is not easy, which involves minimizing expenses and growing margins. Zomato must focus more on growing the average order value, cutting down on discounts, and developing better commission structures with the supermarkets and restaurants that work with them.

Focusing on retaining customers rather than merely acquiring them by relying only on hard-hitting tactics is essential as well. Tailored customer experiences, subscription services, and loyalty rewards may help boost revenue from repeat transactions while reducing costs in terms of marketing activities. Moreover, Zomato needs to further optimize unit economics for its fast commerce and food delivery operations. Profitability through operations will make sure that growth remains sustainable.

8.3 Strengthening Quick Commerce Operations

As quick commerce has emerged as a key revenue generator with Blinkit, improving its performance is crucial for future gains. The firm needs to invest strategically in the dark stores to improve its service time and satisfy customers. Blinkit can gain an edge over rivals by expanding into high-potential urban centers with efficient operations that would ensure high profitability and greater market share. Fast delivery along with improved service delivery can give it a competitive advantage over others.

Further, technological improvements can be made like AI-driven inventory management and logistics planning. They can enhance efficiency while reducing costs, and strategic partnerships with various brands and local partners can give it a supply chain advantage in terms of availability and pricing. This way, the growth potential of Blinkit will be exploited further with the quick commerce business gaining prominence from the acquisition perspective.

8.4 Strategic Recommendations for Future Growth

For further business development, it is necessary to diversify the business model not only to avoid dependency on any one business area but also to create additional income sources. It would make sense for the company to invest in developing cloud kitchen operations, B2B supply services, and integrating digital payments into the app. Having a well-diversified business structure helps reduce financial risks.

The company also needs to focus on balancing growth and profitability. Growth must be built on the basis of financial stability, which can be achieved through prudent financial planning and analysis of profitability trends. Investor trust can be gained through effective financial reporting and consistent improvements in profitability indicators. At the same time, strategic acquisitions require careful consideration.

Lastly, it is essential for the company to establish its market image not as a delivery service but as a fully-fledged digital commerce platform. Such positioning will contribute to better competition with other market players. Through the combination of financial management and innovative business solutions, Zomato will be able to ensure sustainable growth.

9. CONCLUSION

9.1 Summary of the Study

In this research, efforts have been made to examine the effect of Blinkit acquisition on the financial standing of Zomato. The research was carried out to determine whether the acquisition is beneficial for Zomato's financial performance or not. Since mergers and acquisitions are usually done for expansion of businesses, the purpose of this study was to assess whether Blinkit's acquisition has been profitable for the company financially or not. The research included data before and after Blinkit acquisition; i.e., before and after 2022.

Financial performance assessment involved the use of revenue analysis, P&L analysis, expense analysis, EBITDA analysis, ratios analysis, growth analysis, and segments analysis. As a result of this study, it has been determined that there was considerable rise in Zomato's revenues from ₹4,687 crore in FY 2022 to ₹12,961 crore in FY 2024. In the meantime, the company was able to go from losses of ₹1,222 crore to a profit of ₹351 crore. Though expenses increased due to quick commerce operations of Blinkit, still the company improved its profitability, liquidity, and efficiency.

Moreover, it was observed that the transaction created short-term financial stress for Zomato because of the high expenses involved during the integration process along with heavy investment into dark stores and logistics infrastructure. Nevertheless, in the long run, this merger enhanced the competitive power of Zomato by diversifying its sources of income and making it a strong player in the digital commerce industry. Hence, it can be concluded that Blinkit was an essential business move on the part of Zomato.

9.2 Achievement of Objectives

All the goals that were set in the initial phase of the research were successfully met in the current study. First, the goal to assess the performance of Zomato before and after the acquisition of Blinkit was completed by conducting financial analyses and comparisons regarding the indicators of revenue, net profit, expenses, and EBITDA among others. It is evident that there was considerable difference between the performance of the company before and after the acquisition.

Secondly, the impact of the acquisition on the profitability and revenue growth of the company was evaluated in this study. It is worth noting that while the acquisition had a negative effect on short-term profitability because of additional expenses, the revenue growth of the company increased considerably. Moreover, the positive trends regarding profitability are also apparent in the case of Zomato.

The third objective of this paper was to assess the influence of Blinkit on the success of Zomato as a business entity. It is worth mentioning that Blinkit accounted for about 17.75% of the company's total income in FY 2024. Moreover, the fast commerce segment exhibited a rather rapid growth. The final objective of the paper, analyzing the impacts of the acquisition on both short- and long-term perspectives, was successfully accomplished as well.

9.3 Final Verdict on the Acquisition

Taking all of the above into account, the final assessment reveals that the purchase of Blinkit has positively impacted the financial standing of Zomato on a long-run basis, while having brought financial strain for some time due to the nature of the business itself. Namely, the purchase has made financials weaker at first because quick commerce is a business that demands significant investments and constant expansion. The problem was associated with the company's financial well-being, and doubts were cast on the profitability and efficiency of the company.

As can be seen, this step made it possible for Zomato to go beyond its main business – food delivery – and enter the quick commerce niche where the company could compete with other businesses like Swiggy or Zepto. Therefore, the financial analysis shows that the company's financial well-being improved considerably thanks to the diversification and strengthening of its competitive edge.

As a result, the Blinkit takeover has proven to be a profitable strategy for the organization not only financially but also in terms of doing business as well. Although the takeover required time and money in the beginning, the benefits that resulted from the takeover were substantial. Thus, the study shows that the takeover has positively impacted the company's finances and, therefore, is a strong example proving that successful takeovers in the digital industry can facilitate sustainable business growth.

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