



INVESTMENT OPPORTUNITIES IN NEW AGE TECH COMPANIES OF INDIA WITH SPECIAL REFERENCE TO ZOMATO.

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Abstract:

The New Age Tech Stocks and the entire tech stock scenario have started changing rapidly due to innovations provided by tech companies and how people are incorporating technology into their daily routines. These stocks are essentially players in the space with cutting-edge products and services ranging from digital maps, fintech, e-commerce, broking, online food delivery, logistics to everything else. This sector has expanded in India, with various companies making their mark across different fields. New Age Tech Stocks are stocks of companies from the technology sector that belong to high growth and innovative segments. These companies utilize cutting-edge technologies, such as artificial intelligence, machine learning, Internet of Things (IoT), or blockchain to deliver innovative products & services. Defined by their hyper-growth, valuations and industry-disrupting potential.

Introduction :

While investing in the stock market, veteran experts often advise investment in futuristic stocks that have a solid market share and the potential to provide significant gains over a long period of time. So, what could be better than those stocks which are majorly based on futuristic technology such as artificial intelligence or internet of things (IoT). Imagine a company dealing with such futuristic technologies such as smart assistant, driverless cars, automated recommendation, voice recognition systems and other such applications, and to get the chance to invest our money in such companies via their stocks.

The current Indian government announced in February 2018 that the government think-tank, National Institution for Transforming India (NITI) Aayog (Hindi for Policy Commission), will lead a national AI

program focused on research in an effort to build on this foundation. The future internet economy will fundamentally change the way consumers and businesses interact with one another. But it is shaking up conventional businesses and a new breed of digital native, mobile first firms is sprouting and growing at high speed supported by demographic tailwinds, increasing internet penetration and a seamless world class payments infrastructure. India has a 1.4 billion populace and nearly 750 million 4G associations. Online buyers/transactors are around 120-150 million at best. As digital payment adoption grows, this will likely increase to 300–500 million buyers in the next 3-5 years. There is high potential for companies which are emerging to be new age tech companies of India which are ready to take on any challenges thrown at them. Deepinder Goyal grew up in a middle-class family in Punjab, where his father worked as a teacher. During his studies at IIT Delhi, he showed early entrepreneurial skills while pursuing Mathematics and Computing. After graduating in 2005, he gained business experience at Bain & Company. In 2008, Goyal and his colleague Pankaj Chaddah started Zomato (initially called Foodiebay) to solve the problem of finding reliable restaurant information. Despite early challenges with funding and user growth, the platform expanded beyond India and added food delivery services to meet changing customer needs. Under Goyal's guidance, Zomato became a major global food tech company. A key achievement was the company's IPO in 2021. Today, Zomato continues to focus on technology advancement and improving dining experiences for its users.

Zomato's today valuation stands at 17 billion dollars, but the situation was not the same always. There was a time it only had funds to survive for 6 months regardless of becoming a unicorn company in 2018. Where business was dropped 90% , share price saw the rock bottom of Rs 40 from Rs 150 per share. India China happened during Covid 19 which affected Zomato business severely. How can India China war affect Zomato's business? Well Ant financial company , a Chinese company which already invested in company was ready to invest another 150mn dollars in Zomato as it was on verge of getting bankrupt. But due to war India tightened its FDI policy 2020 which says that infusion of fresh foreign investment beyond 49% in a company not seeking permission/ license from sectoral ministry resulting in change in ownership pattern or transfer of stake by existing investor to new foreign investor will require government approval. The policy change made Ant Financial to withdraw its decision to further invest in Zomato. As the company was going from cash crisis it opted for a public route to raise funds through Initial Public Offer (IPO) on July 14, 2021. The IPO saw a bumper listing where big institutions poured heavy money in hottest online delivery platform. This money was poured on basis of a US company 'Doordash' which is also a food delivery company in the United States saw an 86% increase in share price after listing.

But that was not the end , Russia Ukraine war jolted the Indian stock market and investors started pulling money out of stock market to invest in safer investments such as gold and silver. The company later announced it is purchasing quick delivery platform ' Blinkit' which saw massive outrage by investors because a company already in loss is acquiring a loss-making company will further go into loss. This resulted in TigerGlobal and Sequoia the venture capitalist selling their shares which roughly accounted to 5%. Other big players such as Softbank, Alipay also exited the company following the 'Blinkit' acquisition.

There are 3 major matrix which can turn food delivery business into profitable one.

3 MAJOR MATRIX

Monthly transacting user



Average order value



Gross Order Value

AOV increased from 2% in FY 23.

Gross Order Value in FY 22 was 213bn dollars which increased in FY23 to 263bn dollars. Things started to turn around when company turned profitable for the first time in first quarter of 2023-24. The company reported a consolidated net profit after tax of Rs 2 crore for the quarter ended in June 2023 compared to loss of Rs 186 crore last year. Profitability increased as company started focusing on prime users which contributed to major business and exited 225 cities and 5% workforce was laid off to cut costs. Commission was increased from 27 to 33% which led to increase in revenue and profit.

Purpose of the study:

The purpose of the study is to find investment opportunities in futuristic companies of India which are new age tech companies with special reference to Zomato.

Objectives :

1. Finding new opportunities in new age companies of India.
2. Investment opportunity in Zomato.

Literature review :

1. Entry of Indian Millennials into Stock Market Post Pandemic: A Boon or Bane

The study focuses on increasing participation of millennials in the stock market in India. It highlights that millennials are shifting towards asset diversification, allocation, and living within their means to achieve financial independence. The research aims to understand the impact of millennials entering the stock market on the economy and their perception of trading as a career option. The study discusses the reasons for the incoming of retail traders post-COVID-19, citing factors such as low interest rates, increasing liquidity, and easier access to the stock market. The potential benefits of increased millennial participation in the stock market for the economy are highlighted, such as guarding against inflation, taking advantage of economic growth, generating passive income, and stabilizing the market from FII withdrawals. The survey findings suggest a positive attitude towards millennials' participation in the stock market with optimism about trading as a career option. Overall, the research concludes that while the stock market can offer opportunities for financial growth, success requires proper knowledge, strategy, and a long-term investment approach.

2. The Role of Entrepreneurs during the Growth Phase of Internet Start-ups in India

The research paper talks about the importance of sustaining organizational culture during the growth phase of internet start-ups in India. It highlights the challenges founders face in maintaining cultural ties as the organization scales, emphasizing the need for conscious development of culture to support values. Case studies of Urban Ladder and Zomato depict how founders took measures to retain culture amidst rapid growth. The study also focuses on the significance of defining specific roles, recasting brand attributes and focusing on customer experience for the sustainable growth of high-tech start-ups in India.

3. Digital Food Delivery Apps Revolutionizing Food Products Marketing in India

The research discusses the impact of digital food delivery apps on the food industry in India. It highlights the shift towards online platforms for ordering food, the convenience and time-saving aspects appreciated by customers and the growth of the sector due to urbanization, smartphone usage, and changing lifestyles. The study focuses on the importance of technology and innovation in shaping the future of the food delivery sector with various emerging business models. Additionally, it mentions the challenges faced by food aggregators in terms of operational efficiency and the need for sustainable business strategies.

4. Impact of digitalization on investments in India.

This study examines the significant impact of digitalization on India's financial sector and investment landscape. The transformation has been driven by mobile internet growth, e-commerce development, and increasing acceptance of digital payment methods. The traditional paper-based trading system has been replaced by computerized operations, enabling transactions through mobile devices. The mutual fund industry has particularly benefited from this digital transformation, with increased participation from tier-2 and tier-3 cities. Retail investors accounted for 45 percent of NSE turnover in fiscal year 2020-21 up from 30 percent in the previous year. The study uses both quantitative and qualitative research approaches utilizing secondary data from academic journals, government reports, and financial institutions.

5. A case study on Zomato – The online Foodking of India

Zomato is India's leading online food platform which has evolved from a restaurant discovery service to a predominantly transactions-based company with 85% of revenue from transactions. The platform primarily targets users aged 18-35 who are comfortable with mobile applications, serving both food delivery customers and dining-out enthusiasts. The company has shown impressive growth, expanding to 24 countries and achieving profitability across all markets. HSBC has valued Zomato at \$3.6 billion, marking a 70% increase from its previous valuation. The company maintains a strong digital presence with over 90 million monthly website visitors and significant social media following. Zomato faces fierce competition from rivals like Swiggy, Food Panda and Uber Eats.

Statement of hypothesis :

Null hypothesis: New age tech companies have brighter future and are investment worthy.

Alternate hypothesis: : New age tech companies only burn cash , run in losses and are not investment worthy.

Research design :

Descriptive analysis has been done. The research focuses on Information technology/ artificial intelligence related companies generating wealth for investors in long run. For current study secondary data is collected from websites of BSE, NSE, Chittorgarh.

Company name	FY 2024 returns
ZOMATO	86%
PB FINTECH	19%
PAYTM	34%
NYKAA	8%
CARTRADE	34%

Findings :

1. Quick commerce, which grew over 100% YoY in 2023, will be a highly attractive segment for growth and margins going forward for Zomato (under its subsidiary Blinkit).
2. In FY24, Zomato's business mix showed a strong dominance of food delivery, accounting for 63% of its gross order value, followed by quick commerce at 24%, with going out and B2B supplies each contributing 6%.
3. Gross Order Value in FY 22 was 213bn dollars which increased in FY23 to 263bn dollars.
4. Commission was increased from 27 to 33% which led to increase in revenue and profit.
5. Profitability increased as company started focusing on prime users which contributed to major business and exited 225 cities and 5% workforce was laid off to cut costs.
6. Thus it is clear that new age tech companies have brighter future and are investment worthy.

Suggestions :

1. Digital Transformation: The move towards digital financial services makes this sector resilient.
2. Consumer Demand: With a young and tech-savvy population, the demand for fintech services is high.

3. Young investors should do complete research analysis before investing in equity markets which are highly volatile.
4. Investors should not readily jump into stocks which have low fundamental value.
5. Certain technical analysis should be done before investing in stocks for example it would be best for an investor to buy a stock when it is at 20 monthly EMA which is best average for a stock provided fundamentals are in good shape.

Limitations :

1. The post-listing reality has been far less glamorous. Nearly half of these companies that went public so far have seen their stock prices falter, trading below the post listing price.
2. Investors investing in equity markets without prior knowledge.

Conclusion :

The Indian stock market is a bustling hub of activity, teeming with opportunities for investors both domestic and international. In recent years, the market has seen a surge in interest in new age sectors. These sectors are characterized by their innovative use of technology to disrupt traditional industries. India's online shopping industry is growing very fast, with experts predicting it will expand by nearly one-third each year for the next 5 years. Three main factors are driving this growth: more people are getting internet access, many Indians now own smartphones, and people have more money to spend. As a result, investing in Indian e-commerce companies has become very profitable as their shares have increased significantly in value. Zomato is an online food delivery platform that generates revenue through food delivery commissions, advertising, and subscription fees. The company's recent financial performance has been strong, with revenue and net loss narrowing by 84% and 459 crores (~\$57 million), respectively. Modern industries in India are creating exciting investment possibilities, especially in fast-growing areas. These include online shopping platforms, digital payment systems, electronics production, military equipment manufacturing, renewable energy projects, and the emerging space technology sector. These industries are expected to play a major role in shaping India's economic future. By putting money into these sectors, investors can become part of India's ongoing economic transformation and potentially benefit from its growth. Zomato has become a top player in food delivery by doing well in markets where not many others operate. The company has started making money instead of losing it and is generating more cash from its business over the past year. This shows the company is getting healthier financially and running its operations better, which helps it compete effectively in both food delivery and quick commerce businesses.

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