

Hyperpure may be ace in the hole for Zomato

ARYAMAN GUPTA

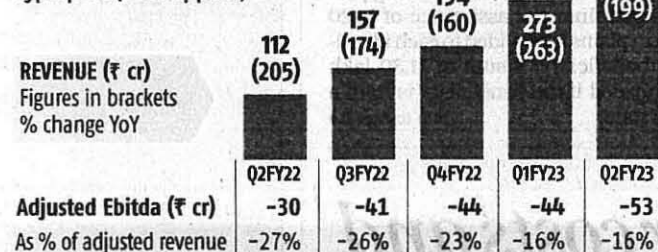
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As Zomato eyes profitability, its B2B venture Hyperpure may prove to be the secret sauce for its next level of growth. Launched in April 2018, Hyperpure allows restaurants to buy everything from vegetables, fruits, poultry, groceries, meats and seafood to dairy and beverages. The company says it sources these directly from farmers, producers, and vendors.

Currently, the firm brings in 15.9 per cent of Zomato's revenue. Hyperpure's revenue stood at ₹334 crore in the quarter ended September, a 23 per cent rise quarter-on-quarter (QoQ) and up nearly three-fold year-on-year (YoY). The adjusted Ebitda margin, as a percentage of adjusted revenue, also stayed flat at 16 per cent compared to the previous quarter. Its adjusted Ebitda losses too widened from ₹44 crore in Q1FY23 to ₹53 crore in Q2FY23, but the company's top management believes the venture has the potential to become even larger than Zomato's food delivery busi-

DELIVERING GROWTH

Hyperpure (B2B supplies)



Ebitda: Earnings before interest, taxes, depreciation, and amortisation

Source: Company



ness. "We think that this business (Hyperpure) has the potential of becoming as large or even larger than our food delivery business because the addressable market here is potentially larger than food delivery," Zomato Chairman Kaushik Dutta said during his address to shareholders at the company's annual general meeting (AGM) on August 30.

According to Zomato Co-founder and Chief Executive Officer (CEO) Deepinder Goyal, the food aggregator's recent quick commerce acquisition, Blinkit, gave a fillip to Hyperpure's opera-

tions. "Quick commerce is turning out to be another opportunity for Hyperpure. It has begun supplying to the sellers on Blinkit's marketplace post our acquisition of Blinkit. This has the potential to further accelerate revenue growth for Hyperpure going forward," Goyal had stated in a regulatory filing, adding that it was still a bit early to talk about how the product mix and margins would shape up. The business currently operates in ten cities and serves over 30,000 restaurants, offering next-day deliveries through its "farm-

to-fork model." Restaurants can place orders as late as 11 pm and get delivery the next day. The Hyperpure business is also likely to benefit from the growth in the overall B2B segment, ICICI Securities said in a report. "The total addressable market (TAM) for the B2B e-commerce segment as of FY23E is \$25 billion by our estimates, and this is likely to grow very rapidly on the back of increasing digital penetration," the report said. The report estimates that digital penetration in India's B2B commerce is likely to reach 1.2 per cent by the end of FY23 and the

sector is poised for a CAGR of 55.8 per cent between FY23 and FY25. "Zomato's Hyperpure business could benefit from this trend, especially given its existing commercial relationships with 208,000 restaurants across the country, and synergistic sourcing opportunities with Blinkit," the report added.

However, the scale-up of Hyperpure, the report says, will be contingent on significant investments into building refrigerated supply-chains and technology used for tagging and batching fresh farm produce. Hyperpure has established large warehouses across the cities it operates in to manage end-to-end delivery. Goods, whether fresh produce or packaged goods, are sourced in bulk from multiple vendors — and sent to these warehouses, from where the ingredients are supplied to restaurants.

Rakesh Ranjan, head, Hyperpure, in a blogpost wrote that the company had identified "three persistent problems frequently faced by restaurateurs." First, restaurants have to rely on a

large network of vendors as no single vendor provides a broader basket of ingredients. Second, inventory management across a wide set of ingredients is difficult. "To manage their procurement costs, restaurants tend to buy in bulk — a large part of the cost advantage gets lost in wastage, lower yields (due to inconsistent quality), and even pilferage," Ranjan wrote. And finally, on-time delivery of ingredients, especially fresh ones, is challenging. The B2B venture is also aiming to implement more sustainable solutions. Ranjan said that Hyperpure had recently added the option to let restaurants opt out of paper invoices. The business has started hydroponic farming — growing plants without soil, by using water-based mineral nutrient solutions.

"Cultivating crops without using soil will not only help us produce more harvest from lesser area, but will also reduce the carbon emission it takes in transporting fruits and vegetables from villages to cities," Ranjan wrote.