

India

ADD (no change)

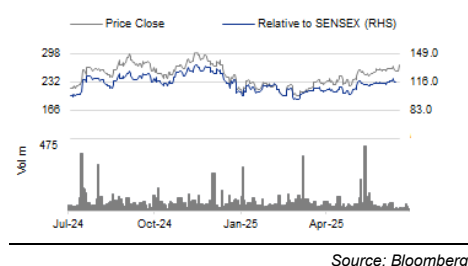
Consensus ratings*: Buy 26 Hold 2 Sell 4

Current price:	Rs272
Target price: ▲	Rs300
Previous target:	Rs270
Up/downside:	10.3%
InCred Research / Consensus:	10.4%

Reuters:	
Bloomberg:	ETERNAL IN
Market cap:	US\$30,383m
	Rs2,622,000m
Average daily turnover:	US\$141.5m
	Rs12215.1m
Current shares o/s:	9,650.4m
Free float:	94.0%
*Source: Bloomberg	

Key changes in this note

- Model 16%/66% revenue CAGR in FD/QC businesses, respectively.
- Model overall revenue CAGR of ~36%.



Price performance	1M	3M	12M
Absolute (%)	7.3	16.0	24.1
Relative (%)	7.5	12.3	21.6

Major shareholders	% held
Info Edge (India) Limited	12.4
SBI Nifty 50 ETF	3.4
Kotak Flexicap Fund	2.5

Research Analyst(s)**Abhishek SHINDADKAR**

T (91) 22 4161 1543

E abhishek.shindadkr@incredresearch.com

Eternal Ltd**Encouraging quarter and commentary**

- Food delivery business yoy growth recovery commentary was encouraging.
- Moving to the inventory model in quick commerce or QC. 2HCY25F festive season discount could be a litmus test of the competitive intensity and strategy.
- Adjust our estimates and increase the target price to Rs300 vs. Rs270 earlier.

1QFY26 earnings summary

Eternal's consolidated revenue beat of ~8% in 1QFY26 was driven by quick commerce (QC) while the EBITDA miss (~36%) was on account of continued investments in QC and going-out (GO) businesses. The overall commentary on 1) bottoming out of yoy growth in the food delivery business, 2) traction in QC (driven by store addition) and GO {net order value (NOV) is 20% of the size of FD and QC} businesses, and 3) improving margin trajectory across businesses, partly offset by investments, was encouraging.

Food delivery biz: Witnessing a recovery vs. demand slowdown

Although NOV growth witnessed a modest moderation in 1QFY26 driven by an increase in restaurant-funded discounts to offset sluggish demand, management commented that the yoy growth is bottoming out while demand recovery could lead to a 15%+ yoy growth in NOV in FY26F and could trend towards 20% in FY27F. Adjusted EBITDA margin, as a % of adjusted revenue, at 17% contracted 80bp qoq but expanded 310bp yoy while the same, as a % of NOV, was 5% (vs. 5.2% in 4QFY25 and 3.9% in 1QFY25).

Quick commerce: Announces the next target in store expansion

The QC growth momentum continued (NOV grew by 25% qoq and 127% yoy) to Rs92,030m, driven by store addition, and is now higher than food delivery or FD. Although the margin was impacted due to store expansion and lower availability of delivery partners, given the festive season & adverse weather conditions, it improved to -1.8% of NOV from -2.4%. 243 net new stores took the total count to 1,544. Though the current goal is to reach 2,000 stores by Dec 2025F, commentary suggests that visibility exists to increase the milestone to 3,000 (the timeline could be shared appropriately). Finally, the strategic pivot to inventory ownership model may take two-three quarters; aid revenue and increase working capital.

Maintain ADD rating with a higher target price of Rs300

We maintain our ADD rating on Eternal with a higher target price of Rs300 (Rs270 earlier) using the sum-of-the-parts (SOTP) methodology. We assign the food delivery business a multiple of 45x FY27F EV/adjusted EBITDA, 2.5x (2.4x earlier) FY27F EV/GOV multiple to quick commerce (to account for accelerated growth), 1.4x FY27F EV/GOV multiple to out-of-home consumption, and 1.8x FY27F EV/sales multiple to the supply chain business to arrive at our target price. Eternal's leadership in its segments and control over unit economics supports our view while rising competitive intensity is a key downside risk to our estimates and valuation.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	121,140	202,430	313,108	408,890	507,696
Operating EBITDA (Rsm)	420	6,370	12,217	21,706	30,136
Net Profit (Rsm)	3,510	5,270	8,903	16,527	24,615
Core EPS (Rs)	4.1	5.9	9.8	18.2	27.1
Core EPS Growth	(133.9%)	44.2%	65.3%	85.6%	48.9%
FD Core P/E (x)	65.97	45.76	27.68	14.91	10.01
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	465.74	27.47	14.13	6.99	3.98
P/FCFE (x)	28.20	19.38	32.23	14.14	11.04
Net Gearing	(17.6%)	(21.8%)	(23.6%)	(28.8%)	(35.8%)
P/BV (x)	1.16	0.81	0.79	0.75	0.70
ROE	1.8%	2.1%	2.9%	5.2%	7.2%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

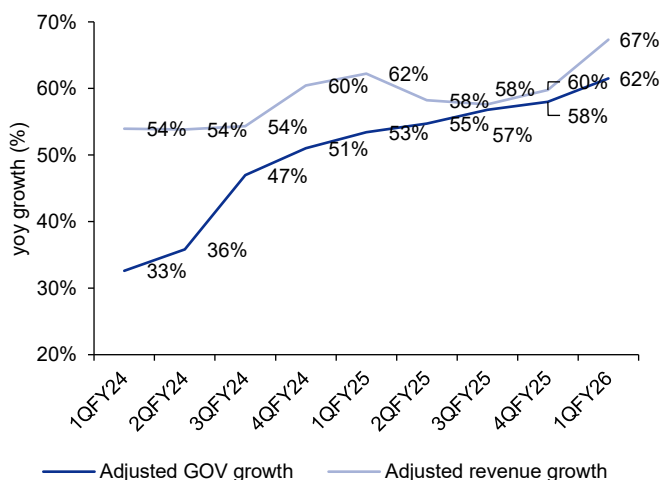
Y/E Mar (Rs m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	Cons.	Var. (%)
Revenue (Rs m)	71670	42,060	70.4	58,330	22.9	66,243	8.2
EBITDA	1,150	1,770	NA	720	59.7	1,785	-35.6
EBITDA margin (%)	1.6	4.2	-260.4 bp	1.2	37.0 bp	2.7	-109.0 bp
EBIT	-1,990	280	NA	-2,150	-7.4	-1,355	46.9
EBIT margin	-2.8	0.7	-344.2bp	-3.7	90.9bp	-2.0	-73.1bp
Depreciation	3,140	1,490	111	2,870	9.4	2,862	9.7
Net other income	2870.0	2,110	36	3,120	-8.0	NA	NA
PBT	880	2,390	-63	970	-9.3	2,025	-56.5
Provision for tax	630.0	-140	-550	580	8.6	974.0	-35
% tax rate	72	-5.9	7,744.9bp	59.8	1,179.7bp	48.1	2,349.2bp
Net profit	250.0	2,530	-90	390	-36	1,051	-76.2
EPS (Rs)	0	0.3	-89.7	0.0	-25.0	0.1	-68.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key conference-call highlights

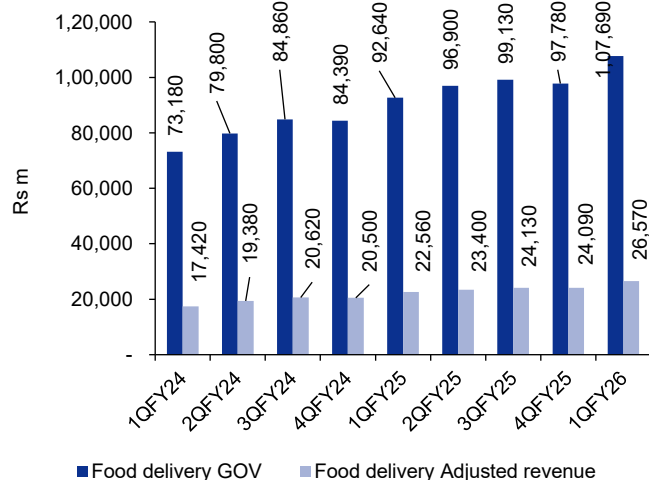
- **Blinkit:**
 - Less than 5% of its overall growth is through new stores.
 - Aims to maintain leadership position in the QC business.
 - Transition towards the inventory model may aid a 1pp expansion in margin.
 - Most of its business continues to be in top 20 cities.
- **Food Delivery**
 - Monthly transaction customer (MTC) growth could be in sync with NOV growth.
 - Though early to assess the impact of GLP-1 on market, Eternal said they have not witnessed a significant impact of the same in other countries.
 - Growth remains its principal focus area.
 - Seeing higher app opening and a better resurrection rate.
- **Hyperpure**
 - Strategic pivot to the inventory ownership model would decrease revenue on account of scale-down of non-restaurant business, as some of the B2B buyers were sellers on QC.
 - Net working capital (NWC) requirement could also decrease.
- **Other takeaways**
 - Bistro losses to remain range-bound in the near term.
 - Aims to invest in scaling Nugget and Greening India initiative.
 - Budgeting Rs1.5bn of loss-funding across three initiatives in FY26 and reflected in the Others segment.

Figure 2: GOV and adjusted revenue trend



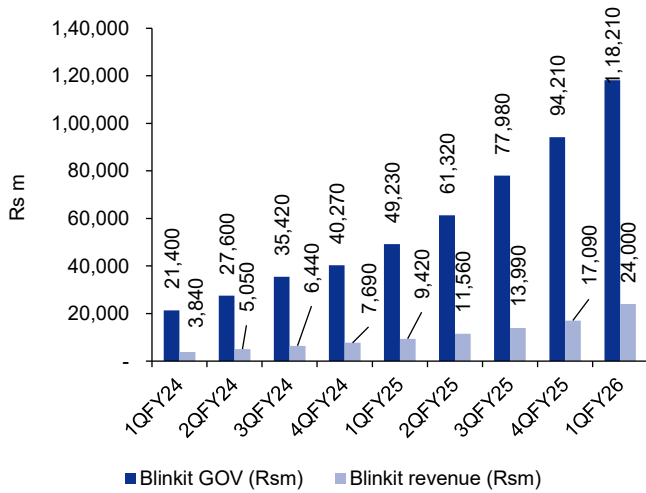
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Food delivery GOV and adjusted Revenue trend



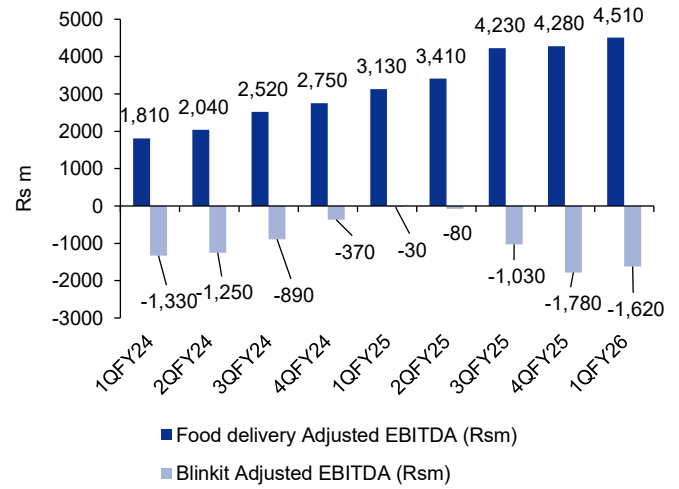
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Blinkit GOV and revenue trend



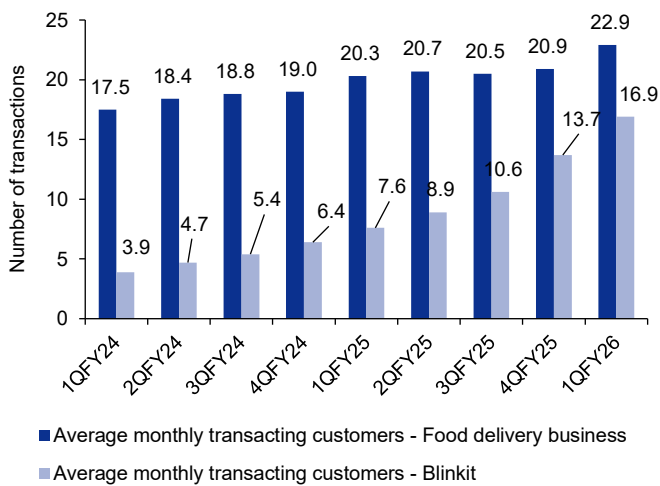
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Adjusted EBITDA trend of food delivery and Blinkit



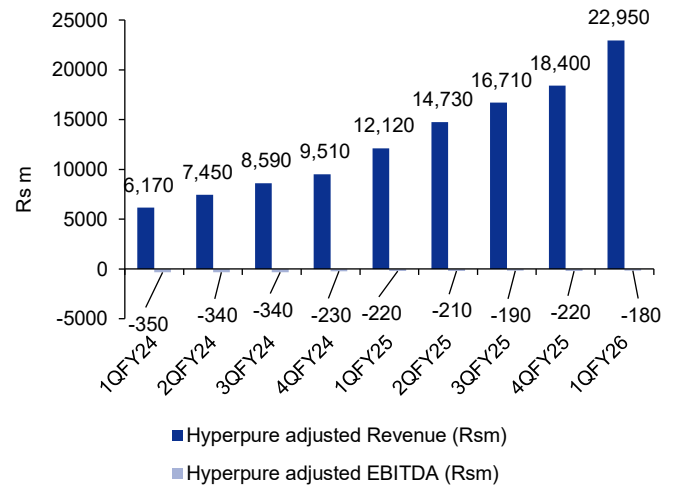
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Monthly transacting customers



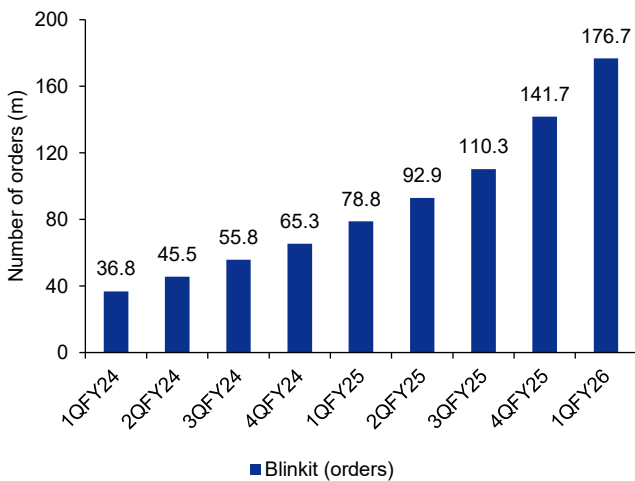
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Hyperpure's adjusted revenue and EBITDA trend



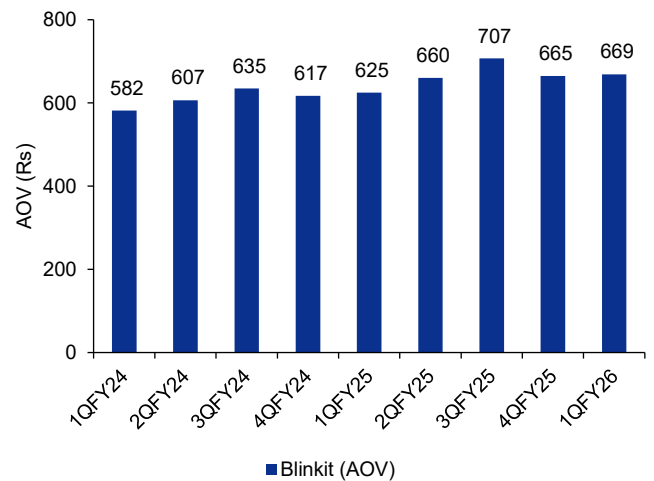
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Ordering trend



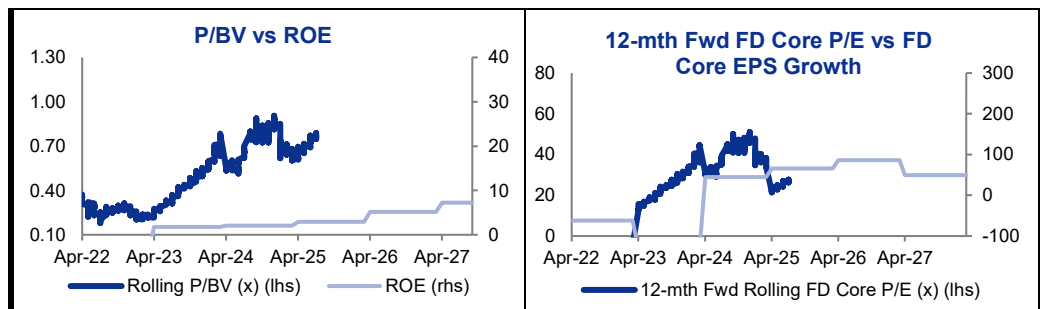
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: AOV trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	121,140	202,430	313,108	408,890	507,696
Gross Profit	75,730	121,200	178,681	232,108	279,297
Operating EBITDA	420	6,370	12,217	21,706	30,136
Depreciation And Amortisation	(5,260)	(8,630)	(13,039)	(16,356)	(19,800)
Operating EBIT	(4,840)	(2,260)	(822)	5,350	10,336
Financial Income/(Expense)	(720)	(1,540)	(2,680)	(2,680)	(2,680)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	8,470	10,770	15,997	19,513	25,385
Profit Before Tax (pre-EI)	2,910	6,970	12,495	22,184	33,041
Exceptional Items					
Pre-tax Profit	2,910	6,970	12,495	22,184	33,041
Taxation	600	(1,700)	(3,592)	(5,657)	(8,425)
Exceptional Income - post-tax					
Profit After Tax	3,510	5,270	8,903	16,527	24,615
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,510	5,270	8,903	16,527	24,615
Recurring Net Profit	3,510	5,270	8,903	16,527	24,615
Fully Diluted Recurring Net Profit	3,510	5,270	8,903	16,527	24,615

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	420	6,370	12,217	21,706	30,136
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,180	(10,930)	(6,299)	(3,945)	(4,714)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	960	1,950			
Other Operating Cashflow	(510)	220			
Net Interest (Paid)/Received	5,460	6,650	(2,680)	(2,680)	(2,680)
Tax Paid	(1,050)	(1,180)	(3,592)	(5,657)	(8,425)
Cashflow From Operations	6,460	3,080	(354)	9,424	14,316
Capex	2,150	9,360	8,000	8,000	8,000
Disposals Of FAs/subsidiaries	(130)	(50)			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(5,490)	(89,240)	(3)	3,513	9,385
Cash Flow From Investing	(3,470)	(79,930)	7,997	11,513	17,385
Debt Raised/(repaid)	(400)				
Proceeds From Issue Of Shares	230	85,010			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(1,900)	(4,590)			
Cash Flow From Financing	(2,070)	80,420			
Total Cash Generated	920	3,570	7,643	20,937	31,701
Free Cashflow To Equity	8,210	12,440	7,646	17,424	22,316
Free Cashflow To Firm	3,710	(75,310)	10,323	23,617	34,381

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	43,350	86,550	94,193	115,130	146,831
Total Debtors	7,940	19,460	18,786	24,533	30,462
Inventories	880	1,760	5,897	7,927	10,665
Total Other Current Assets	2,410	9,240	9,240	9,240	9,240
Total Current Assets	54,580	117,010	128,117	156,830	197,198
Fixed Assets	9,950	29,340	24,301	15,945	4,145
Total Investments	103,650	109,200	109,200	109,200	109,200
Intangible Assets	54,710	66,490	66,490	66,490	66,490
Total Other Non-Current Assets	10,670	34,190	34,190	34,190	34,190
Total Non-current Assets	178,980	239,220	234,181	225,825	214,025
Short-term Debt	1,610	3,910	3,910	3,910	3,910
Current Portion of Long-Term Debt					
Total Creditors	8,860	15,360	12,524	16,356	20,308
Other Current Liabilities	10,070	13,650	13,650	13,650	13,650
Total Current Liabilities	20,540	32,920	30,084	33,916	37,868
Total Long-term Debt					
Hybrid Debt - Debt Component	5,880	16,540	16,540	16,540	16,540
Total Other Non-Current Liabilities	1,910	2,130	2,130	2,130	2,130
Total Non-current Liabilities	7,790	18,670	18,670	18,670	18,670
Total Provisions	1,170	1,540	1,540	1,540	1,540
Total Liabilities	29,500	53,130	50,294	54,126	58,078
Shareholders Equity	204,130	303,170	312,073	328,600	353,215
Minority Interests	(70)	(70)	(70)	(70)	(70)
Total Equity	204,060	303,100	312,003	328,530	353,145

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	71.1%	67.1%	54.7%	30.6%	24.2%
Operating EBITDA Growth	(103.5%)	1,416.7%	91.8%	77.7%	38.8%
Operating EBITDA Margin	0.3%	3.1%	3.9%	5.3%	5.9%
Net Cash Per Share (Rs)	41.31	72.88	81.30	104.39	139.34
BVPS (Rs)	235.17	334.26	344.07	362.29	389.43
Gross Interest Cover	(6.72)	(1.47)	(0.31)	2.00	3.86
Effective Tax Rate		24.4%	28.7%	25.5%	25.5%
Net Dividend Payout Ratio					
Accounts Receivables Days	18.85	24.70	22.29	19.33	19.77
Inventory Days	6.86	5.93	10.40	14.27	14.86
Accounts Payables Days	62.93	54.42	37.86	29.81	29.30
ROIC (%)	(7.2%)	(2.5%)	(0.4%)	3.0%	6.0%
ROCE (%)	(2.8%)	(0.6%)	(0.2%)	1.2%	2.1%
Return On Average Assets	1.9%	2.2%	3.0%	5.0%	6.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.