

# Air of cautious positivity around new-age stocks

Nykaa, Paytm and others need to do more despite a rise in Q4 metrics, say experts

HARSHITA SINGH  
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Despite a firm improvement in the operational metrics of new-age companies during the January-March quarter of the 2022-23 financial year (Q4FY23), analysts remain cautiously optimistic about their outlook.

This is because the shares of these firms are still not risk-free, according to analysts, given the companies are yet to make profits.

Kranthi Bathini, director, equity strategy at WealthMills Securities, says that while the sentiment around these stocks, which include Paytm and Zomato, has turned positive, it remains to be seen how soon these companies turn profitable and improve margins.

He is of the view that only the investors with a high-risk appetite can consider accumulating these stocks, but that too only on dips. "There should not be a rush to add the stocks at current levels," he said.

Individually, in Q4FY23, Zomato delivered adjusted earnings before interest, tax, depreciation and amortisation (Ebitda) breakeven earlier than expected and said it aimed to turn profitable and Ebitda positive (including Blinkit) by Q4FY24.

Meanwhile, Paytm narrowed its net loss by 78 per cent year-on-year (YoY) and delivered operational profitability for a second quarter.

STILL FAR FROM INITIAL OFFER	DELHIVERY	NYKAA	PAYTM	POLICYBAZAAR	ZOMATO
	Issue price (₹)	487	188	2,150	980
Price on Jan 1 '23 (₹)	332	155	531	448	59
CMP (in ₹)	355	126	702	599	68
Chg % (over issue price)	-27	-33	-67	-39	-11
Chg % (in CY23)	7	-19	32	34	14

Source: Bloomberg, exchanges  
Compiled by BS Research Bureau

Policybazaar operator PB Fintech also turned adjusted Ebitda positive (₹28 crore) in Q4FY23 and narrowed its YoY losses by 96 per cent. Growth was led by core insurance and credit businesses, and lower losses in new initiatives.

Beauty and fashion e-retailer Nykaa's Q4FY23 profit, on the contrary, slumped 72 per cent YoY on high expenses and weakness in the fashion business. But its Ebitda margin (5.4 per cent) improved for the first time in Q4 over the seasonally best Q3, driven by 36 per cent YoY gross merchandise value growth. On the bourses, barring Nykaa, shares of Zomato, Paytm, Delhivery and Policybazaar have gained up to 34 per cent so far in 2023, but they still remain 12-69 per cent below their listing prices.

Analysts attribute the

recent recovery to improving cash flows and margins over the last two quarters and easing valuations.

## Investment strategy

After the Q4 numbers, analysts at BofA Securities have upgraded Zomato to 'buy' from 'neutral', while Macquarie has downgraded the stock to 'underperform', given the halt in the quarterly growth of its food delivery business. Nomura, too, has cut the target price on the stock to ₹45, lowering its food delivery gross order value growth assumptions to 17 per cent from 20 per cent.

As regards Paytm, Goldman Sachs, Citi and Macquarie have maintained their bullish calls with an upside of up to 64 per cent over a year. The resolution of regulatory issues like the ban on

Paytm Payments Bank and online merchant onboarding are the next key catalysts for the stock, according to Goldman Sachs. Morgan Stanley and JM Financial retained their buying calls on Policybazaar with an expected upside of up to 64 per cent.

For Delhivery, analysts said sombre e-commerce growth expectations might weigh on the stock in the near term, but it might turn Ebitda positive in FY24 due to improved capacity utilisation on part truck load (PTL) volume recovery.

As for Nykaa, JM Financial lowered its gross merchandise value estimate (5 per cent by FY25) as it saw a net addition of just 0.4 million/0.1 million customers in the beauty and fashion segments. The brokerage, however, sees limited downside with expected gains of 68 per cent on the stock.