Q3 sees startups turn a profitable corner

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The third quarter (Q3) of 2023–24 (FY24) has proven to be pivotal, witnessing some startups turning profitable and others enhancing their performance as their businesses finally begin to deliver.

Startups like Delhivery, Zomato, PolicyBazaar, Mamaearth, and Nykaa have either become profitable or improved their profit margins in Q3FY24.

A renewed focus on profitability, supported by operational efficiencies, expense rein-in, and robust demand during the festival season, has empowered companies to strengthen their performance.

What is noteworthy is that analysts are now viewing these new-age businesses with optimism, a shift from the caution observed previously. Among those achieving profitability for the first time are logistics unicorn Delhivery and financial technology startup PolicyBazaar.

Delhivery reported a profit after tax of ₹11.7 crore in Q3, an improvement from the ₹196 crore loss during the same period a year ago. It had recorded a loss of ₹103 crore in the previous quarter.

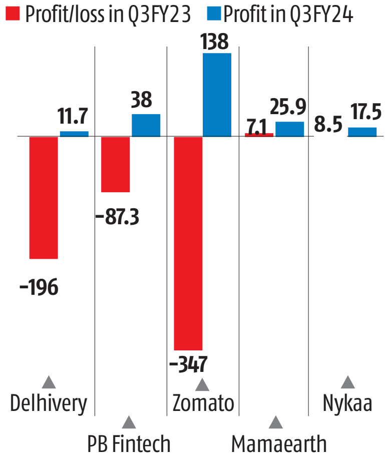
The company registered a 20 per cent year-on-year (Y-o-Y) growth in revenue, reaching ₹2,194 crore in Q3, driven by express parcel and part truckload (PTL) segments.

Express parcel services grew by 18 per cent to 201 million shipments, and the PTL segment expanded by 37 per cent to 354,000 tonnes on a low base.

GAINING MOMENTUM

(₹Cr)

Companies have achieved or improved profits in Q3FY24



Source: Company filings

PB Fintech, PolicyBazaar's parent firm, reported a consolidated net profit of ₹38 crore for the quarter that ended December, a positive shift from a loss of ₹87.3 crore a year ago, propelled by growing demand for insurance.

Revenue from its core online businesses, PolicyBazaar and PaisaBazaar, rose by 39 per cent to ₹593 crore. In comparison, new premiums for health and term insurance businesses grew by 44 per cent, the company reported.

Although total costs rose nearly 21 per cent, advertising (ad) and promotion expenses decreased by 28 per cent compared to a year ago.

According to brokerage firm JM Financial, improvements in earnings before interest, tax, depreciation, and amortisation (Ebitda) were "attributable to new initiatives breaking even at the contribution margin level. This was driven by the company's strategic focus over the past quarter to onboard retail agents in the PBPartners business".

Among those expanding their profit margins is the food aggregator platform Zomato. The Gurugram-based firm reported its third consecutive quarter of consolidated profits at ₹138 crore in Q3, up from ₹36 crore in the previous quarter and a loss of ₹347 crore during the corresponding period last year.

Zomato's adjusted Ebitda, including its quick commerce business Blinkit, was positive for the third quarter in a row at ₹125 crore, compared to ₹41 crore in the second quarter.

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