

The Issue

Type of Issue	Issue size Rs. Mn
Fresh Issue	44,990
Offer for sale	68,284
Total	1,13,274
Post issue mkt cap (Rs in bn)	873
Lot size	38 shares

***At Upper Price Band**
Issue Break-Up

Reservation for	% of Issue
QIB	75%
NII	15%
Retail	10%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	06 Nov, 2024
Bid/Offer Closing Date	08 Nov, 2024
Finalization of the Basis of Allotment	11 Nov, 2024
Credit of shares	12 Nov, 2024
Listing Date	13 Nov, 2024

Use of Proceeds	Rs. Mn
Investment in Scootsy for dark store	11,787
Brand marketing & promotion	11,153
Investment in tech and cloud infra	7,034
Partial borrowing payment of Scootsy	1,648
General Corporate Purpose	

BRLM & Registrar

Manager	Kotak Mahindra Capital Company, J.P. Morgan India, Citigroup Global Markets India, BofA Securities, Jefferies India, ICICI Security, Avendus Capital
Registrar	Link Intime India

Food delivery on a strong footing; All eyes on Quick commerce scale up...

Company Overview:

- Swiggy which was incorporated in 2014 as “Bundl Technologies Private Limited, is a hyperlocal convenience platform offering wide range of services through its mobile app and website.
- Swiggy initially commenced operation with its “Food Delivery” business and once it achieved greater scale it ventured into Quick Commerce business through “Swiggy InstaMart” in 2020.
- Later, the company acquired Dineout, which specializes in dinner reservation and subsequently SteppinOut, an event management company. SteppinOut was earlier part of Dineout. With this acquisition Swiggy Integrated its platform to offer wide variety of services to its users.
- The company has five business verticals, namely – food delivery (45.9% Revenue from Operations in FY24), quick commerce (8.7%) , out of home consumption (1.4%) , supply chain and distribution (42.5%) and platform innovations (1.5%).
- The company’s unified app approach enables it to scale organically as it can leverage a common user base across offerings, common and reusable technology stack, broad partner network and membership program.
- The company collects payments from users for transactions completed on its platform, which includes the cost of the food or product purchased, delivery fees and other fees. It then facilitates the transfer of the cost of food or product and delivery related fees to partners at regular intervals after retaining certain fees.
- Through its platform innovations, the company has come up with offerings like Swiggy Genie (Pick-up and drop-off service) and Swiggy Minis (Users can order from homegrown brands).

Valuation and Outlook:

At an upper price band of Rs 390/sh, the IPO is priced at EV/sales of 7.8x vs listed industry peer of 17.6x on FY24 revenue. Over FY22-24, the company’s revenue has grown at CAGR of 40.4% vs 70% for Zomato. The fresh proceeds would be majorly utilized for expanding dark stores network for quick commerce growth and marketing and promotional spends. Management has also stated that the business would continue to burn cash to achieve its objective of attaining large scale coupled with increasing competitive intensity in Quick commerce. We thereby assign **“Subscribe for long term”** rating to the IPO.

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Platform



Consumer convenience platform



Swiggy Ltd.

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	0.0	0.0
Others/Public	100.0	100.0
Total	100.0	100.0

* At upper price band

Issue Structure (Rs. Mn)	Floor	Cap
Net Offer	52,224	54,300
QIB Portion (75% of Offer)	26,112	27,150
Non Institutional portion (15% of Offer)	7,834	8,145
Retail portion (35% of Offer)	18,278	19,005

Top 5 Selling Shareholders

Selling Shareholders	% of OFS	No. of Shares	% of Total Shareholding	
			Pre Issue	Post Issue
MIH India Food Holdings	62.3%	109.10	32.5%	26.0%
Accel India IV (Mauritius)	6.0%	10.57	4.9%	4.2%
Elevation Capital V	4.2%	7.40	3.3%	2.8%
Inspired Elite Invest-	3.9%	6.75	1.5%	1.2%
Norwest Venture Part-	3.7%	6.41	3.3%	2.9%

Key Financial Summary (Rs. Mn)	FY22	FY23	FY24
Revenue	1,10,190	1,26,374	1,32,675
EBITDA	9,361	13,106	13,650
<i>EBITDA margin (%)</i>	8.5%	10.4%	10.3%
Adj. PAT	3,564	4,109	4,497
<i>Adj. PAT margin (%)</i>	3.2%	3.3%	3.4%
EPS (Adj for issue)	9.7	11.2	12.2

Peer Comparison

Financials

Particulars	Market Cap (Rs in Cr.)	FY22-24	FY24				
		Revenue CAGR	Revenue (Rs in Cr.)	ROE	ROCE	EV/EBITDA	EV/Sales
Swiggy Limited	87,299	40.4%	11,247	-29.8%	-31.2%	-39.2	7.8
Listed Peers							
Zomato Limited	2,13,663	70.0%	12,114	0.5%	-5.7%	513.0	17.6

Key Performance Indicators

Particulars	Units	FY22		FY23		FY24	
		Swiggy	Zomato	Swiggy	Zomato	Swiggy	Zomato
Food Delivery							
Total Orders	(# in million)	454	535	517	647	578	753
Average Order Value	(Rs. Per order)	407	398	416	407	428	428
Contribution Margin (as of % GOV)	(in %)	1.6%	1.7%	2.9%	4.5%	5.7%	6.9%
Average Monthly Transacting Users	(# in million)	9.9	14.7	11.6	17.0	12.7	18.4
Average Monthly Transacting Restaurant Partners	(#)	1,29,036	1,80,000	1,74,598	2,10,000	1,96,499	2,47,000
Quick Commerce							
Total Orders	(# in million)	42	NA	128	119	175	203
Average Order Value	(Rs. Per order)	16,434	NA	51,184	64,500	80,686	1,24,690
Contribution a Margin (as of % GOV)	(in %)	-32.3%	NA	-23.6%	7.0%	-6.0%	2.1%
Average Monthly Transacting Users	(# in million)	1.1	NA	3.2	3	4.24	5.1
Active Dark Stores	(#)	301	NA	421	377	523	526

Swiggy Ltd.

Strengths:

- **Young urban population with high purchasing power:** Swiggy targets young consumers living away from home who require food delivery and groceries on a regular basis. By providing efficient and timely services, the consumers form a habit of availing the services more frequently. Furthermore, consumers are ready to pay for the convenience provided by these services on account of improved consumer experience coupled with increasing purchasing power.
- **Integrated Ecosystem:** Swiggy's mobile application allows consumers to access all the services at one place. Consumers can order food, groceries and send and receive packages from their homes. The company's merchant partners can use the dark stores to store their products and also offer them on Swiggy's quick commerce platform. The company's network of delivery partners enables it to cater to these consumer demands thereby creating an interdependent and integrated ecosystem for its consumers. Additionally, consumers can order food at home as well as reserve table at restaurants enabling restaurant partners to provide improved service.
- **Storage and Supply chain:** Through its network of dark stores and related supply chain services, Swiggy enables merchant partners to strategically place their goods and provide last mile connectivity through its delivery network. This reduces the fixed cost of establishing a shop and provides broader consumer outreach. The dark stores also enable Swiggy to service its quick commerce business in an cost effective manner.

Investment Rationale/Strategies:

- ⇒ **Retain and grow consumer base and delivery partner network:** Providing new use offerings to its consumers by addressing convenience needs and demands, Swiggy intends to increase customer interactions on its platform. By attracting customers, the company aims to increase its delivery, merchant, and restaurant partners network.
- ⇒ **Experimenting in high frequency hyperlocal commerce to expand business:** Leveraging its wide customer base and network of delivery partners, Swiggy can experiment with new offerings. The company tests market attractiveness of these offerings. If the new offering are economically viable, they can quickly scale it up across cities through its application. They intend to continue to do the same and be competitive and gain market share in this industry.
- ⇒ **Expand dark stores footprints:** Swiggy aims to expand its network of dark stores for its quick commerce business to reach a wider consumer base, cater efficiently to high demanding locations and reduce delivery time. The company further aims to increase its product offering by engaging with more merchant partners and adding new categories. This will enhance customer experience, improve visibility for merchant partners and provide more opportunities for delivery partners.

Swiggy Ltd.

Key Risks:

Negative Cash Flow: On account of its higher investment in the business, Swiggy remains loss making and operates with negative cash flows since its inception in 2014.

Ads and Promotional Spends: Over FY22-24, the company's ads and promotional spend has been more than 15% of its revenue from operations to attract and retain customers as well as sustain brand recognition. The high intensity of such spends coupled with high competition will restrict profitability, growth, margins, and thereby positive cash flow generation.

Adapting to changes: If the company's restaurant and brand partners do not adapt to the changing consumer preferences, user engagement and volumes may drop affecting the operations and profitability.

Loss making material subsidiary: Scootsy, Swiggy's material subsidiary, continues to be loss making with losses increasing from Rs. 2,954mn in FY22 to Rs. 4,240mn in FY24. Higher the losses, higher will be the investment required to cover these losses, thereby limiting positive cash flow generation.

High competitive intensity in hyperlocal industry: The food delivery and quick commerce industry is highly competitive in nature with multiple players operating coupled with restaurants and merchant partners offering their products on their own platforms. Further, lack of customer loyalty on account of varying discounts offered on competitor platform adds to the competition. Inability to be in line with the change consumer preferences and innovation could pose threat to the revenue and profitability growth in the future.

Non-Binding agreement: The company doesn't have exclusive agreement with its restaurant, brand and delivery partners who might prioritize service of competitors to maximize their earnings.

Fraudulent Activities: The restaurant and merchant partners listed on the company's platform might impersonate other brands or sell fake products. This might lead to legal consequences and reputational damage to Swiggy.

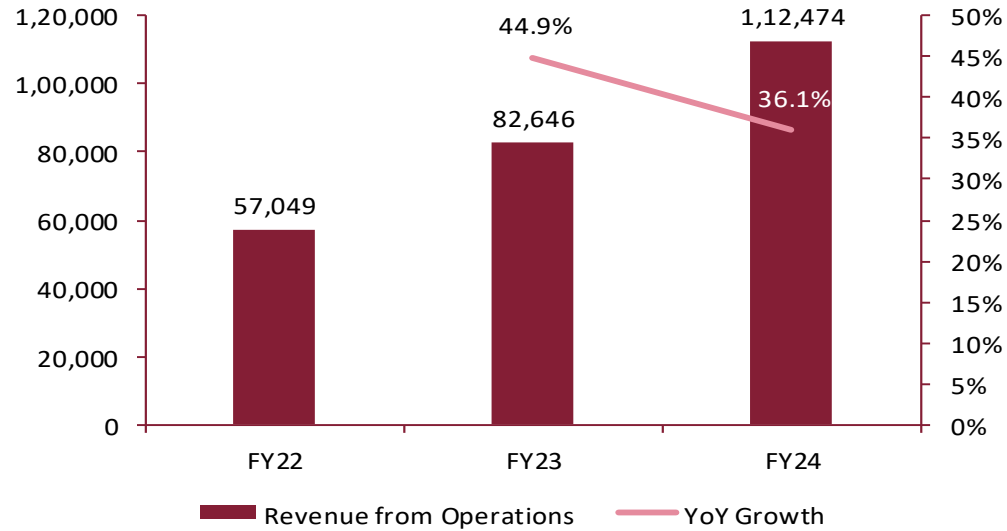
Operating System: The company is bound by operating systems (iOS and Android) for its operations. Failing to comply with the rules and regulating might result in delisting of the application, hampering operations.

Traditional Preferences: The company operates in a market which prefers home-cooked food. Continuation of this preference could hamper cash flow and profitability.

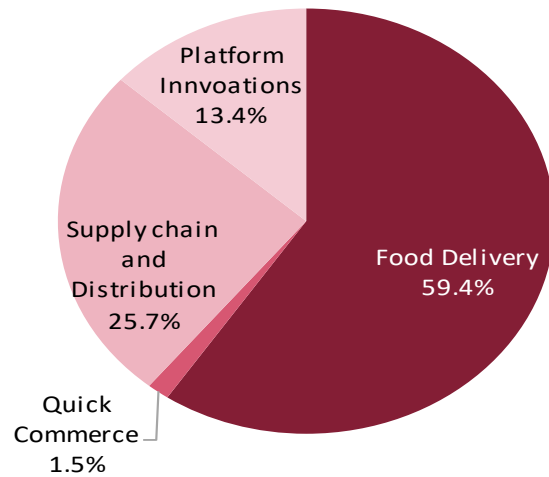
Technological interruptions: System failures or other similar technological interruptions on company's website and mobile apps might affect the operations of the company.

Swiggy Ltd.

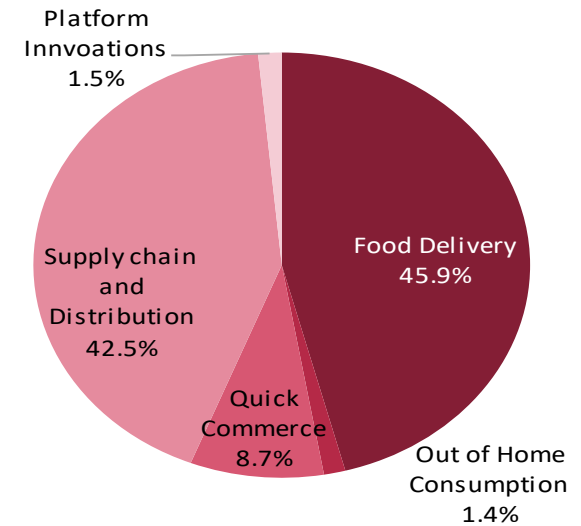
Revenue from Operations (Rs. Mn)



Segmental Revenue in FY22

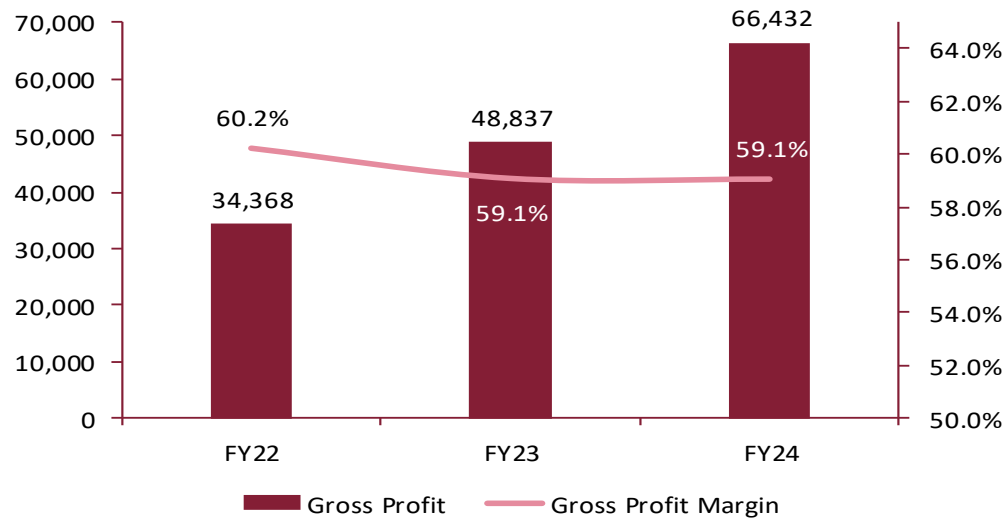


Segmental Revenue in FY24

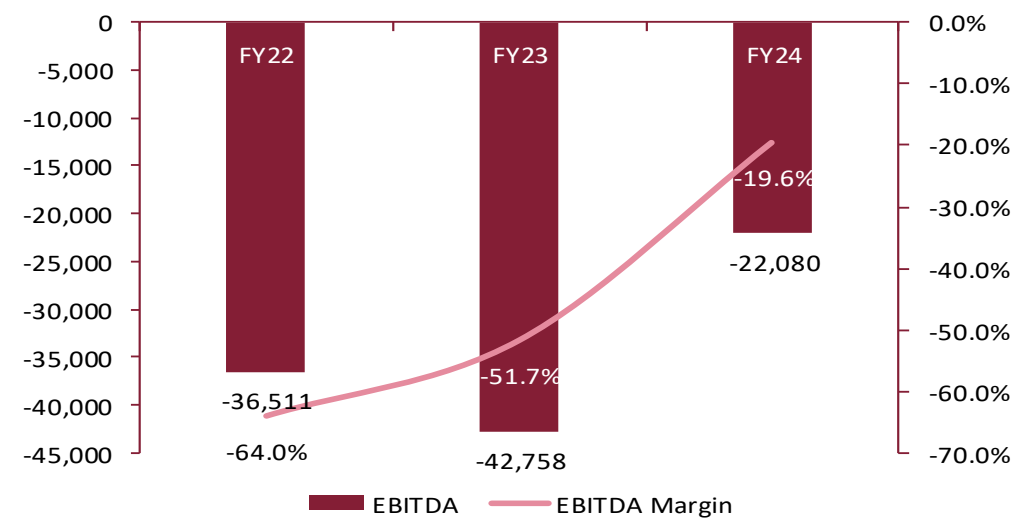


Swiggy Ltd.

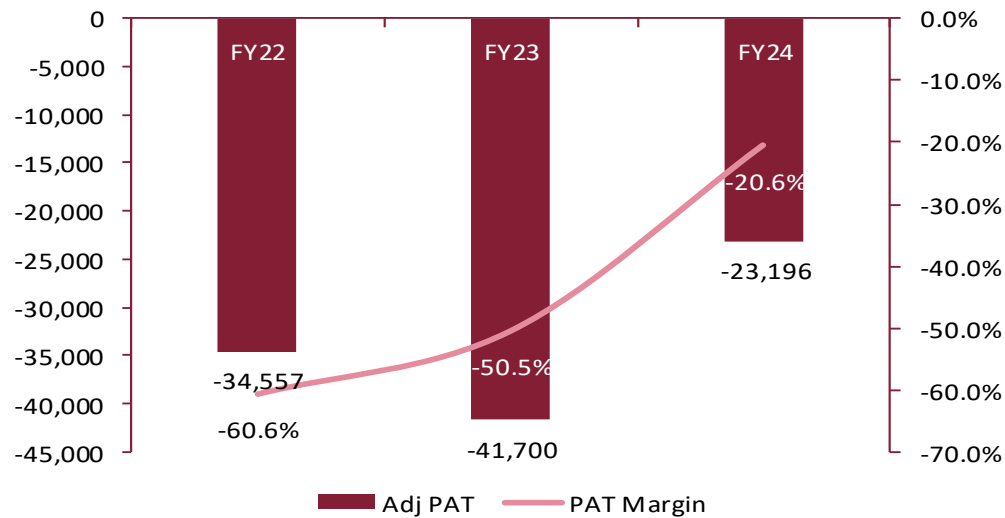
Gross Profit (Rs. Mn)



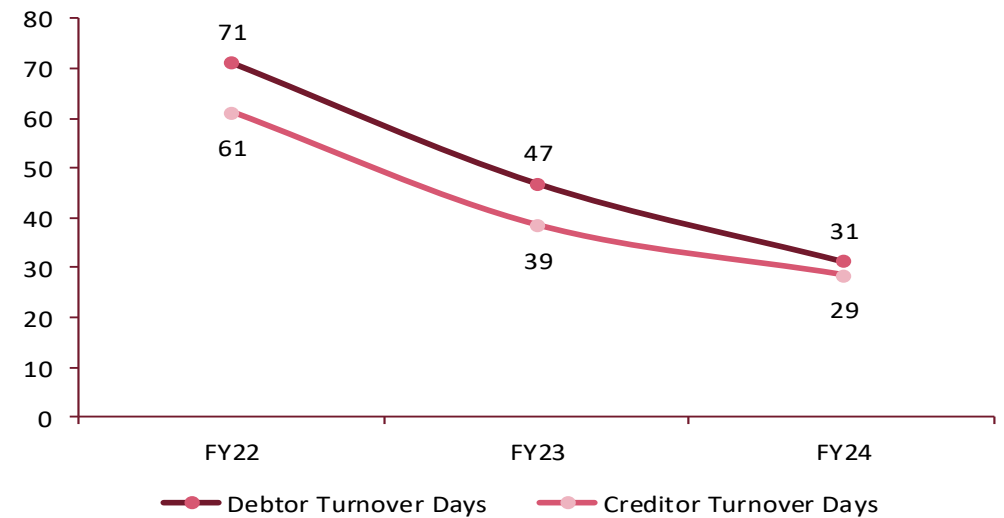
EBITDA (Rs. Mn)



Profit after Tax (Rs. Mn)

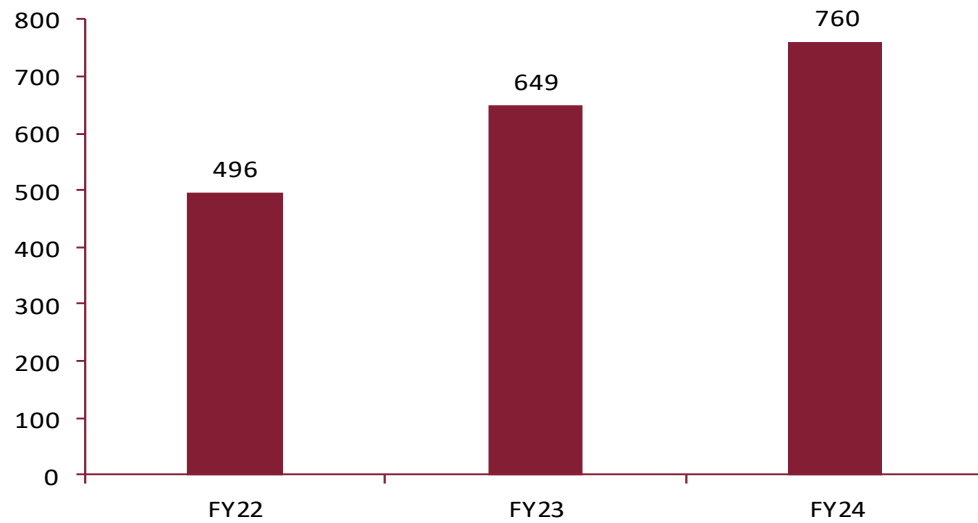


Turnover Days

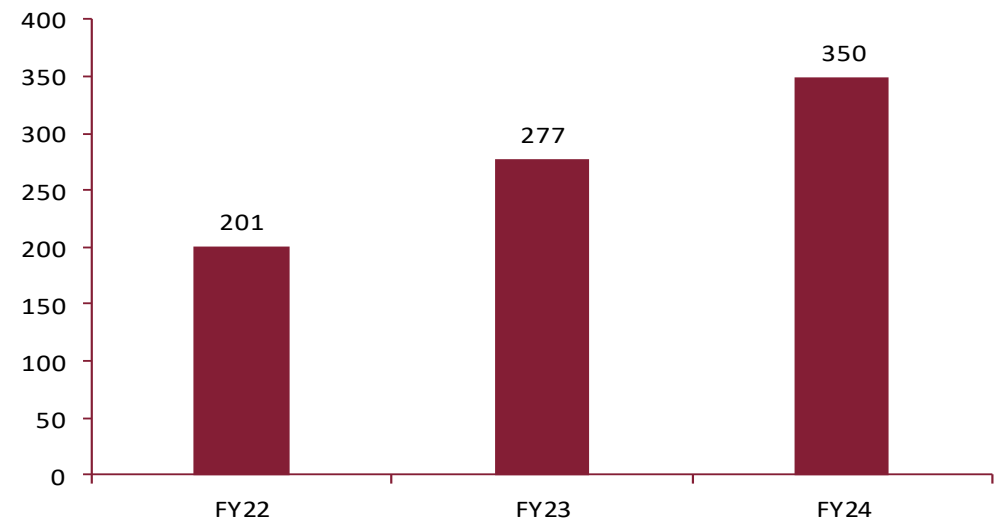


Swiggy Ltd.

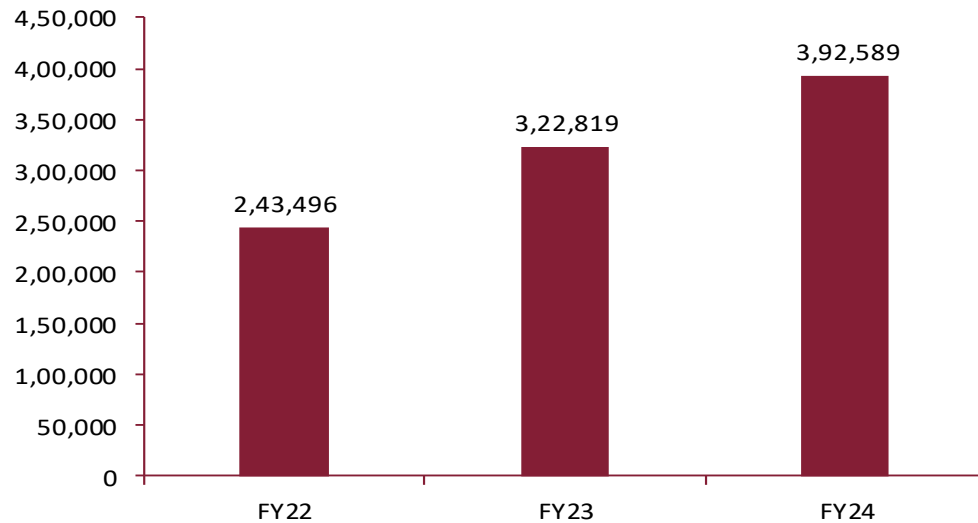
B2C Total Number of Orders (in Mn)



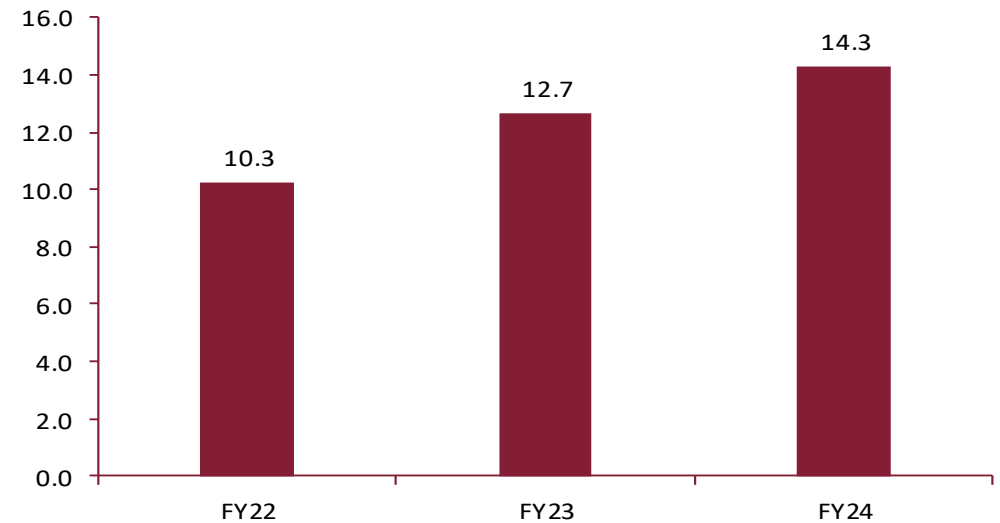
B2C Gross Order Value (Rs in Bn)



Average Monthly Transacting Delivery Partners

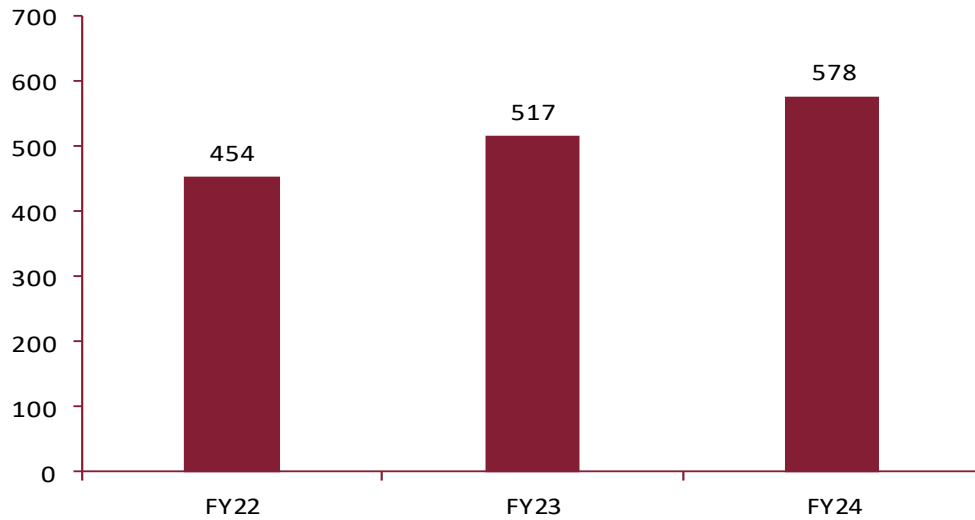


Average Monthly Transacting Users (in Mn)

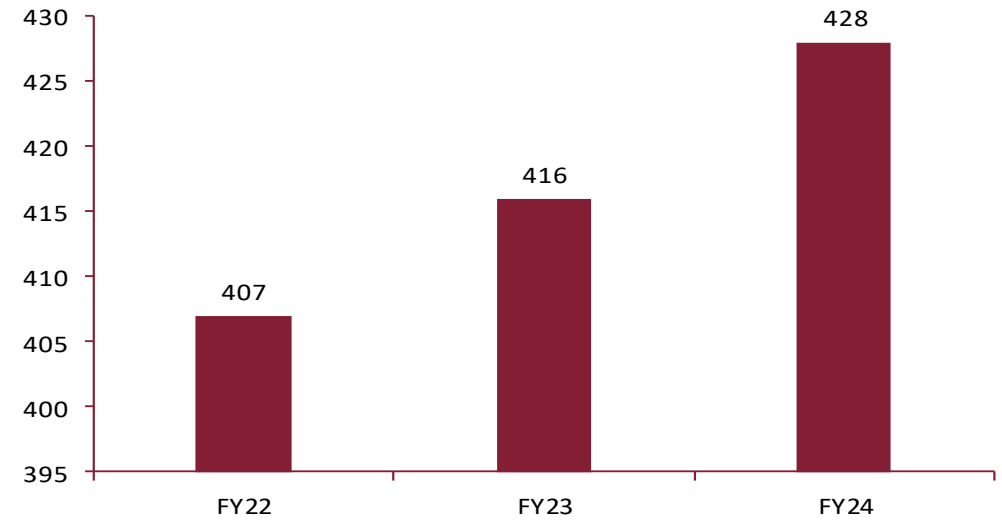


Swiggy Ltd.—Food Delivery

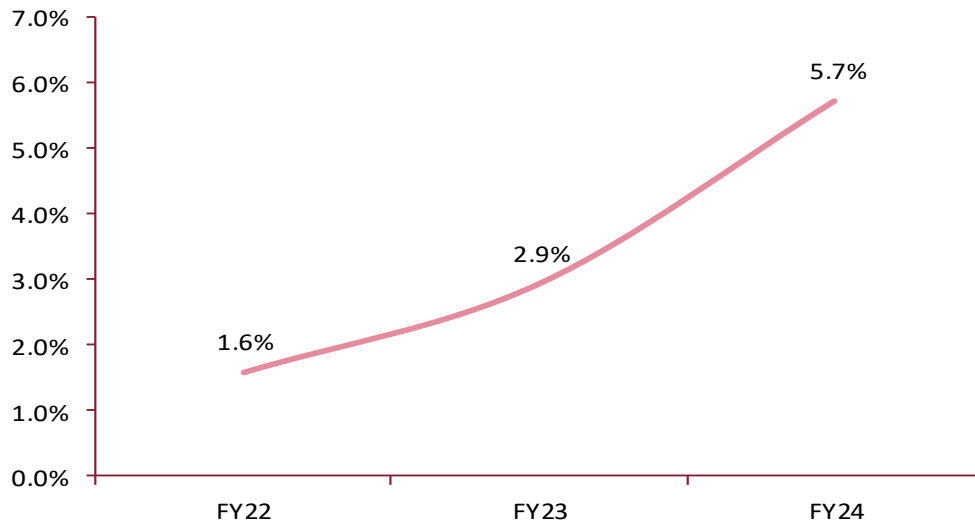
Total Number of Orders (in Mn)



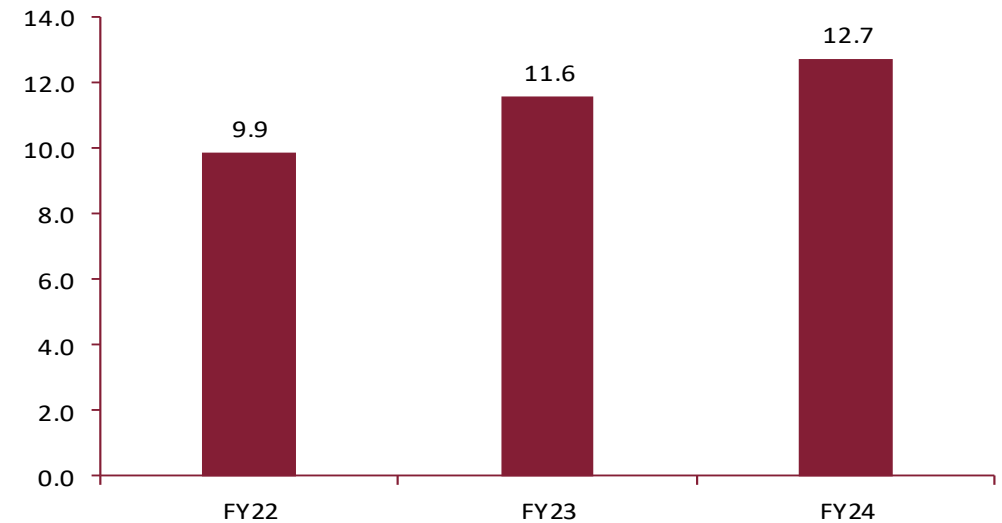
Average Order Value (in Rs)



Contribution Margin (as % of GOV)

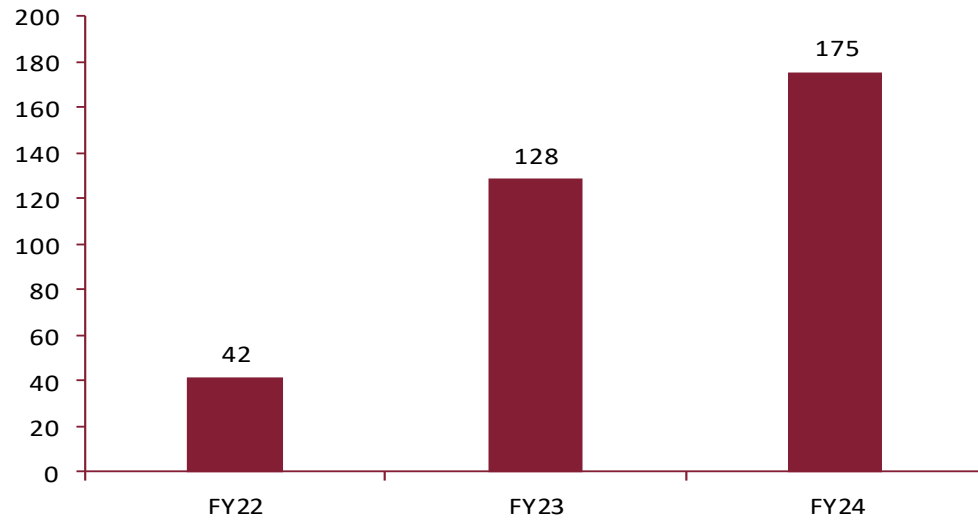


Average Monthly Transacting Users (in Mn)

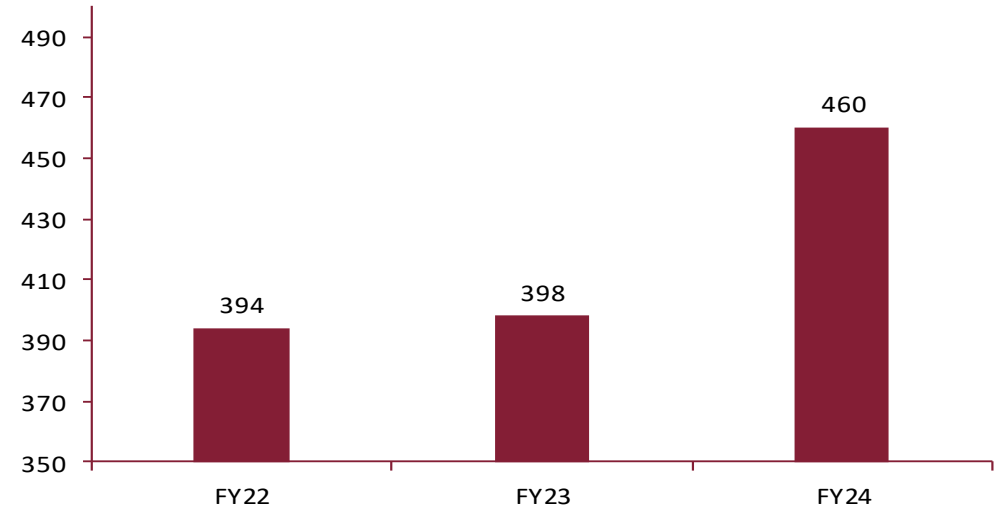


Swiggy Ltd.— Quick Commerce

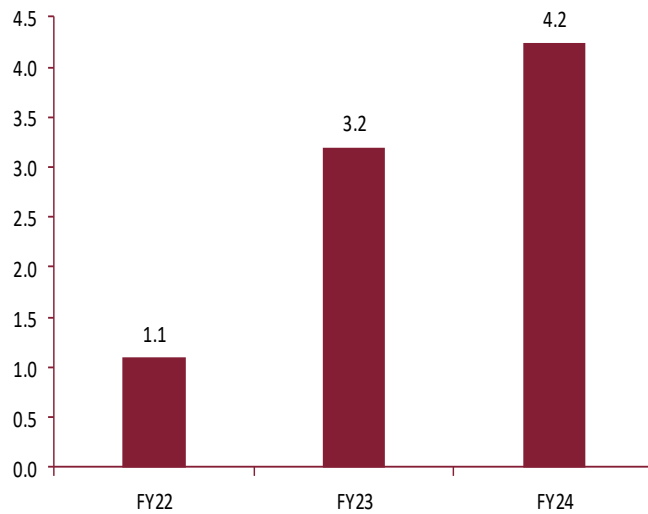
Total Number of Orders (in Mn)



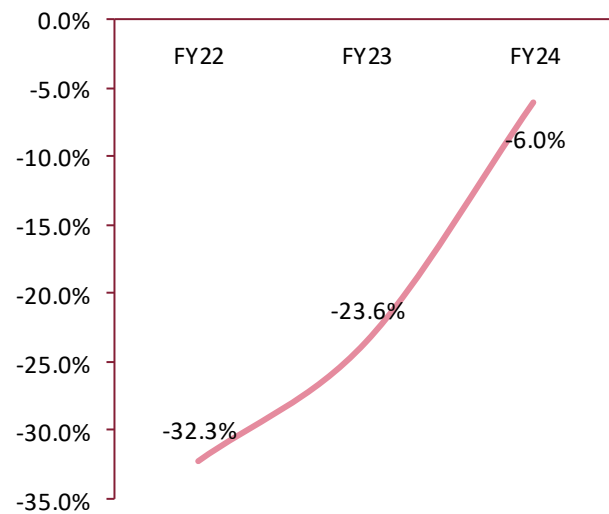
Average Order Value (in Rs)



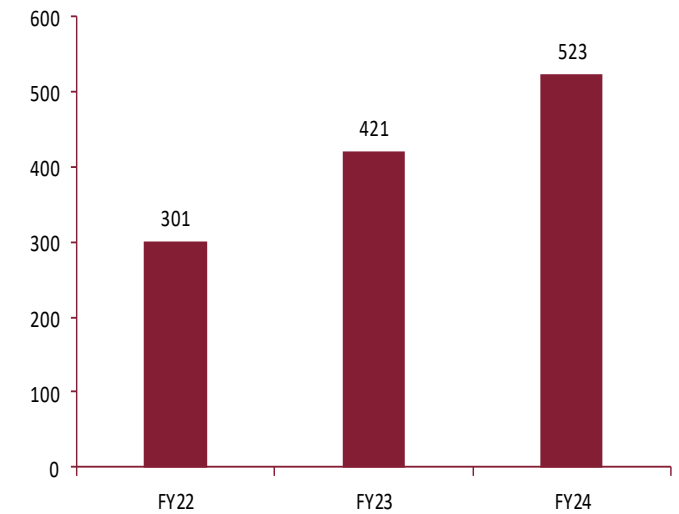
Average Monthly Transacting Users (in Mn)



Contribution Margin (as % of GOV)

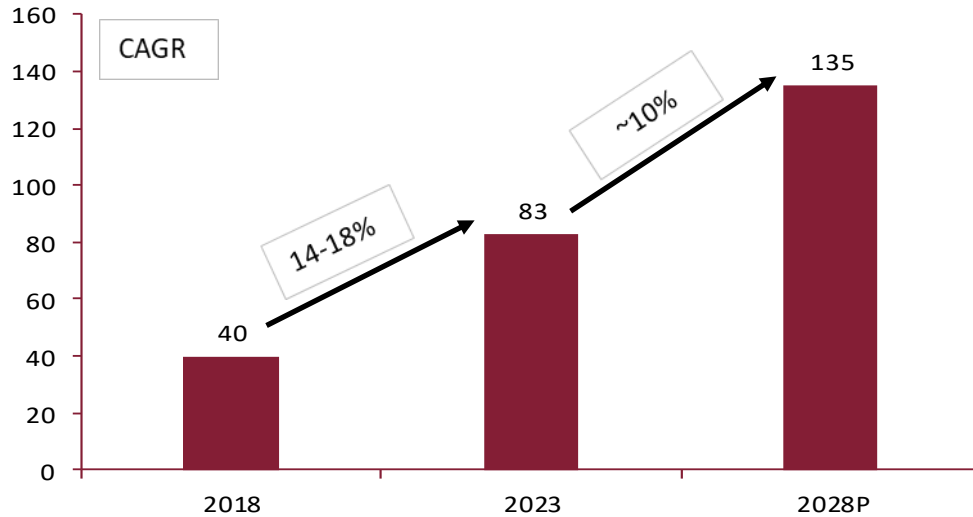


Active Dark Stores



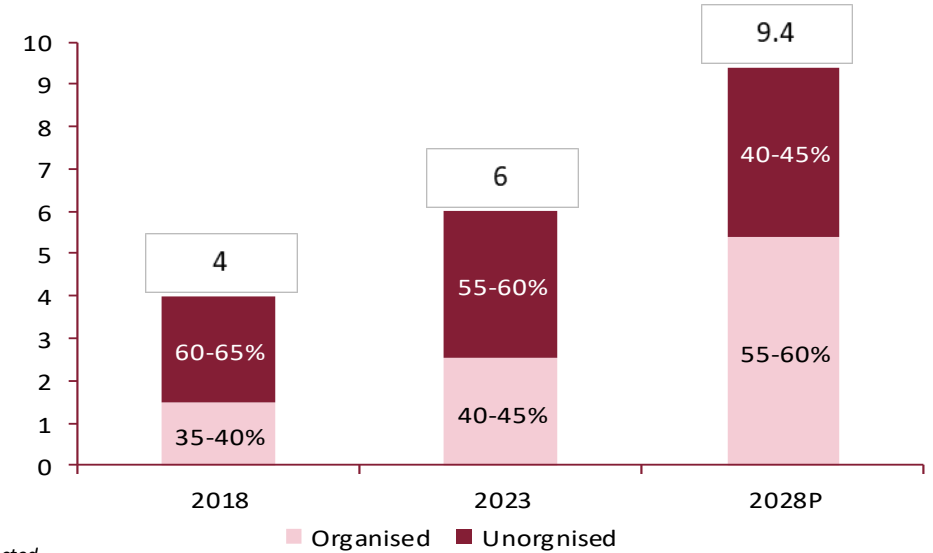
Industry Overview

Online Food Delivery Annual Transacting Users (in Mn)



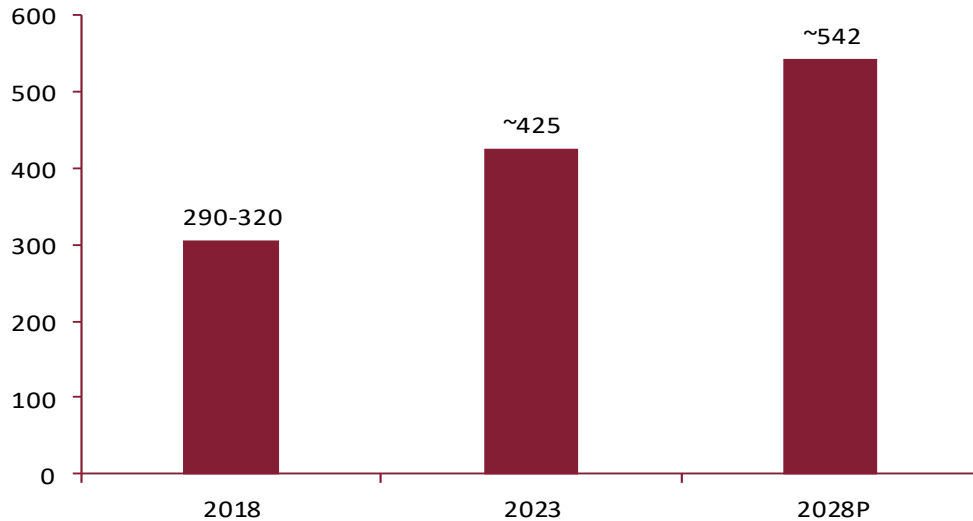
P - Projected

India Food Services Market Split (Rs. Trn)



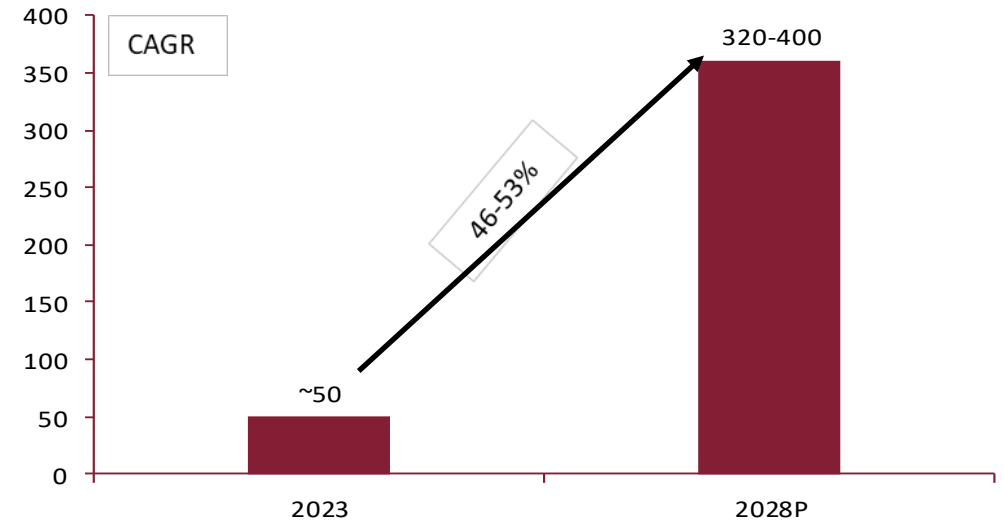
P - Projected

Average Order Value of Online Food Delivery (in Rs.)



P - Projected

Online Dining Out Market Size (Rs. Bn)



P - Projected

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

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