

Retail Research	IPO Note
Sector: Fintech (Consumption)	Price Band (Rs): 371 - 390
31 st October 2024	Recommendation: Subscribe for Long-Term Investment Horizon

Swiggy Ltd.

Company Overview:

Swiggy Ltd (Swiggy) is a new-age technology company offering users an easy-to-use convenience platform accessible through a unified app to browse, select, order & pay for food, grocery & household items (Instamart) and have their orders delivered to their doorstep through on-demand delivery partner network (Genie). Swiggy is amongst the first hyperlocal commerce platforms in India which has successfully pioneered the industry by launching Food Delivery services in 2014 and Quick Commerce in 2020. Swiggy primarily operates in a B2C marketplace platform where it aggregate restaurant & merchant partners that can list their food & products, while users can discover and purchase such items. The company facilitates the fulfilment of these orders through enabling delivery, reservations, payments, and lead generation for partners.

Key Highlights:

1. Pioneers in high-frequency hyperlocal commerce segment: Being among the first hyperlocal commerce platforms, Swiggy is well recognized as a leader and a pioneer in hyperlocal commerce innovation. The company leverages its network of users and partners to assess market attractiveness and demand for new offerings through targeted tests. Once a service is proven viable for achieving scale, profitable unit-economics and geographic reach through these tests, Swiggy starts scaling offerings across cities. This innovation-led approach operates as a self-reinforcing ecosystem where offerings help to drive interactions with users, and consequently enhances value for all ecosystem participants.

2. Consistently growing network of users: Swiggy's unified app, growing offerings and wide network of partners drive greater selections and faster delivery times thus enhances the user experience. As a result, the company has witnessed a consistent growth in Monthly Transacting Users, both in Food Delivery and Quick Commerce segments. As of Jun'24, the company has achieved a milestone of 112.7 million users transacted on the platform. The customer focused approach of developing the platform across offerings, seamless user experience and increasing propensity of users to pay for convenience continues to drive higher engagement and user stickiness on the platform.

3. Strong brand recall: The company is the most valuable brand in the Consumer Technology & Services Platforms category and is among the Top 25 most valuable brands in India overall (Source: Kantar BrandZ Most Valuable Indian Brands Report 2024). Swiggy is the only unified app in India that fulfils all food-related missions of urban users (ordering-in, eating-out and cooking-at-home) through its own platform. Swiggy also captures the largest share of consumer wallet in terms of Monthly GOV per MTU (page-213 of RHP) in the hyperlocal commerce use-cases as of Jun'24.

4. An experienced professional management team: The company is led by a team of dynamic entrepreneurs and experienced professional management having industry expertise. The team has demonstrated the leadership skills in innovation and execution prowess in shaping the evolution of the online Food Delivery and Quick Commerce industries in India. The eight-member strong leadership team have an aggregate 52 years of experience with Swiggy.

Valuation: Swiggy, at upper price band of Rs 390.0, is valued at Price/Sales, EV/Sales and P/BV multiple of 7.8x/7.3x/7.1x respectively of its FY24 financials on post issue capital. While comparing with Zomato, the issue appears to be fairly priced on all these parameters. We recommend investors to subscribe the issue for long term investment perspective.

Issue Details	
Date of Opening	06 th November 2024
Date of Closing	08 th November 2024
Price Band (Rs)	371 - 390
Offer for sale (shares)	17,50,87,863
Fresh Issue (Rs cr)	4,499
Issue Size (Rs cr)	10,995 – 11,327
No. of shares	29,63,54,709 – 29,04,46,837
Face Value (Rs)	1
Post Issue Market Cap (Rs cr)	83,265 – 87,229
BRLMs	Kotak Mahindra Capital Co, Citigroup Global Markets India, Jefferies India, Avendus Capital, J.P Morgan India, BofA Securities India, ICICI Securities
Registrar	Link Intime India Pvt Ltd
Bid Lot	38 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Investment in material subsidiary Scootsy for repayment or pre-payment, in full or in part of certain or all of its borrowings	164.8
Investment in material subsidiary Scootsy for i) expansion of Dark Store network for Quick Commerce segment through setting up of Dark Stores and ii) making lease / license payments for Dark Stores	1,178.7
Investment in technology and cloud infrastructure	703.4
Brand marketing and business promotion expenses for enhancing the brand awareness and visibility of platform across segments	1,115.3
Funding inorganic growth through unidentified acquisitions and general corporate purposes [^]	
Total proceeds from fresh issue	4,499.0

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	-	-
Public & Others	2,12,30,66,748	100.0
Total	2,12,30,66,748	100.0

Post Issue @ Upper Price Band		
	No. of Shares	%
Promoter & Promoter Group	-	-
Public & Others	2,23,84,25,722	100.0
Total	2,23,84,25,722	100.0

Source: RHP, SSL Research

Key Financials

Rs cr	FY22	FY23	FY24	1QFY25
Revenue from operation	5,704.9	8,264.6	11,247.4	3,222.2
EBITDA	(3,651.1)	(4,275.8)	(2,208.0)	(544.2)
PAT	(3,628.9)	(4,179.3)	(2,350.2)	(611.0)
Price/Sales	15.3	10.6	7.8	-
Price/Book	6.7	9.1	10.6	11.1
EV/Sales	14.3	9.9	7.3	-

Source: RHP, SSL Research

Valuation ratios are based on pre-issue share capital

Risk Factors

- User base risk:** The company's business growth depends on its ability to grow its offerings continuously by acquiring users and maintaining cost effectiveness. Further, the switching costs for users is very low and they may shift to other platforms due to a number of reasons including better pricing & discounts, greater options in restaurants, shorter delivery time offered by competitor platforms. Any material decrease in user base in future could adversely affect the business, cashflows and results of operations.
- Delivery partner retention risk:** The company believes that having a large and flexible network of delivery partners coupled with a seamless experience of providing technology is essential to its success. Any failure in attracting and retaining delivery partners in a cost-effective way may have an adverse effect on business, financial condition and results of operations.
- Risk of retaining restaurant, merchant, brand partners:** The company's growth depends on its ability to attract and retain restaurant partners, merchant partners and brand partners on the platform. Any failure to retain existing or acquire additional restaurant partners, merchant partners and brand partners in a cost-effective manner could adversely affect the business, cashflows and results of operations.
- Dark store network risk:** The success of Quick Commerce business depends in part on the location, size and density of the Dark Stores. This is critical for merchant partners to have access to a wide user base, enable a wider selection and assortment of products on the platform, ensure rapid order fulfilment and reduce the last-mile time and cost, and in turn deliver a superior user experience. Any failure in managing the dark store network in a cost-effective way may have an adverse effect on business, financial condition and results of operations.
- Technology risk:** The uninterrupted functioning of the technology platform is essential to the business. Any systems failures, data breaches and resulting interruptions in the availability of website, mobile application or platform could adversely affect business, financial condition and results of operations.

Growth Strategies

- Retain and grow user base by expanding offerings and growing partner network.
- Expand dark store network and basket-sizes for Quick Commerce business.
- Improve contribution margin by scaling operations and expanding high margin offerings and revenue streams.
- Invest in technology and optimize last-mile network to enable efficient scaling of operations to service more users.
- Invest to enhance brand recall, improve traffic on the app and increase engagement across businesses.

Gross Revenue Mix – Segment wise

Gross Revenue	FY22		FY23		FY24		1QFY25	
	Rs cr	as a %	Rs cr	as a %	Rs cr	as a %	Rs cr	as a %
Food	4,429.8	64.6	5,179.2	54.6	6,081.6	49.4	1,729.6	49.7
Dining Out	-	-	77.7	0.8	157.2	1.3	46.7	1.3
Quick Commerce	124.2	1.8	547.3	5.8	1,087.7	8.8	403.4	11.6
Supply Chain	1,465.3	21.4	3,286.3	34.7	4,779.6	38.8	1,268.3	36.5
Platform/Others	841.1	12.3	389.2	4.1	214.3	1.7	29.3	0.8
Total	6,860.4	100.0	9,479.7	100.0	12,320.3	100.0	3,477.3	100.0

Source: RHP, SSL Research

Average Monthly Transacting Users (MTU)

Particulars (Million)	FY22	FY23	FY24	1QFY25
Swiggy Platform	10.3	12.7	14.3	16.0
Food Delivery	9.9	11.6	12.7	14.0
Quick Commerce	1.1	3.2	4.2	5.2

Source: RHP, SSL Research

Monthly Gross Order Value (GOV) per MTU

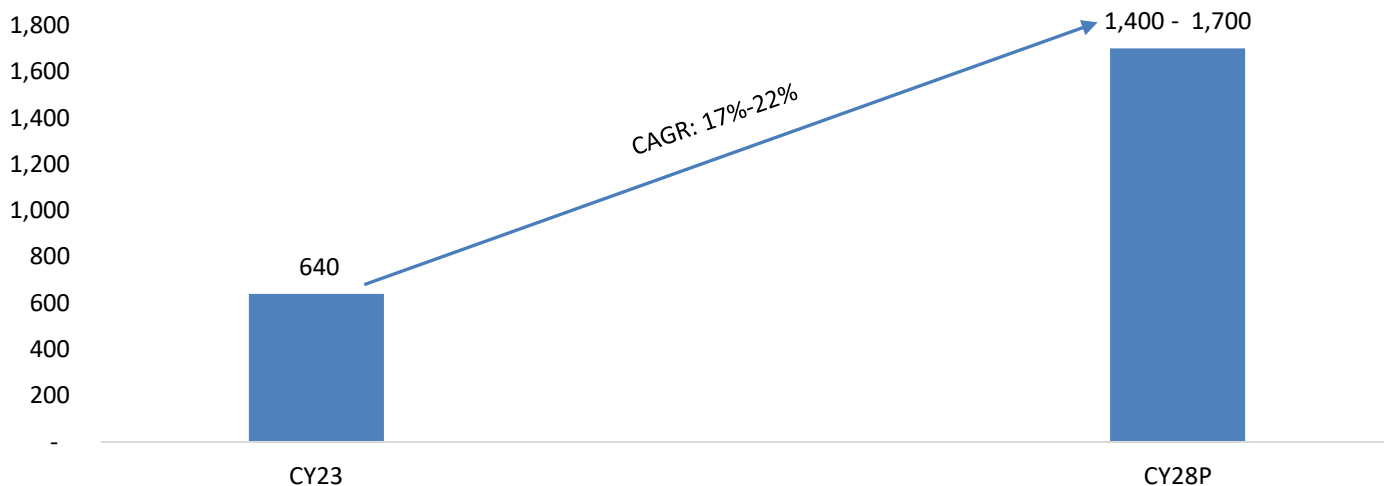
Particulars (Rs)	FY22	FY23	FY24	1QFY25
Swiggy Platform	1,633.8	1,825.1	2,039.4	2,124.5
Food Delivery	1,561.2	1,549.4	1,617.6	1,617.9
Quick Commerce	1,250.5	1,332.1	1,586.9	1,734.0

Source: RHP, SSL Research

Industry Overview

The **Indian Online Food Delivery Market** grew from Rs 112 bn in CY18 to Rs 640 bn in CY23 at CAGR of ~42%. It is further expected to grow at a CAGR of 17%-22% between CY23-CY28P to reach Rs 1,400-1,700 bn by CY28P. Of the total market in CY23, the share of top 60 cities (metro and Tier 1) is 75-80% which shows the large untapped potential beyond these cities which will drive growth as penetration of online Food Delivery increases. Growing availability of organized restaurant supply and increased online penetration is expected to drive growth in online Food Delivery market beyond the top 60 cities.

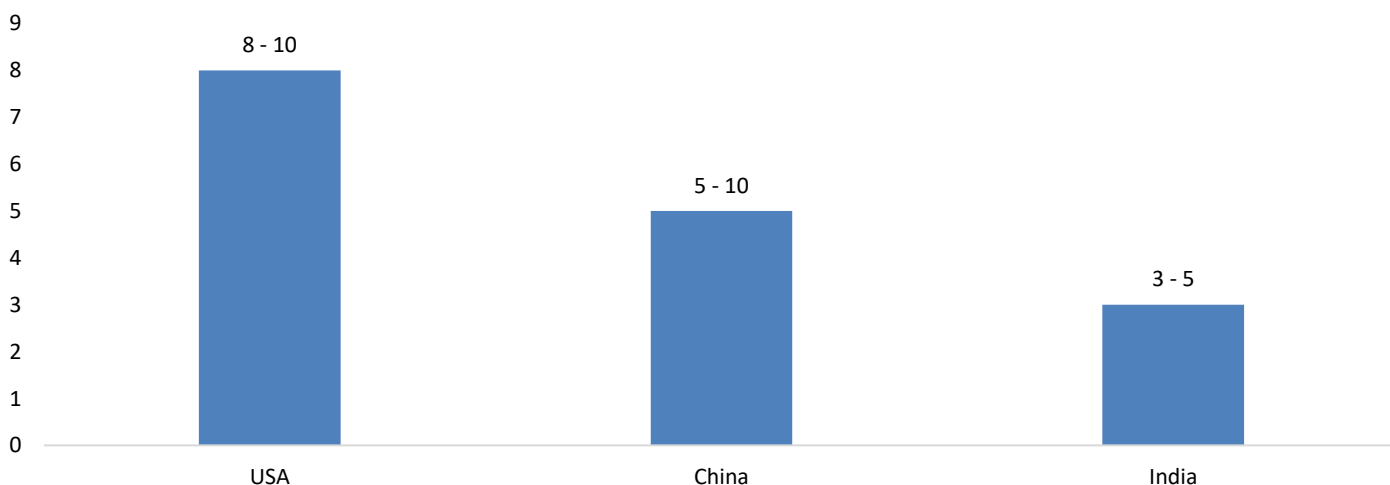
Indian Online Food Delivery Market (Rs bn)



Source: RHP, SSL Research

Evidently the Online food delivery market is underpenetrated in India (Monthly online food delivery frequency is at 3-5) which is virtually half of USA (8-10) and China (5-10) as of CY23. However, a growing prominence of online food delivery platforms among consumers has led to the establishment of a resilient consumer base, with 80-85 mn Annual Transacting Users (ATU) in CY23. With the rising prominence of these platforms and urban migration, new user acquisition is steadily happening in metro cities and the growth trend is expected to continue.

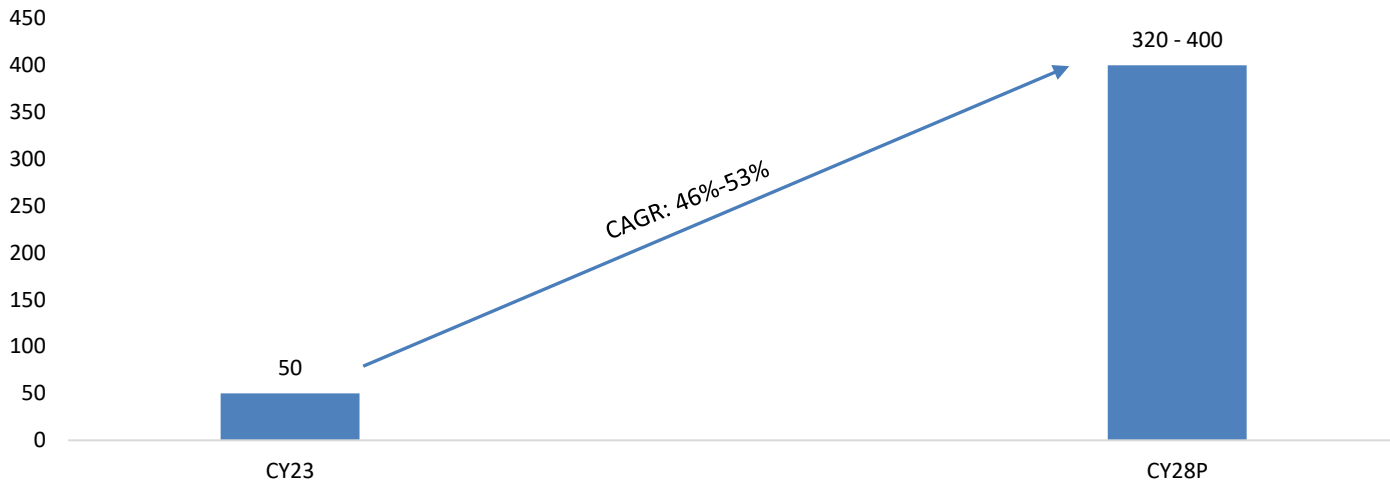
Monthly Online Food Delivery Frequency (In Numbers)



Source: RHP, SSL Research

The **Indian Online Dining-out Market** is expected to grow at a CAGR of 46%-53% between CY23-CY28P to reach Rs 320-400 bn by CY28P from Rs 50 bn in CY23 driven by high adoption from existing online food delivery users as well as expansion of restaurant partner network with existing access from Food Delivery segment. As a result, the penetration of the online dining out market in the organized out-of-home consumption market is expected to increase from ~3% in CY23 to ~10% in CY28 which still has large headroom for penetration in addition to the share of organized segment increasing.

Indian Online Dining-out Market Size (Rs bn)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY22	FY23	FY24
Revenue from Operations	5,705	8,265	11,247
YoY growth (%)	-	44.9%	36.1%
Cost Of Revenues (incl Stock Adj)	2,268	3,381	4,604
Gross Profit	3,437	4,884	6,643
Gross margins (%)	60.2%	59.1%	59.1%
Employee Cost	1,708	2,130	2,012
Other Operating Expenses	5,379	7,030	6,839
EBITDA	-3,651	-4,276	-2,208
EBITDA margins (%)	-	-	-
Other Income	415	450	387
Interest Exp.	48	58	71
Depreciation	170	286	421
PBT	-3,455	-4,170	-2,313
Exceptional item/Extraordinary item	-173	-9	-31
Tax	-	-	-
PAT	-3,629	-4,179	-2,350
PAT margin (%)	-	-	-
EPS (Rs)	-17.1	-19.7	-11.1

BALANCE SHEET			
(Rs cr)	FY22	FY23	FY24
Assets			
Net Block	312	314	453
Right of use assets	462	546	588
Other Non-current Assets	1,498	2,598	2,752
Current Assets			
Current Investment	9,068	4,857	3,728
Inventories	18	11	49
Trade receivables	1,112	1,062	964
Cash and Bank Balances	1,104	864	891
Other Current Assets	832	1,029	1,105
Total Current Assets	12,134	7,823	6,737
Current Liabilities & Provisions			
Trade payables	956	873	881
Other current liabilities	568	593	846
Short-term provisions	61	82	79
Total Current Liabilities	1,584	1,549	1,806
Net Current Assets	10,549	6,274	4,931
Assets Classified as held for sale	0	0	0
Total Assets	12,821	9,732	8,724
Liabilities			
Share Capital	15,563	15,565	15,576
Reserves and Surplus	-3,296	-6,509	-7,785
Total Shareholders' Funds	12,267	9,057	7,791
Total Debt	-	-	211
Long Term Provisions	28	38	39
Lease Liabilities	508	600	653
Other Long-Term Liabilities	19	37	29
Total Liabilities	12,821	9,732	8,724

Particulars (Rs Cr)	FY22	FY23	FY24
Cash flow from Operating Activities	(3,900)	(4,060)	(1,313)
Cash flow from Investing Activities	(9,160)	3,968	1,458
Cash flow from Financing Activities	13,634	(172)	(123)
Free Cash Flow	(24,974)	(13,828)	(9,585)

RATIOS			
Particulars	FY22	FY23	FY24
Profitability (%)			
Return on Assets	-	-	-
Return on Capital Employed	-	-	-
Return on Equity	-	-	-
Margin Analysis (%)			
Gross Margin	60.2%	59.1%	59.1%
EBITDA Margin	-	-	-
Net Profit Margin	-	-	-
Short-Term Liquidity			
Current Ratio (x)	7.2	4.6	3.4
Quick Ratio (x)	7.2	4.6	3.4
Avg. Days Sales Outstanding	71	48	33
Avg. Days Inventory Outstanding	1	1	1
Avg. Days Payables	61	40	28
Fixed asset turnover (x)	18.3	26.3	24.8
Debt-service coverage (x)	-	-	-
Long-Term Solvency			
Total Debt / Equity (x)	-	-	0.0
Interest Coverage Ratio (x)	-	-	-
Valuation Ratios			
EV/EBITDA (x)	-	-	-
P/E (x)	-	-	-
P/Sales (x)	15.3	10.6	7.8
P/B (x)	6.7	9.1	10.6
EV/Sales (x)	14.3	9.9	7.3

Source: RHP, SSL Research

Note: Blank row indicates negative data

Peer Comparison - Financials

Particulars (Rs cr)	Swiggy Ltd	Zomato Ltd
CMP (Rs)	390.0	247.0
Sales	11,247.4	12,114.0
EBITDA	(2,208.0)	372.0
Net Profit	(3,628.9)	351.0
Mkt Cap.	87,298.6	2,18,125.0
Enterprise Value	82,119.9	2,18,778.0
P/E (x)	-	621.4
P/BV (x)	7.1	10.7
P/Sales (x)	7.8	18.0
EV/Sales (x)	7.3	18.1

The data is based on FY24 financial data

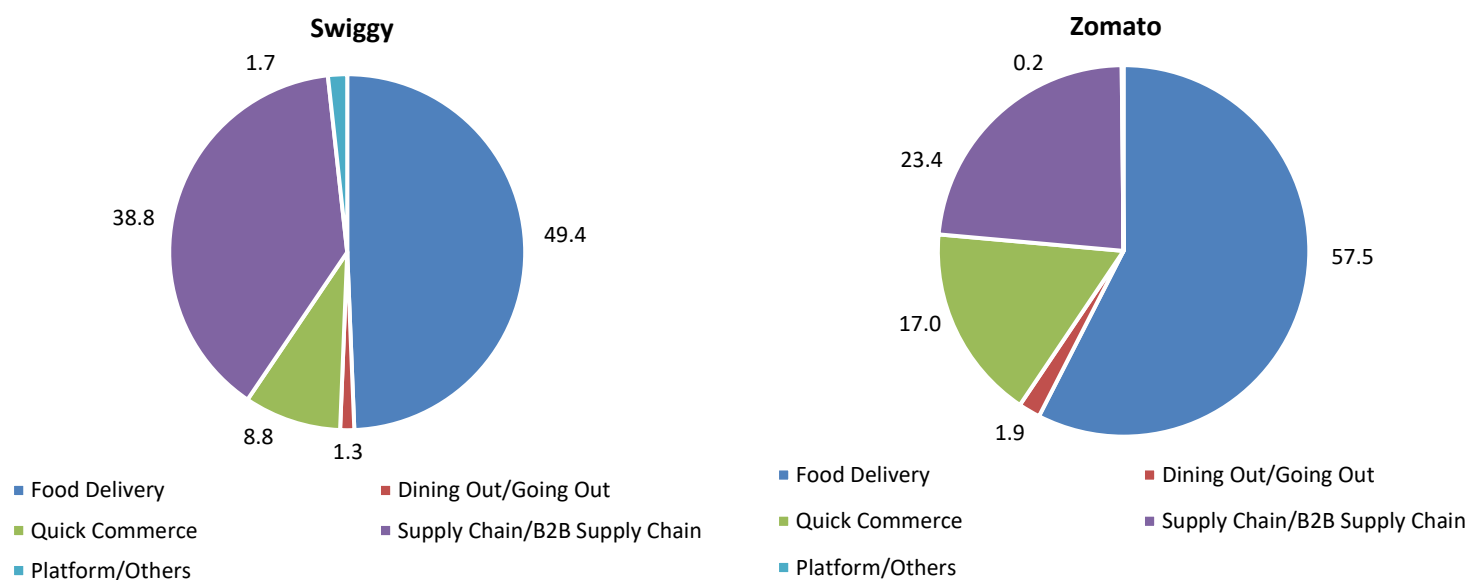
For Swiggy Ltd. the Market cap, P/E (x), P/BV (x), P/Sales (x), EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 30th October, 2024.

Source: RHP, SSL Research

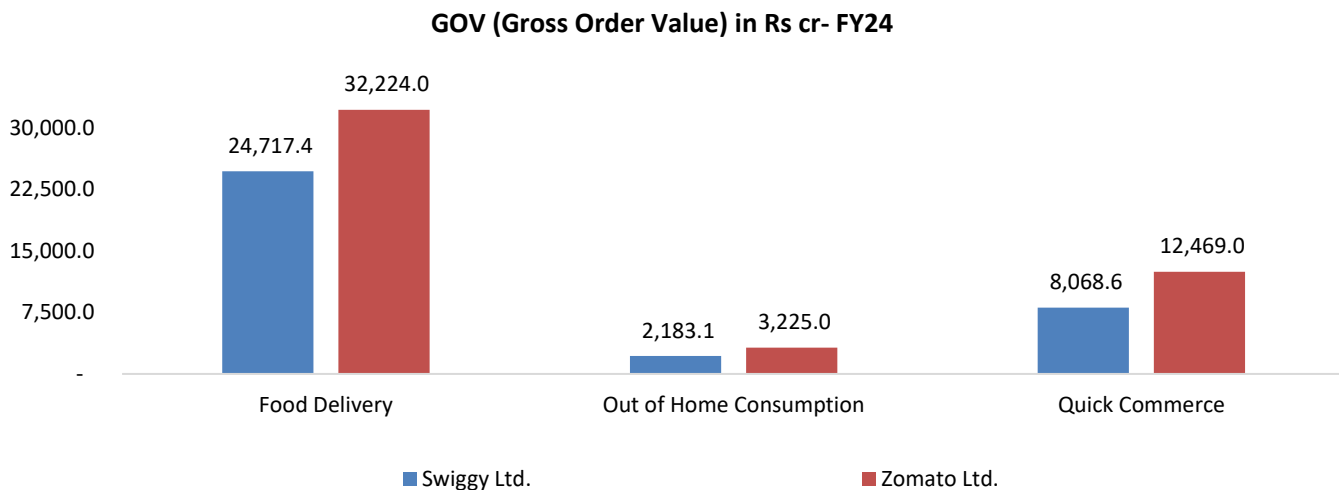
Peer Comparison – Operating Metrics (FY24)

1. Gross Revenue Mix – Segment Wise



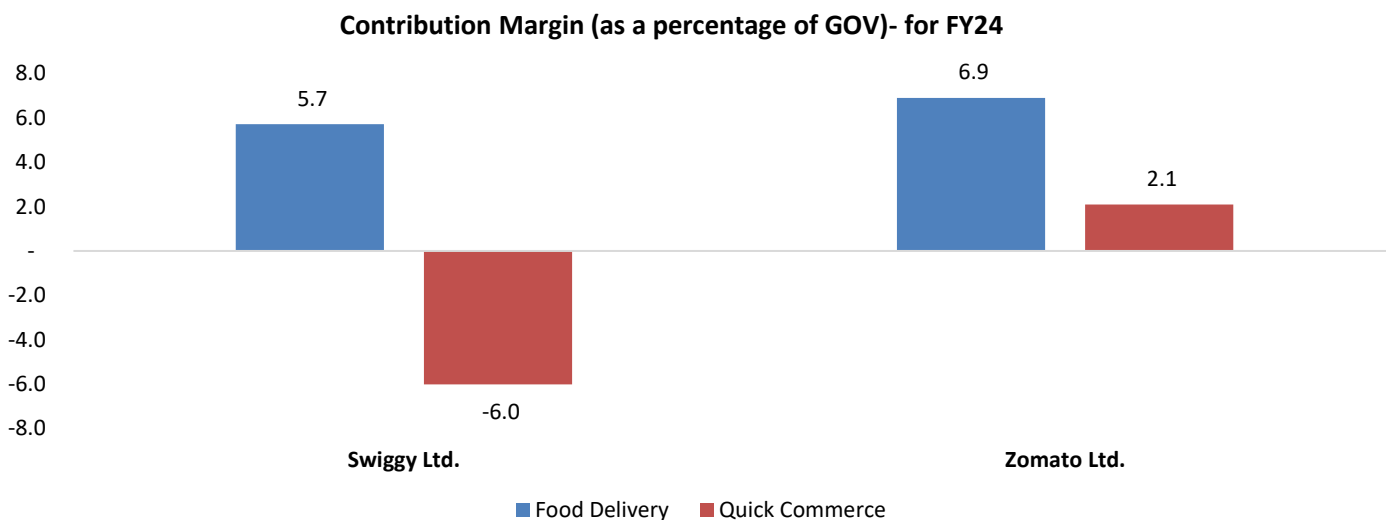
Source: RHP, SSL Research

2. Gross Order Value (Rs cr)



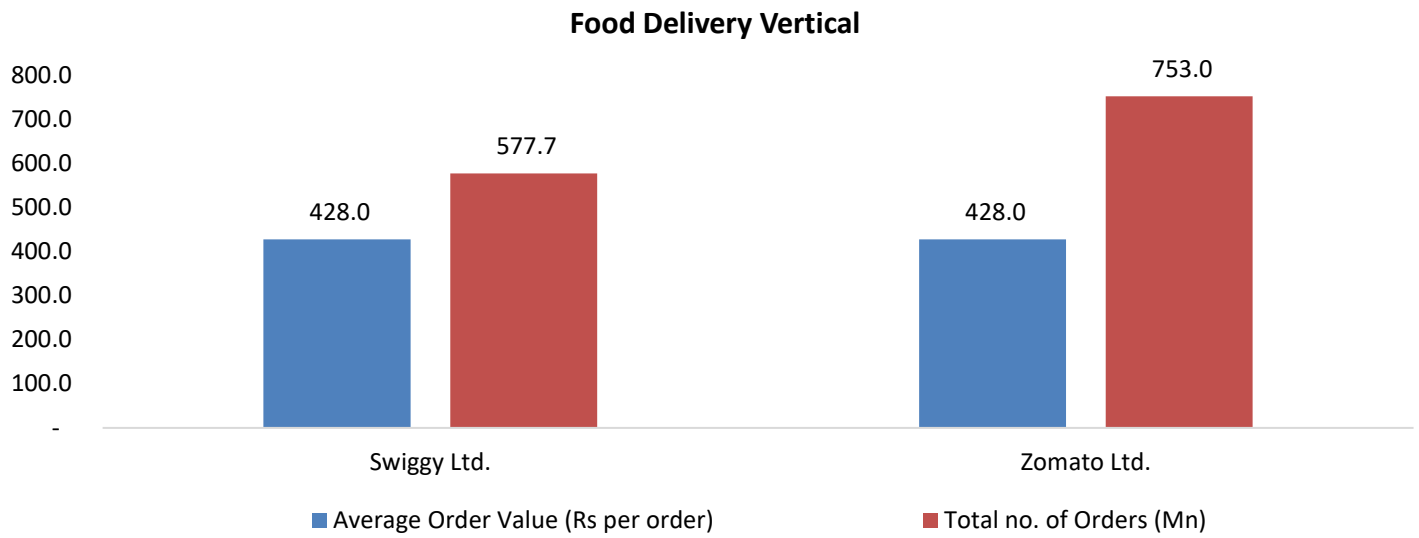
Source: RHP, SSL Research

3. Contribution Margin (% of GoV)



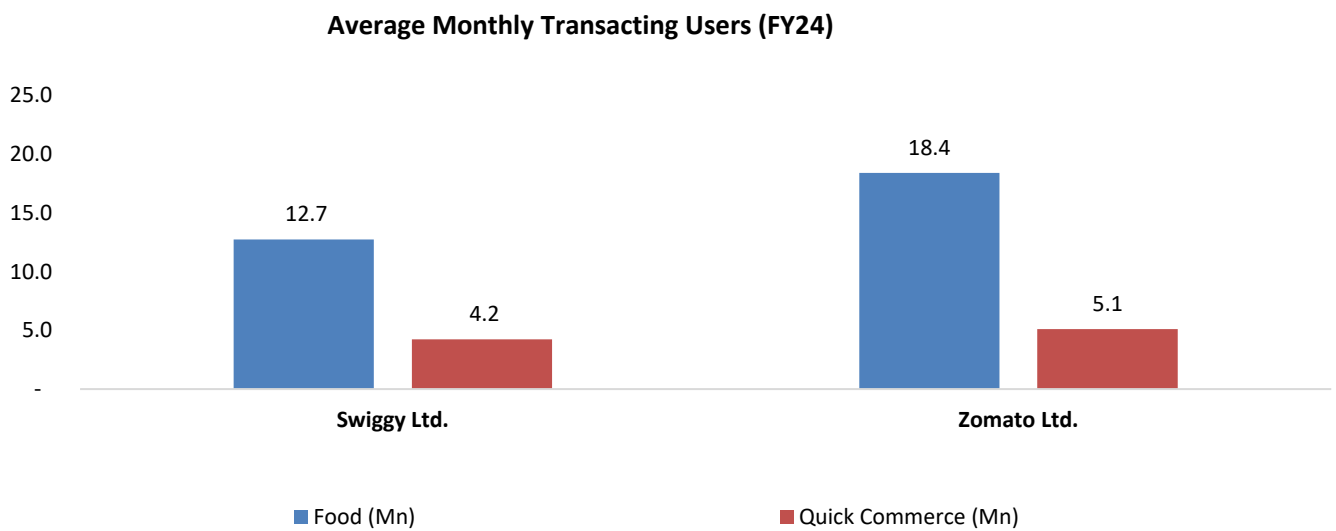
Source: RHP, SSL Research

4. Food Delivery Vertical



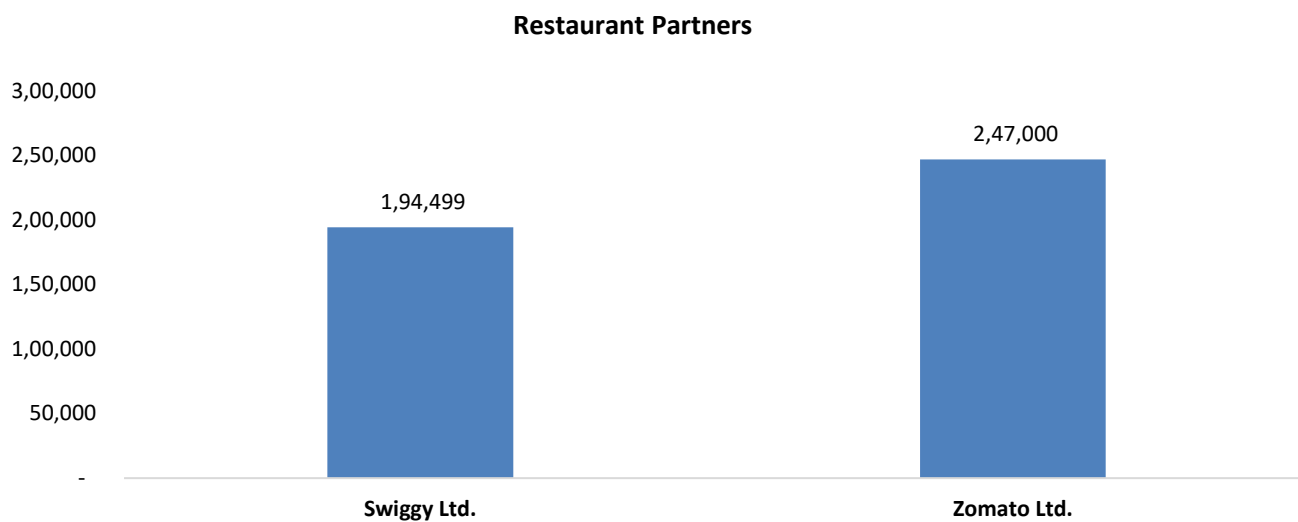
Source: RHP, SSL Research

5. Average Monthly Transacting Users



Source: RHP, SSL Research

6. Restaurant Partners



Source: RHP, SSL Research

7. Quick Commerce

Particulars	Swiggy Ltd.	Zomato Ltd.
Average Order Value (Rs)	460.0	613.0
Total no. of Orders (Mn)	175.5	203.0
Stores (Nos)	581	526
Cities (Nos)	32	26
Warehouse Capacity (Mn. Sqft.)	2.7	4.8

Source: RHP, SSL Research

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IRDA/RW/IR2/2015/081 | IRDA/RW/IR1/2016/041 | IRDA: CA0103

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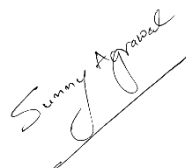
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