

# Swiggy Ltd IPO

Recommendation: **AVOID**

Food

Swiggy, founded in 2014 and based in Bangalore, has evolved from a food delivery startup to one of India's largest online food and quick commerce platforms, serving over 580 cities. Initially focused solely on connecting users with a wide network of restaurants, Swiggy has built a reputation for fast deliveries and reliable service, with features like live order tracking, in-app support, and multiple payment options. Beyond food, Swiggy has diversified to meet broader urban lifestyle needs through Swiggy Instamart, a quick commerce service for grocery and daily essentials with 15–30-minute delivery times, and Swiggy Genie, which facilitates same-day delivery of packages, documents, and essentials within cities. This range of services has positioned Swiggy as a go-to platform for convenience in India's bustling metropolitan areas.

## Issue Snapshot

Details	Information
Date of Opening	6th November 2024
Date of Closing	8th November 2024
Price Band (Rs)	371- 390
Offer for Sale (Rs cr)	721
Fresh Issue (Rs cr)	4,499
Issue Size (Rs cr)	11,327
Face Value (Rs)	1
Registrar	Link Intime India Private Limited
Bid Lot	9 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NII shares	15%
Shareholding Pattern (Pre-Issue)	63%
Shareholding Pattern (Post-Issue)	53%

### Unified app for consistent user experience across services

Swiggy has a single app for its services- food delivery, quick commerce, and other services. The unified app approach and high frequency offerings helps increase user engagement across multiple offerings, ensures user stickiness, and enables the quick introduction of adjacent and new offerings cost-effectively. This creates an opportunity for cross-selling helping lower consumer acquisition costs. For example, it can tap into the Food Delivery fleet during non-meal hours to service Quick Commerce orders, which helps meet delivery expectations and fulfil orders efficiently. The company also offers dining out, event booking and other services

### Quick Commerce penetration

As of September 10, 2024, Instamart has expanded its footprint in India with a network of 605 active dark stores across 43 cities, a strategic move to capitalize on the rapidly growing quick commerce sector. The share of quick commerce in the online retail market has surged from approximately 0.14% in 2018 to 4.8% in 2023. Projections indicate a continued fast-paced growth of 60-80% annually until 2028, with penetration rates anticipated to reach between 17-30% of online retail, translating to a market size of ₹2,320-4,240 billion (US\$ 29-53 billion). However, entry into this lucrative market segment is complicated by challenges such as managing delivery fleets, potential channel conflicts between scheduled and on-demand delivery models, and the optimization of fulfillment networks.

### Valuation and View:

While the lower valuations are attractive but the consistent loss-making nature of business and negative cashflows is denting the sentiments. We recommend to AVOID due to the above reasons

Food

## Financial Income Statement

(Rs mn)	FY22	FY23	FY24
<b>Revenue from operations</b>	<b>57,049</b>	<b>82,646</b>	<b>1,12,474</b>
Other income	4,149	4,499	3,870
<b>Total Income</b>	<b>61,198</b>	<b>87,145</b>	<b>1,16,343</b>
<b>Expenses</b>			
Cost of materials consumed	511	720	611
Purchases of stock-in-trade	22,245	33,020	45,548
Changes in inventories of stock-in-trade	(75)	69	(116)
Employee benefits expense	17,085	21,298	20,122
Finance costs	484	582	714
Depreciation and amortisation expense	1,701	2,858	4,206
Other expenses			
Advertising and sales promotion	20,051	25,012	18,508
Delivery and related charges	20,688	28,349	33,511
Others	13,056	16,936	16,372
<b>Total Expenses</b>	<b>95,745</b>	<b>1,28,844</b>	<b>1,39,474</b>
Loss before share of loss of an associate, exceptional items and tax	(34,547)	(41,699)	(23,130)
Share in net loss of an associate	(10)	(1)	(66)
Exceptional items	(1,732)	(93)	(306)
Loss before tax	(36,289)	(41,793)	(23,502)

## Cash Flow Statement

(Rs mn)	FY22	FY23	FY24
<b>Net cash used in operating activities (A)</b>	<b>(39,003)</b>	<b>(40,599)</b>	<b>(13,127)</b>
<b>Net cash flow from/ (used in) investing activities (B)</b>	<b>(91,601)</b>	<b>39,678</b>	<b>14,585</b>
<b>Net cash flow from/ (used in) financing activities (C)</b>	<b>1,36,342</b>	<b>(1,716)</b>	<b>(1,228)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>5,738</b>	<b>(2,637)</b>	<b>230</b>
Cash and cash equivalents acquired through business combination	0	0	136
Cash and cash equivalents at the beginning of the period/year	5,225	10,961	8,325
Cash and cash equivalents at end of the period/ year	10,961	8,325	8,691

## Balance Sheet

(Rs Crs)	FY22	FY23	FY24
<b>ASSETS</b>			
<b>Non-current asset</b>			
Property, plant and equipment	3,116	3,137	4,528
Right-of-use assets	4,622	5,458	5,878
Goodwill	109	3,258	6,965
Other intangible assets	163	3,197	3,043
Investment in associates	-	670	604
<b>Financial assets</b>			
Investments	12,801	16,164	13,822
Other financial assets	573	805	949
Income tax assets	1,092	1,575	1,603
Other assets	247	315	536
<b>Total non-current assets</b>	<b>22,722</b>	<b>34,579</b>	<b>37,927</b>
<b>Current assets</b>			
Inventories	177	106	487
<b>Financial assets</b>			
Investments	90,680	48,572	37,285
Trade receivables	11,120	10,623	9,639
Cash and cash equivalents	10,961	8,325	8,871
Bank balances other than cash and cash equivalents	77	314	38
Other financial assets	3,199	6,519	8,268
Other assets	5,123	3,768	2,780
<b>Total current assets</b>	<b>1,21,337</b>	<b>78,227</b>	<b>67,366</b>
<b>Total assets</b>	<b>1,44,059</b>	<b>1,12,806</b>	<b>1,05,293</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	9	27	30
Instruments entirely equity in nature	1,55,625	1,55,625	1,55,733
Other equity	(32,965)	(65,086)	(77,848)
<b>Total equity</b>	<b>1,22,669</b>	<b>90,566</b>	<b>77,915</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	-	-	960
Lease liabilities	4,087	4,446	4,671
Other financial liabilities	186	374	-
Contract liabilities	-	-	290
Provisions	277	385	391
<b>Total non-current liabilities</b>	<b>4,550</b>	<b>5,205</b>	<b>6,312</b>
<b>current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	-	-	1,152
Lease liabilities	995	1,550	1,589
Trade payables	9,561	8,732	8,809
Other financial liabilities	3,826	3,917	6,394
Contract liabilities	227	350	209
Other liabilities	1,622	1,667	18,957
Provisions	606	819	787
<b>Total current liabilities</b>	<b>16,838</b>	<b>17,035</b>	<b>21,067</b>
<b>Total equity and liabilities</b>	<b>1,44,057</b>	<b>1,12,806</b>	<b>1,05,293</b>

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