November 2024

Initiating Coverage | Sector: Internet

Swiggy

"Quick" commerce, delayed gratification

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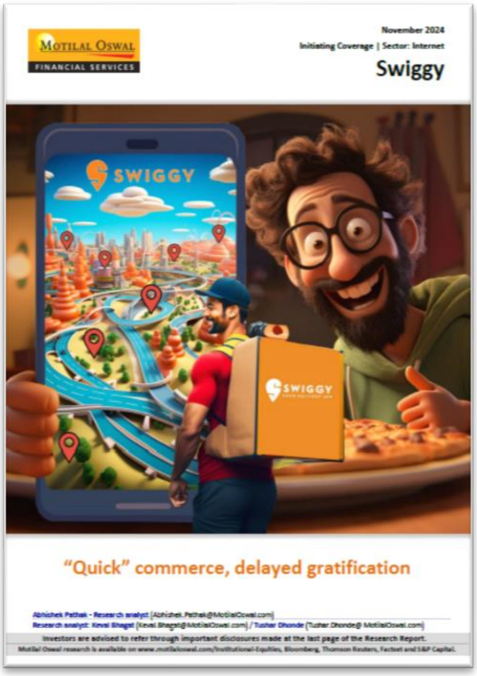


“Quick” commerce, delayed gratification

- Swiggy's unified platform has become essential for urban consumers, covering everything from food delivery to grocery needs in one app. Leveraging a unique blend of convenience, high-frequency offerings, and user stickiness, Swiggy stands out in the competitive landscape. While Zomato currently holds the lead in food delivery and quick commerce businesses, Swiggy's all-in-one app strategy enables strong cross-utilization across services and better operational efficiency.
- We believe quick commerce is a once-in-a-lifetime opportunity to disrupt how Indian consumers shop for not just groceries but a variety of essential and non-essential goods, and Swiggy could be a top 3 player in an exponentially growing market. Current numbers, however, suggest that despite being an innovator and a category inventor across both food delivery and quick commerce, Swiggy has let its leadership slip away. Tight execution and better leveraging its platform can fix these issues, in our opinion, though.
- Overall, Swiggy is well-positioned to capitalize on this growth by expanding its customer base, increasing the order volumes and values, and improving its unit economics and profitability. We initiate coverage with a NEUTRAL rating and a TP of INR475.

Swiggy

BSE Sensex	S&P CNX
77,580	23,533

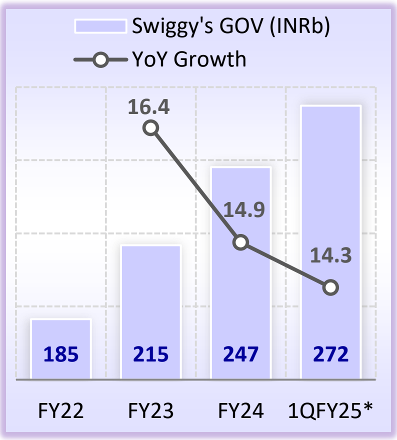
CMP: INR422 **TP: INR475 (+13%)** **Neutral**

Bloomberg	SWIGGY IN
Equity Shares (m)	2238
M.Cap.(INRb)/(USDb)	964.1 / 11.4
52-Week Range (INR)	489 / 390
1, 6, 12 Rel. Per (%)	-/-/-
12M Avg Val (INR M)	39089

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
GOV	303.1	387.8	463.0
Net Sales	151.6	203.2	260.1
Change (%)	34.8	34.0	28.0
EBITDA	-16.2	-3.8	10.4
EBITDA margin	-10.7	-1.9	4.0
Adj. PAT	-17.0	-6.1	5.1
PAT margin (%)	-11.2	-3.0	1.9
RoE (%)	-18.4	-5.9	4.9
RoCE (%)	-21.1	-9.1	1.9
EPS (INR)	-7.3	-2.6	2.1
EV/ Sales	6.2	4.7	3.7
Price/ Book	9.3	9.8	9.4

Food delivery business – GOV (INR b) and YoY growth (%)



*on annualized basis

"Quick" commerce, delayed gratification

Swiggy's innovator DNA crucial to its success, but it needs better execution to catch up to its rivals

- **Swiggy's unified platform has become essential for urban consumers, covering everything from food delivery to grocery needs in one app. Leveraging a unique blend of convenience, high-frequency offerings, and user stickiness, Swiggy stands out in the competitive landscape. While Zomato currently holds the lead in food delivery and quick commerce businesses, Swiggy's all-in-one app strategy enables strong cross-utilization across services and better operational efficiency.**
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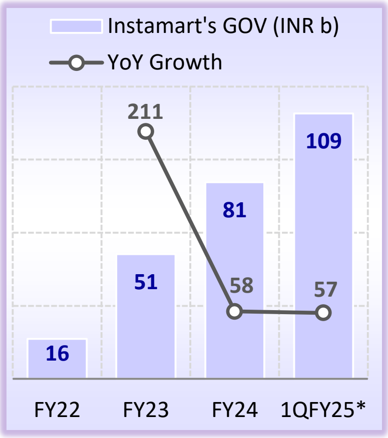
A key player in the quick commerce 'battle royale'

- We believe the quick commerce revolution could be one of the most significant innovations of the 21st century in India and will pave the way for organized retail in the country.
- Due to the peculiar characteristics of the Indian consumer and the Indian topography, Q-commerce offers the perfect balance between the highly cost-effective but impractical modern retail and the low-quality, high-priced approach of Kirana stores.
- Quick commerce is not just disrupting groceries but is also knocking at the door of e-commerce, electronics, and a whole range of other categories.
- We believe Swiggy will be one of the key players to participate in this 'battle-royale'. It may not necessarily emerge as the No. 1 player, but we expect it to be one of the top three players in this industry, and this could be quite rewarding considering the size of the Q-commerce opportunity.

Profits: Delivered in time for food; could be slower for Q-commerce

- Swiggy's food delivery business has achieved stable unit economics, and we expect margins in this business to improve gradually.
- We expect contribution margins for the FD business to improve from 6.4% currently (vs. 7.6% for Zomato) to 9.0% in FY28 (8.7% for Zomato).
- **Zomato profitability trends:** Before its IPO, Zomato's food delivery business had a contribution margin of -11.2% in FY20, which has improved to 6.9% by FY24. This increase in profitability can be attributed to higher commission (platform fees) and reduced variable costs. Additionally, the adjusted EBITDA in FY20 was -20.5%, and it has now turned positive, reaching 2.8% in FY24.

Q-commerce (Instamart) – GOV (INR b) and YoY growth (%)



*on annualized basis

- Swiggy's food delivery business model is now established, and similar to Zomato, we expect only a gradual, but continual, improvement in profitability for Swiggy over the medium to long term.
- The gap between Instamart and Blinkit, however, is enormous: Instamart's 3.2% contribution margin pales in comparison to ~4% for Blinkit.
- On a closer analysis, however, the gap is entirely attributable to: 1) lower AOVs, and 2) lower take rates. On mid-mile and last mile variable costs, Instamart is, strikingly, better than Blinkit.
- This is encouraging: Swiggy's unified platform should allow it to mine its customers better and extract higher AOVs for its Instamart business. Further, it needs to monetize this platform better for ad-sales and other value-added services for FMCG brands.
- We expect fixed costs to remain elevated as it invests in opening more dark stores.

Swiggy's unified app strategy differentiates it from competition

- Swiggy stands out as India's only unified app that seamlessly supports urban users' food-related needs, from ordering in and dining out to cooking at home—all through a single platform.
- Swiggy's approach of an integrated app offering vs. Zomato's multi-app approach (both at the back and the front end) helps it innovate faster (Instamart was born out of a similar synergy).
- We believe that the combined effects of a unified approach and its high-frequency offerings maximize cross-utilization of its user base across multiple services, promoting user stickiness. This strategy also supports the efficient and cost-effective rollout of adjacent services and new offerings.
- Admittedly, the concept of a ***super app*** has not been as successful in India as it has been in China; however, Swiggy is one of the few names to have bucked the trend.

Swiggy vs. Zomato: Currently second best, but the battle has just begun

- A cursory glance through the numbers below indicates Zomato now has market leadership across food delivery and quick commerce, the two key battleground areas for the players.
- While Zomato is undeniably Primus inter pares, the war for the wallet share of the urban affluent consumer has just begun, and it is too early to call off the game. Zomato has continued to gain market share in food delivery, but based on GOV/MTU, Swiggy's cohorts appear more mature and stickier.
- In quick commerce, despite Swiggy's Instamart inventing the category, Blinkit has taken an early lead, and Zepto continues to execute well.
- The market is nascent; however, enough avenues exist to differentiate on SKUs and strategy, making it too early to declare winners (or losers).

Key financial assumptions

- For Swiggy's food delivery business, we expect the GOV to clock 22.6%/27.9%/19.4% YoY growth over FY25E/FY26E/FY27E. The food delivery business is expected to clock an contribution margin of 6.8%/7.6%/8.5%over FY25E/FY26E/FY27E. Adj. EBITDA margin will turn positive at around 1.0%/2.4%/3.7% during FY25E/FY26E/FY27E from -0.2% in FY24.

- Quick commerce GOV is expected to generate strong growth of 64.5%/67.1%/56.0%during FY25E/FY26E/FY27E.
- Quick commerce is expected to reach a positive contribution margin, with an average margin of 2.7% projected from FY25 to FY29.
- The average adjusted EBITDA margin will improve, though it will remain slightly negative at -7.5/-3.0%/-0.9% for FY25E/FY26E/FY27E.
- Overall, Swiggy reported a PAT margin of -20.9% (loss of INR23.5b) in FY24. We expect it to turn profitable by FY27, with a PAT margin of 1.9%.

Innovator DNA crucial to success, but execution key; initiate with NEUTRAL

- We believe the quick commerce revolution could be one of the most significant innovations of the 21st century in India and will pave the way for organized retail in the country. Food delivery could yet go through a similar, if milder, S curve as consumption habits change with economic growth.
- Swiggy's, through its innovation DNA, has played a pivotal role in both food delivery and quick commerce, effectively inventing these categories and leading the way.
- That said, it has let its lead slip in food delivery and is currently behind its key rival Blinkit in quick commerce on both GOV growth and profitability. While the quick commerce race is just getting started, Swiggy's re-rating depends on accelerating GOV growth, increasing AOVs, and improving execution in the quick commerce business.
- We expect food delivery orders to grow at 12.3% annually, with an AOV growth of 1.7%, leading to a GOV growth of 14.2% over FY24-37E (21% GOV CAGR over FY24-29E). Quick commerce is expected to grow faster, with orders increasing at 22.3% annually, AOV growth at 3.3%, and GOV growth at 26.3% (55% GOV CAGR over FY24-29E).
- We value the business using DCF methodology for food delivery, quick commerce, supply chain, and distribution, assuming WACC of 12.5% and a terminal growth rate of 6.5%. Additionally, we value the out-of-home consumption segment at 1x EV/GMV. **Our DCF yields a TP of INR475** (which implies a FY27E EV/Sales of 4.1x Vs Zomato's FY27E EV/Sales of 5.5x)**, and we initiate coverage with a NEUTRAL rating on the stock.**
- **Key downside risks**: 1) Inefficient management or being unable to scale dark stores as planned may impact quick commerce profitability; 2) high user retention and acquisition costs; 3) limited ability to expand margins in food delivery and quick commerce businesses, which could delay valuation re-rating; and 4) intense competition in food delivery, quick commerce, and out-of-home sectors, which challenges its market position.
- **Key catalysts for a rating upgrade: 1) higher AOVs in quick commerce coupled with higher GOV growth, leading to market share gains; 2) improving take rates in quick commerce;** and 3) faster-than-expected GOV growth in food delivery.

Exhibit 1: Peer Comparison

	EV/GMV			EV/Sales			EV/EBITDA		
	FY25E/ CY24E	FY26E/ CY25E	FY27E/ CY26E	FY25E/ CY24E	FY26E/ CY25E	FY27E/ CY26E	FY25E/ CY24E	FY26E/ CY25E	FY27E/ CY26E
Zomato	3.9	2.5	1.6	13.2	8.0	5.5	NA	NA	NA
DoorDash	0.8	0.6	0.5	6.0	5.1	4.4	34.1	24.6	19.0
Just Eat Takeaway^	0.1	0.1	0.1	0.6	0.6	0.5	6.9	5.6	4.8
Deliveroo#	0.3	0.3	0.2	0.9	0.8	0.7	14.5	10.1	7.4
Delivery hero^	0.3	0.2	0.2	1.3	1.2	1.0	20.1	13.0	9.9
Meituan^^	-	-	-	3.1	2.6	2.3	22.3	17.3	13.9
Grab	0.5	0.4	0.3	4.4	3.8	3.3	45.5	27.8	17.8
Average	**1.0**	**0.7**	**0.5**	**4.2**	**3.2**	**2.6**	**23.9**	**16.4**	**12.1**
Swiggy	**2.5**	**1.8**	**1.3**	**7.1**	**5.3**	**4.1**	**NA**	**NA**	**NA**

Source: Bloomberg estimates, MOFSL

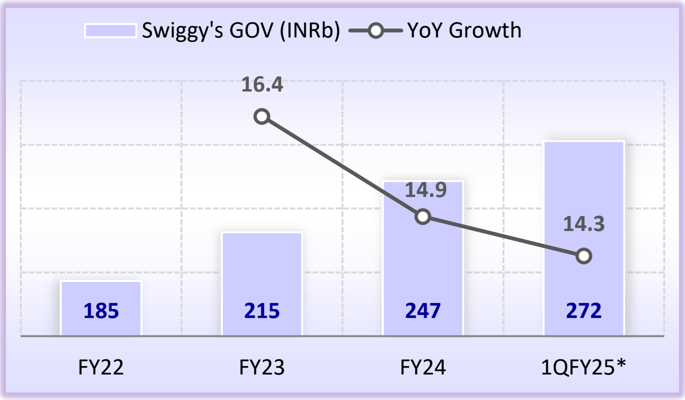
* All companies, except Zomato and Swiggy, have followed CY as FY. Thus, their figures are for CY24e to CY26e

** For all companies, except Zomato and Swiggy, GMV figures are estimated based on previous 3 years growth and Sales/EBITDA figures are from Bloomberg; ^Figures are converted into USD from EUR.; #Figures are converted into USD from GBP.; ^^ GMV for Meituan is not available.

STORY IN CHARTS

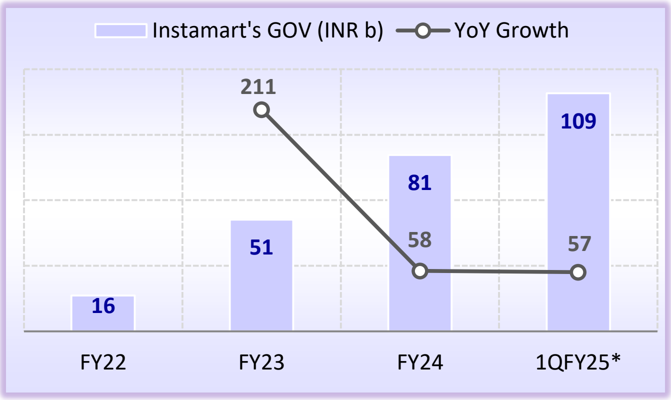
Investment arguments

Food delivery business – GOV (INR b) and YoY growth (%)



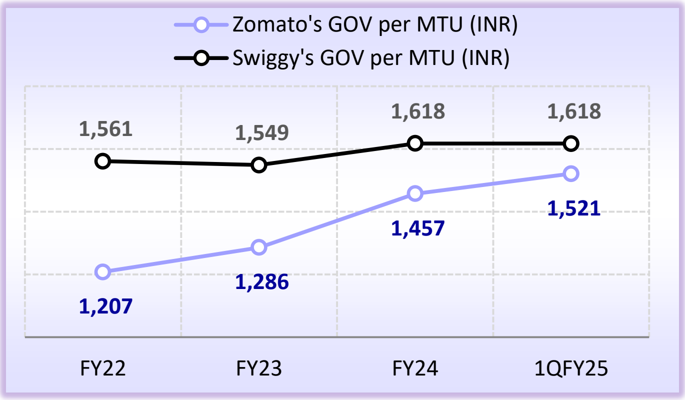
*on annualized basis

Q-commerce (Instamart) – GOV (INR b) and YoY growth (%)

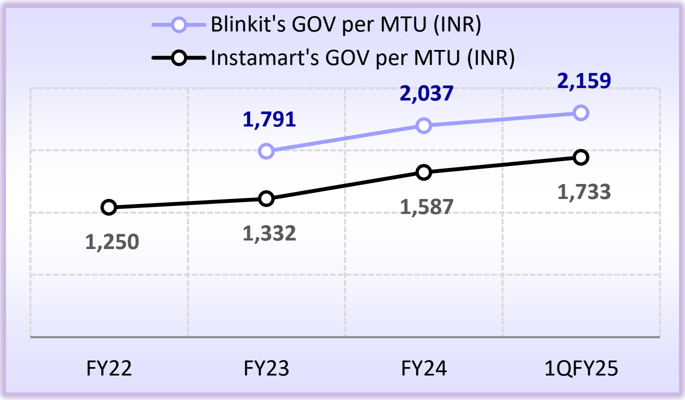


*on annualized basis

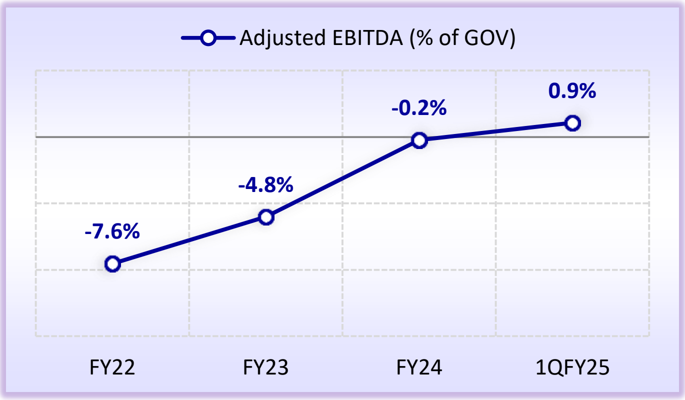
GOV per MTU is higher for Swiggy



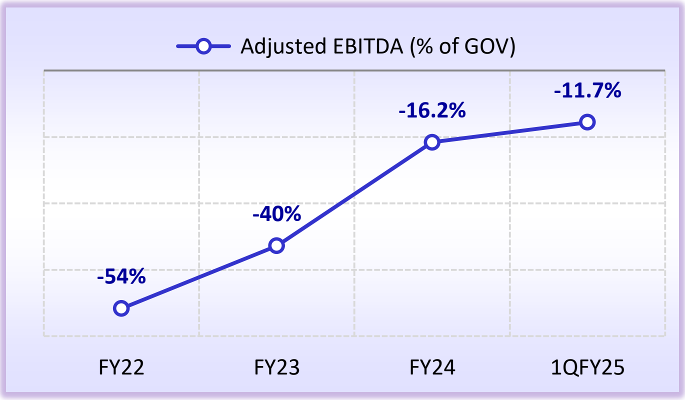
Blinkit's higher GOV per MTU driven by elevated take rates



FD's adj. EBITDA turns positive in 1QFY25



Q-commerce's adj. EBITDA is inching break-even



Company overview

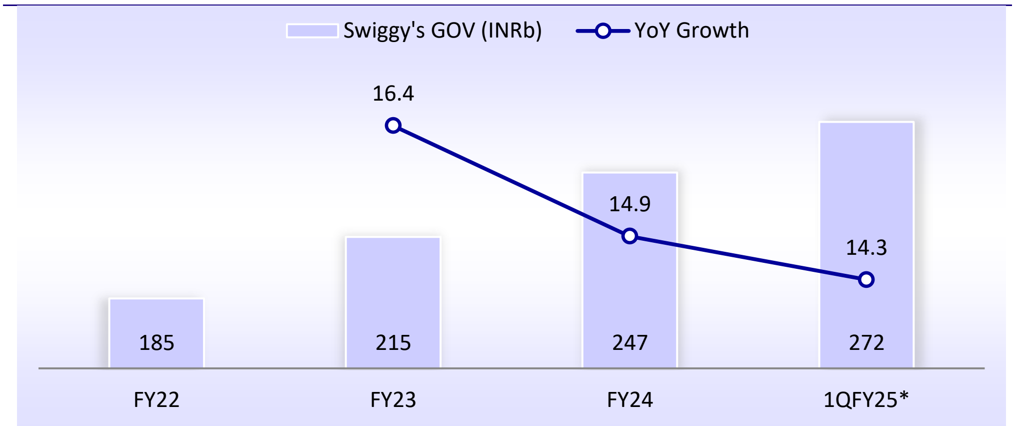
Swiggy pioneered quick commerce in India with the launch of Instamart in 2020, offering on-demand grocery and a growing array of household items delivered to the users in less than 10-15 minutes.

- Swiggy offers an easy-to-use convenience platform, accessible through a unified app – to browse, select, order, and pay for food, groceries, and other household items – and have the orders delivered to the doorstep through its on-demand delivery partner network.
- Its platform can be used to make restaurant reservations (through Dineout) and for event bookings (SteppinOut), avail product pick-up/drop-off services (Genie), and engage in other hyperlocal commerce (Swiggy Minis, et al.) activities.
- Currently, Swiggy offers its food delivery service in 681 cities across India, serving ~14m users through a network of 224k restaurant partners.
- Swiggy also pioneered quick commerce in India with the launch of Instamart in 2020, offering on-demand grocery and a growing array of household items delivered to users in less than 10-15 minutes. The company has scaled quick commerce through its offerings to 43 cities, delivering a wide array of ~19k SKUs via a dense network of 557 active dark stores.

Food delivery:

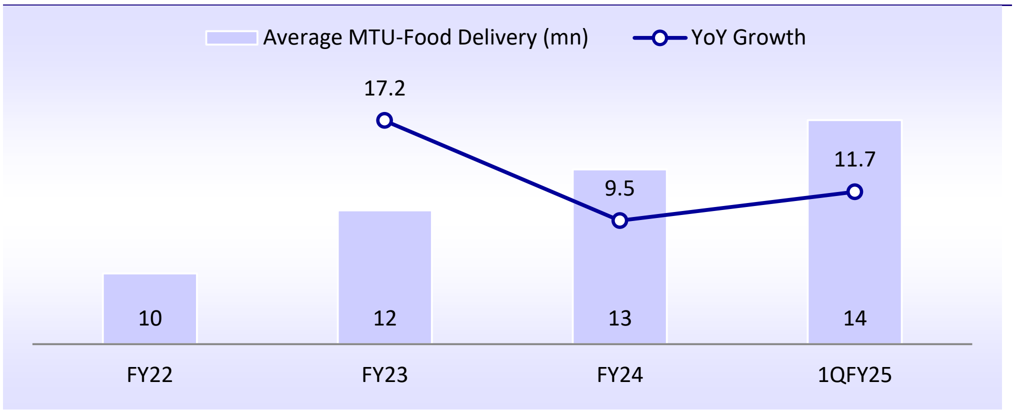
- Swiggy's food delivery segment remains its primary business, contributing 67% to its total GMV. It offers a comprehensive on-demand food delivery service, connecting customers with a wide range of restaurant partners via its app and website.
- Swiggy's food delivery GOV has grown at a CAGR of 16% over FY22-FY24.
- Swiggy, albeit currently second behind its key rival Zomato, has been able to establish a stable duopoly in the food delivery market in India, and currently has a market share of 42%.
- This segment also provides targeted marketing and advertising support for restaurant partners, enhancing their visibility on the platform and driving traffic to their establishments.

Exhibit 2: Food delivery business – GOV (INR b) and YoY growth (%)



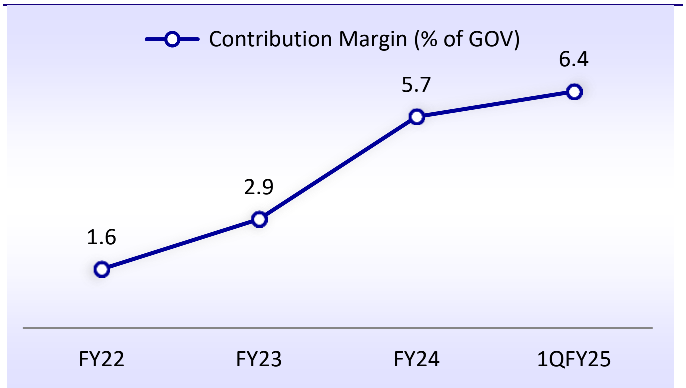
*on annualized basis , Source: Company, MOFSL

Exhibit 3: Food delivery business – average MTU (m) and YoY growth (%)



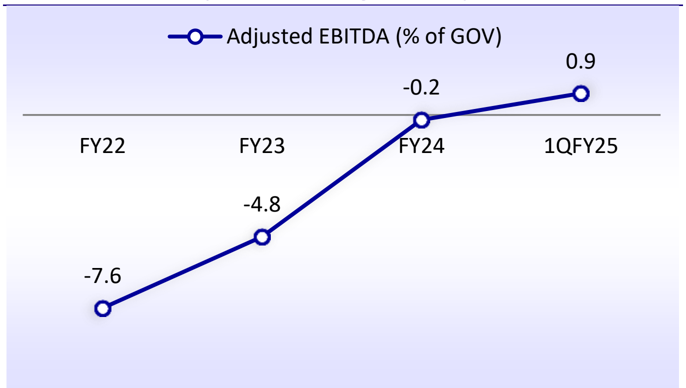
Source: Company, MOFSL

Exhibit 4: Food delivery's contribution margin improving...



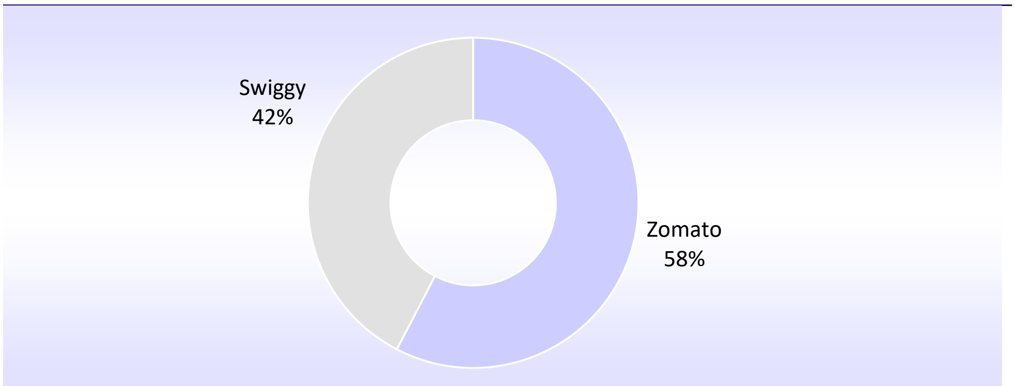
Source: Company, MOFSL

Exhibit 5: FD's Adj. EBITDA margin turns positive in 1QFY25



Source: Company, MOFSL

Exhibit 6: Market share of the food delivery business; 1QFY25 on annualized basis



*Values are taken for 1QFY25 on annualized basis, Source: Company, MOFSL

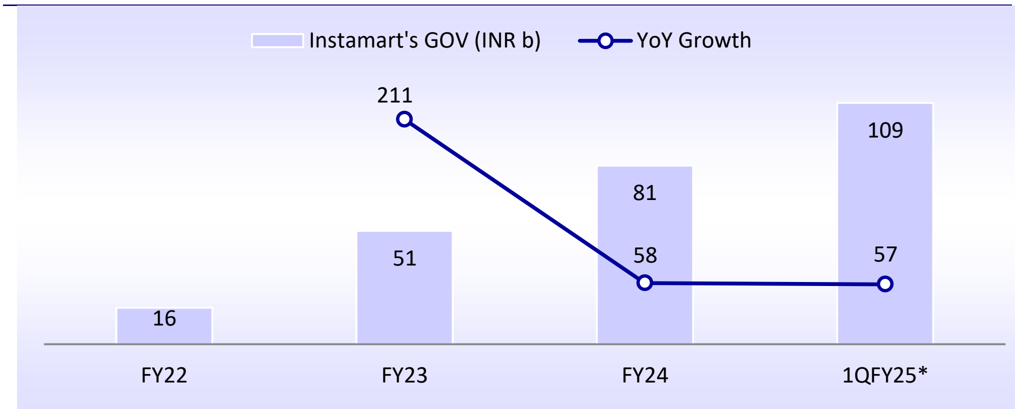
Instamart has rapidly gained traction and contributes significantly to Swiggy's overall growth, leveraging Swiggy's logistical expertise and real-time tracking capabilities for fast delivery.

Quick commerce (Instamart):

- Swiggy's quick commerce business, Instamart, caters to high-frequency purchases primarily of groceries and essential household items.
- Instamart uses data-driven inventory management, predicting demand patterns and stocking items accordingly to reduce stock-outs and optimize selection based on local customer preferences.
- Instamart's GOV of USD1.2b (annualized for 1Q25) contributes 27% to Swiggy's overall GOV; we expect Instamart to outgrow food delivery in the coming years. We anticipate Instamart's GOV to clock 60% CAGR over FY24-FY28 vs. 22% for food delivery.

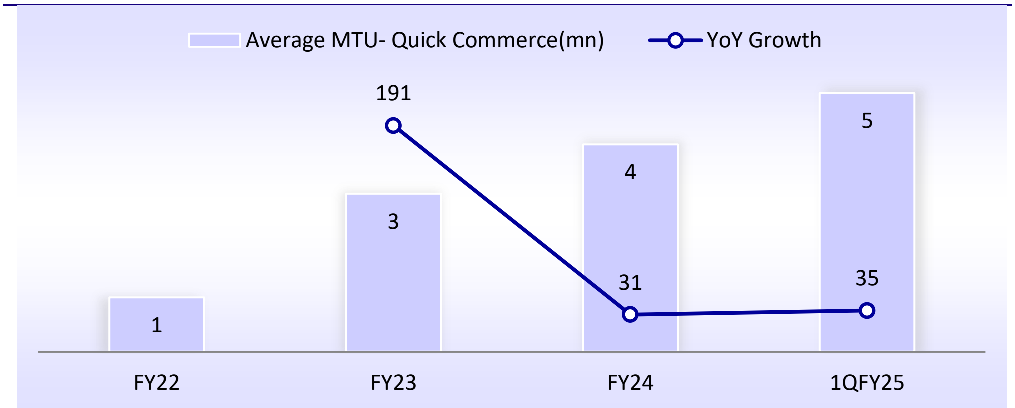
- The quick commerce service has expanded to include a variety of categories, such as packaged foods, beverages, and personal care items, contributing to an increase in average order value (AOV) since its launch.
- Instamart has rapidly gained traction and contributes significantly to Swiggy's overall growth, leveraging Swiggy's logistical expertise and real-time tracking capabilities for fast delivery.

Exhibit 7: Quick commerce (Instamart) – GOV (b) and YoY growth (%)



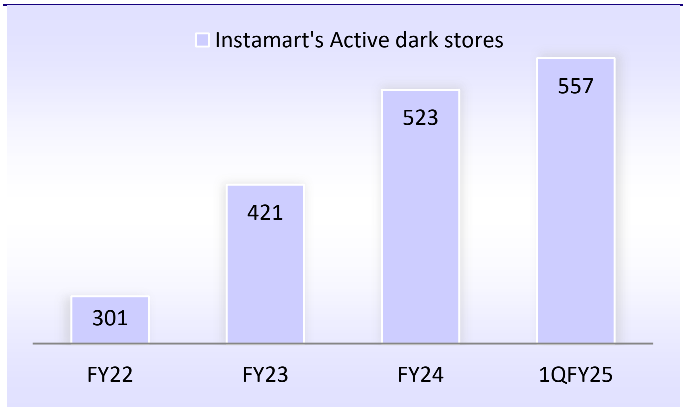
*on annualized basis, Source: Company, MOFSL

Exhibit 8: Quick commerce – average MTU (m) and YoY growth (%)



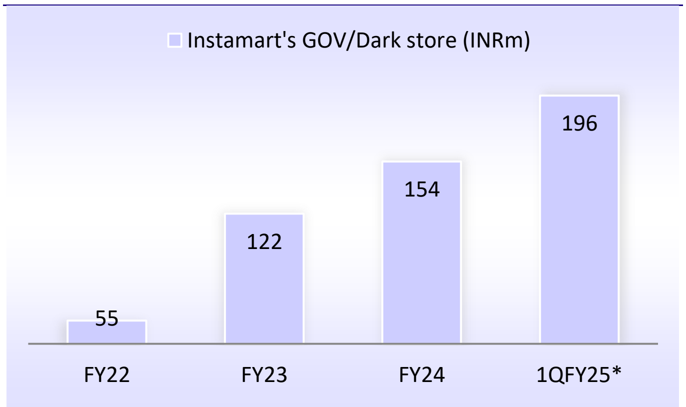
Source: Company, MOFSL

Exhibit 9: Instamart active dark stores reached 557 in 1Q



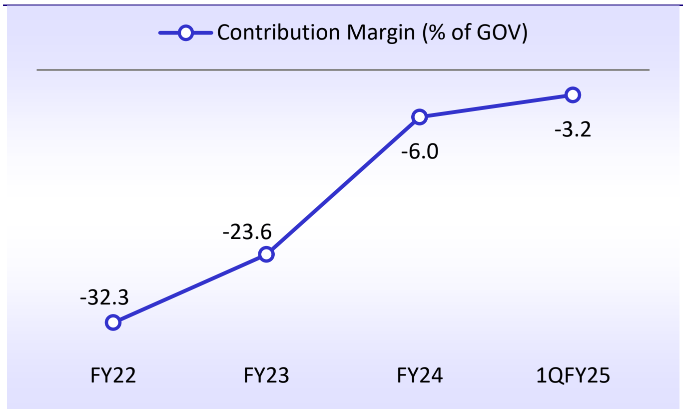
Source: Company, MOFSL

Exhibit 10: Instamart's GOV/Dark store steadily increasing



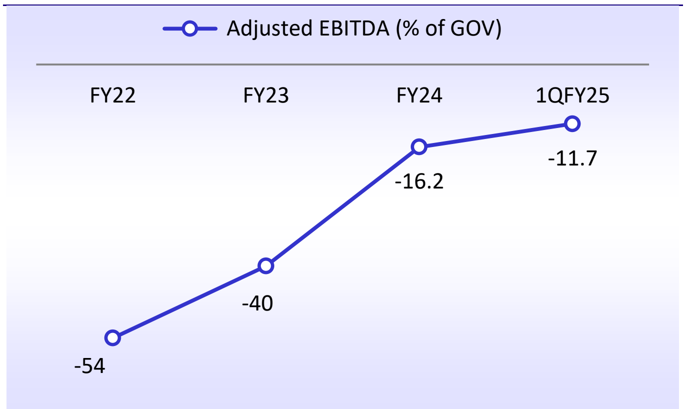
*On annualized basis, Source: Company, MOFSL

Exhibit 11: Contribution margin trails on path of break-even



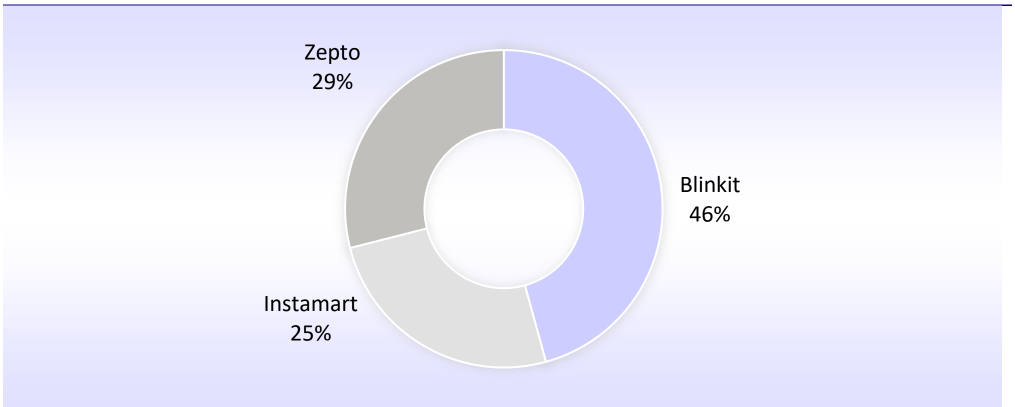
Source: Company, MOFSL

Exhibit 12: Q-Commerce reduces adj. EBITDA losses and reached -11.7% margins



Source: Company, MOFSL

Exhibit 13: Market share for quick commerce; 1QFY25 (on annualized basis)



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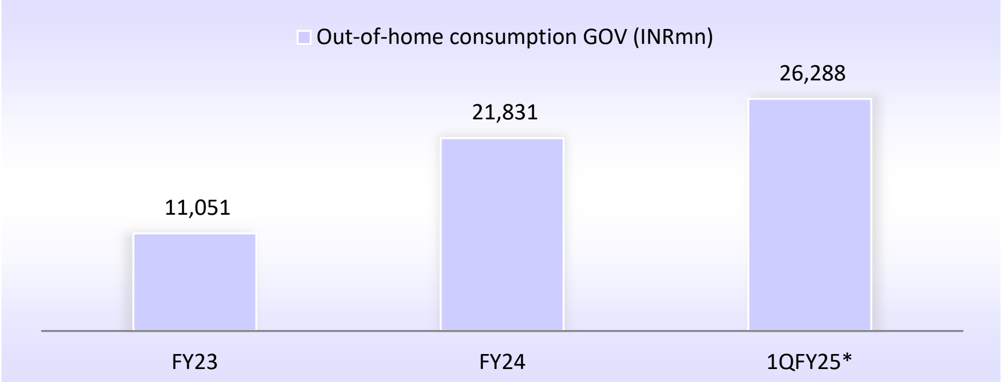
SteppinOut focuses on organizing and managing outdoor events, including music festivals, food and beverage events, and themed gatherings.

Out-of-Home consumption (Swiggy Dineout and SteppinOut):

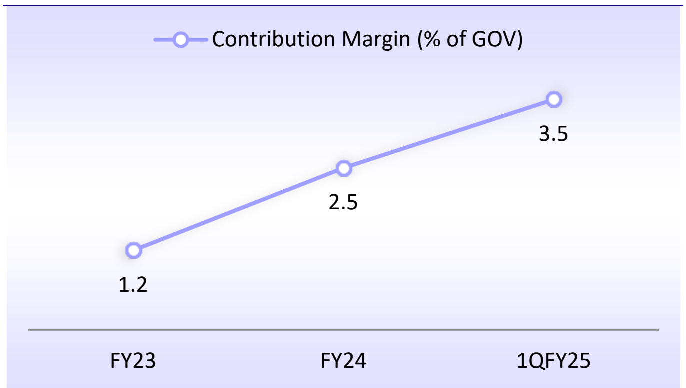
- Swiggy's Out-of-Home consumption category is primarily driven by two sub-brands: Swiggy Dineout and SteppinOut.
- Swiggy Dineout provides a platform for users to discover restaurants and make reservations.
- SteppinOut focuses on organizing and managing outdoor events, including music festivals, food and beverage events, and themed gatherings. This venture aligns with Swiggy's aim to expand into lifestyle experiences, catering to users interested in live entertainment and social activities.
- This business line leverages Swiggy's network and augments its presence in the lifestyle and dining sector, meeting the evolving preferences of the urban consumer who seeks quality dining and entertainment experiences.

Exhibit 14: Out-of-home consumption – GOV (INR m)



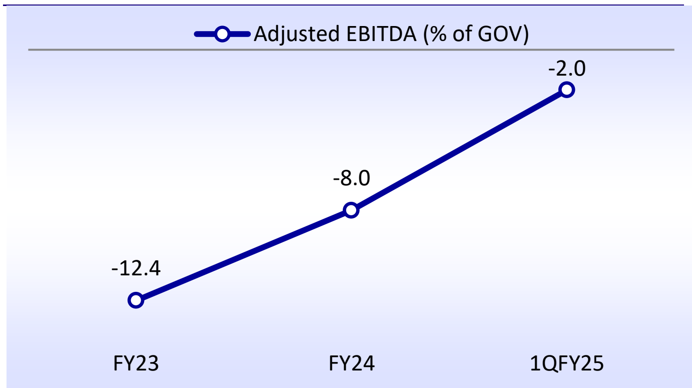
*On annualized basis Source: Company, MOFSL

Exhibit 15: Contribution margin shows a linear growth



Source: Company, MOFSL

Exhibit 16: Adj. EBITDA margin is set for accretion



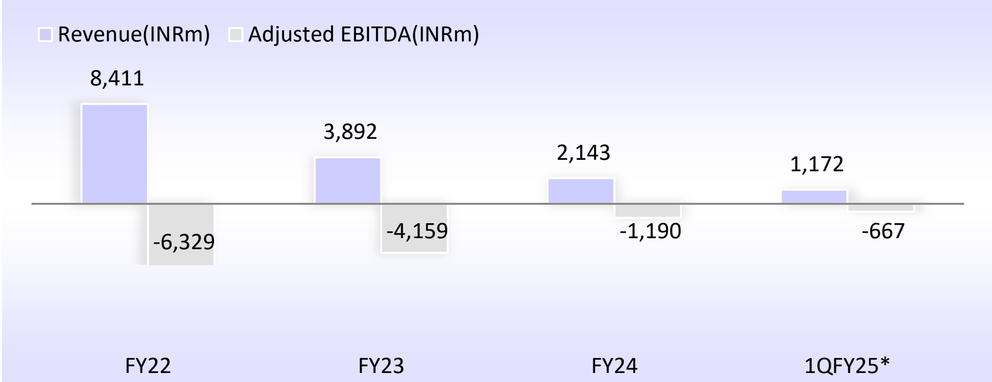
Source: Company, MOFSL

Platform innovations:

- This segment includes Swiggy's ongoing innovation programs. The platform innovations are evaluated for demand fit and profitability before scaling. Instamart, initially an innovation, became a core business line following positive user response. The segment currently includes:
- **Swiggy Genie**: An on-demand pick-up and drop-off service that allows users to send packages, retrieve items, and get products delivered across city locations.
- **Swiggy Minis**: This is a direct-to-consumer (D2C) platform that provides a marketplace for local brands, helping small businesses reach Swiggy's extensive customer base with easy delivery.
- **Swiggy One**: A subscription-based program that offers benefits such as free deliveries and discounts across Swiggy's services, including food delivery and Instamart. Swiggy One aims to increase user loyalty and repeat engagement by bundling perks across Swiggy's service portfolio.
- Instamart began as a platform innovation as well and was eventually introduced as a new category. Platform innovation revenue is erratic because Swiggy either scales up successful innovations into different categories or shuts them down based on their success.

This segment includes Swiggy's ongoing innovation programs. The platform innovations are evaluated for demand fit and profitability before scaling.

Exhibit 17: Adj. EBITDA for platform business has shown growth

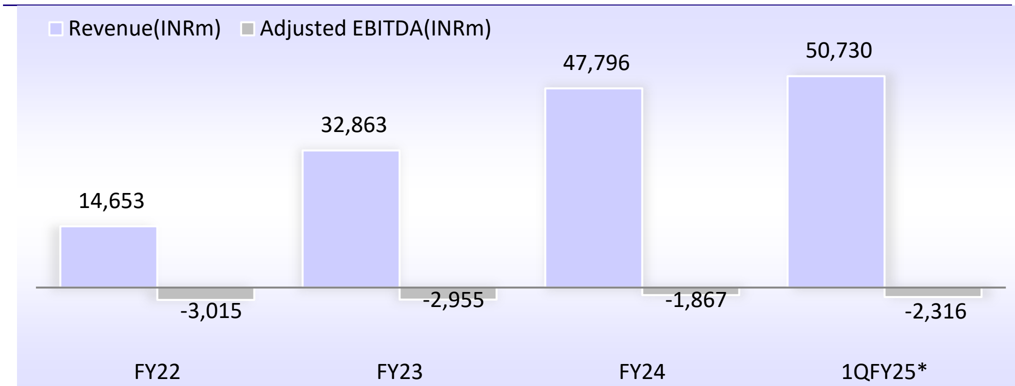


*Values are taken for 1QFY25 on annualized basis, Source: Company, MOFSL

Supply chain and distribution (Scootsy):

- Swiggy, through its subsidiary Scootsy, offers supply chain solutions focused on warehousing, fulfillment, and distribution for wholesalers and retailers. Scootsy supports brands with end-to-end warehousing solutions, including in-warehouse processing, packaging, and efficient inventory management.
- Scootsy's services extend to the distribution of products directly to customers or retail partners, leveraging Swiggy's logistic expertise for timely and cost-efficient delivery.
- Additionally, Swiggy partners with various brands to help expand their retail footprint in India. By providing fulfillment and distribution solutions, Scootsy enables these brands to reach a wider audience without the need for extensive in-house logistics infrastructure.
- This is a low-margin business, and revenue has grown at a decent clip of 80% over the last three years (FY22-FY24).

Exhibit 18: Revenue for supply chain has grown at 80% CAGR over FY22-24



*Values are taken for 1QFY25 on annualized basis Source: Company, MOFSL

Quick commerce a generational opportunity

Quick commerce could change grocery shopping in India and Swiggy stands to benefit from the same:

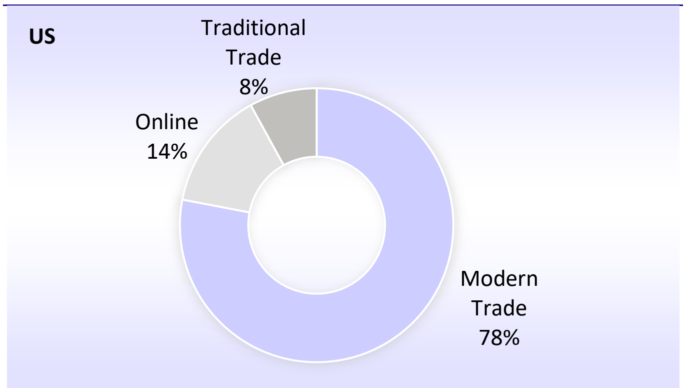
There is no doubt that quick commerce is fast becoming the battleground for dominance as incumbents raise capital and new entrants get ready to burn cash.

We believe the quick commerce revolution could be one of the most significant innovations of the 21st century in India and will pave the way for organized retail in the country.

Q1: What problem is quick commerce solving and who is it displacing?

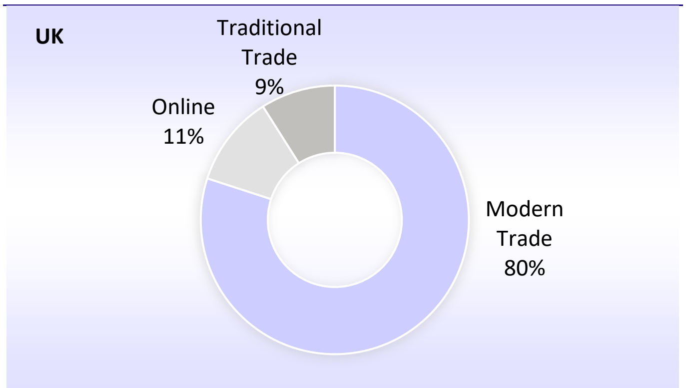
- The world over, mom-and-pop stores (or Kiranas) and modern retail have historically been the only two dominant forms of grocery retail. As an economy modernizes, the share of modern retail almost inevitably increases. This trend is fairly common across not just the western world but in Southeast Asia as well.

Exhibit 19: In the US, ~78% of trade happens through modern mediums…



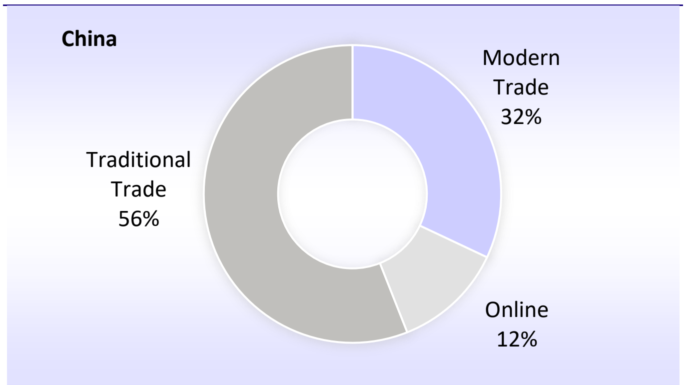
Source: Redseer, MOFSL

Exhibit 20: …the UK also follows the same pattern…



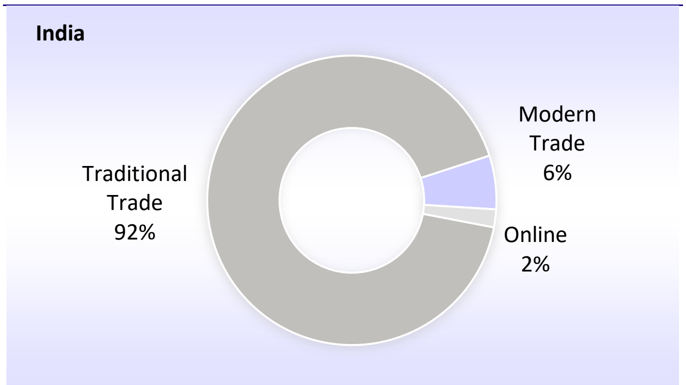
Source: Redseer, MOFSL

Exhibit 21: …but China's almost half of trade is still happening through traditional means…



Source: Redseer, MOFSL

Exhibit 22: …and India is still dominated by traditional trade with miniscule modern and Q-commerce.

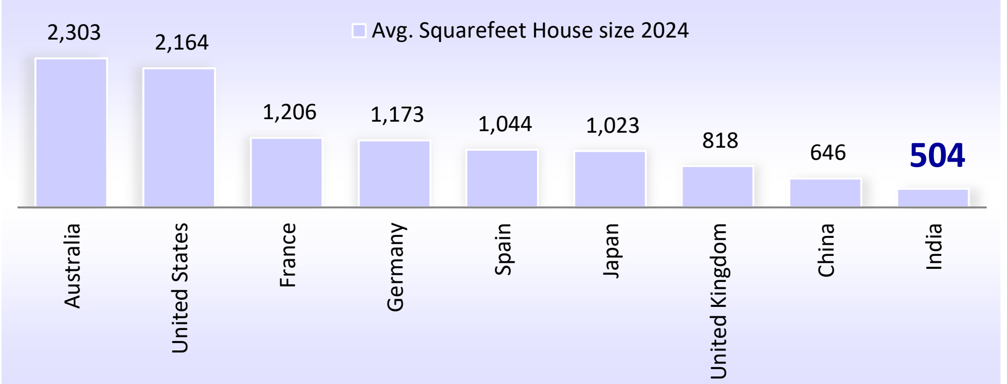


Source: Redseer, MOFSL

Modern retail could not scale up in India as like in other countries, mainly due to the low penetration of four wheelers, high population density, and a smaller home size.

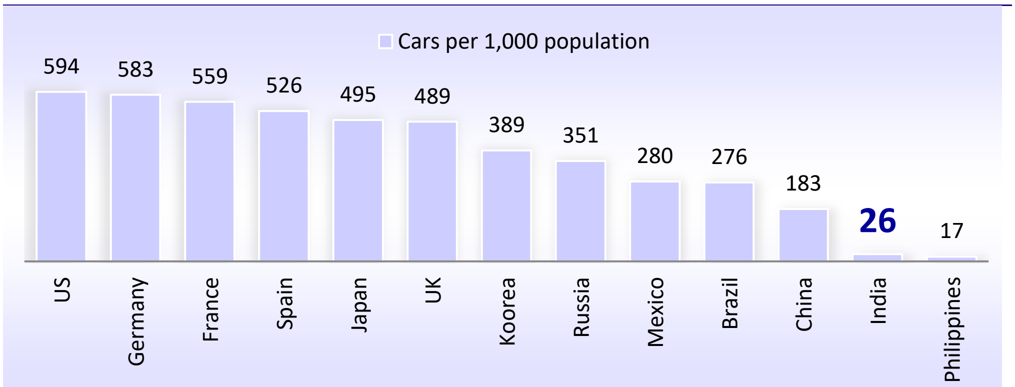
- **Population density plays a key role in the success of modern retail:** As shown in exhibit 24, organized modern retail in the form of sprawling supermarkets is the most cost-effective solution for slotted purchases for countries where population density is low and where the house sizes and pantries are large enough for storage.
- **India is different:** Modern retail could not scale up in India as like in other countries, mainly due to the low penetration of four wheelers, high population density, and a smaller home size. Owing to these factors, the Indian consumer has always bought groceries in small batches, often on a need-to-consume basis, and at much higher frequencies.

Exhibit 23: India is the lowest among major countries in terms of avg. sq. ft. house size



Source: World Population Review, MOFSL

Exhibit 24: Car penetration is significantly lower in India than developed nations and even compared to emerging nations like Brazil, Russia, and Mexico



Source: Hyundai DRHP, Int. Road Federation, CRISIL MI&A; Note: Data for CY21, India Data for FY24

- **Kirana 1-0 modern retail:** We compare the relative benefits of each retail channel across 5 key vectors: price, selection, convenience, quality, and ticket size. It is fascinating that despite having a clear advantage over the local kirana shop across two of the five metrics for packaged goods (price, assortment), modern retail has not been able to displace the neighborhood store’s proximity and AOV benefit (no minimum AOV as the store is a stone’s throw away).

Exhibit 25: Price comparison across platforms

Fruits and veggies	Product name	Rate metric (price/ kg etc.)	Kirana (MRP)	Dmart ready	Blinkit	Zepto	Instamart
Tomato		1 kg	50	75	70	66	70
Potato		1 kg	40	54	63	63	64
Lady finger		1 kg	90	130	96	100	100
Onion		1 kg	90	88	90	90	94
Cauliflower		1 pc (400-600gm)	50	80	73	68	65
Garlic		1 kg	400	575	590	585	620
Apple	Kashmir apple	4 pcs(500-700g)*	165	145	126	129	146
Banana	Banana Robusta	1 dozen	70	154	108	141	135
Guava		~500g	95	75	48	53	45
Papaya		1 pc	99	79	76	91	81
Eggs, meat, dairy							
Milk	Amul Taaza	500 ml	28	28	28	28	28
Eggs	Yojna Eggs	1 dozen	110	NA	106	105	110
Bread	Britania Whole Wheat Bread	400 g	55	55	55	55	51
Butter	Amul Butter	100 g	60	60	60	60	60
Paneer	Amul Fresh Malai Paneer	200 g	91	81	91	91	91
Dahi	Amul Masti curd	200 ml	23	22	23	23	23
Chicken	Zorabian pre-cut	500g	175	NA	175	166	165
Atta, Rice, Dal, oil							
Atta	Aashirvad Whole Wheat	5 kg	380	307	320	319	319
Sunflower oil	Fortune	1 ltr	180	145	145	144	144
Ghee	Gowardhan Cow Ghee	1 ltr	749	665	694	661	727
Salt	Tata Salt	1 kg	28	25	26	26	28
Sugar	Madhur	1 kg	65	55	55	56	55
Chana dal	Tata Sampanna- Unpolished	1 kg	240	199	167	153	170
Moong Dal	Tata Sampanna- Unpolished	1 kg	215	178	178	206	178
Brown Chana	Tata Sampanna- Unpolished	1 kg	174	158	161	170	160
Toor Daal	Tata Sampanna- Unpolished	1 kg	289	215	220	232	220
Biscuits, chips, beverages							
Glucose biscuit	Parle g	1 kg	150	99	128	128	128
Oreo	Cadbury	130 g	40	35	40	35	36
Hide and Seek	Parle G Platinum	100 g	30	27	29	27	28
Dark Fantasy	Sunfeast	75g	40	38	38	38	38
Monaco	Parle G	700 g	120	111	104	94	104
Bourbon	Britania	150 g	40	26	40	38	38
Chips	Lays -Magic Masala	1 packet	30	27	30	30	30
Zero Sugar Drink	Coke Zero	750ml	45	22	41	43	45
Soft drink 1	Coca Cola	750ml	45	NA	45	45	45
Soft drink 2	Sprite	750ml	45	NA	45	45	45
Snacks	Haldiram Bhujia	1 kg	270	199	235	243	235
Chocolate 1	Nestle Kitkat		30	25	30	30	30
Chocolate 2	Dairy Milk	52g	50	45	48	48	48
Juice 1	Tropicana Mixed Fruit	1 ltr	125	89	115	116	92
Juice 2	Real Active Orange	1 ltr	165	NA	145	145	145
Tea 1	Brooke Bond Red Label	1 kg	640	514	590	590	610
Coffee 1	Nescafe classic	90g	410	328	368	371	396
Tea 2 (premium	Brooke Bond Taj Mahal	250 g	235	200	235	235	235
Coffee 2 premium	Nescafe Gold	90g	675	539	675	650	625
Beauty and personal care							
Soap 1	Dove	Box of 4	480	295	450	409	463
Shampoo 1	Head and Shoulders	340 ml	410	232	328	369	328
Toothpaste	Colgate Maxfresh	150 g	140	129	126	120	128
Toothbrush	Sensodyne Sensitive toothbrush	1 pack	65	50	65	58	62
Shower gel	Dove Deep Moisture	800 ml	550	NA	440	425	385

Fruits and veggies	Product name	Rate metric (price/ kg etc.)	Kirana (MRP)	Dmart ready	Blinkit	Zepto	Instamart
Sanitary pads	Whisper choice	1 pack	120	109	99	108	108
Household essentials							
Detergent	Surf excel easy wash	1kg	152	135	152	151	141
Washing machine detergent	Surf Excel Matic top load	1ltr	220	175	220	218	199
toilet cleaner	Harpic	1 ltr	225	193	207	207	202
Scrubber	Scotch Brite sponge	1 pack	49	40	49	45	41
Floor cleaner	Lizol disinfectant	1 ltr	235	205	221	212	209

- **Enter quick commerce – the best of both worlds:** Quick commerce players are beating the Kirana stores on two key metrics: Price and Assortment, just like modern retail. The win, however, crucially comes from their ability to offer convenience and quality control (especially for fruits and veggies). Kirana stores, especially in tier 2-4 towns will be relevant for basket sizes less than INR200, but SKU optimization and better quality could move those purchases to quick commerce eventually.
- The comparison chart highlights how Quick Commerce (QC), Kirana stores, and Modern Retail stack up across key metrics:
  - **Price:** QC and Kiranas are moderately competitive, while Modern Retail leads with bulk pricing advantages.
  - **Selection:** Modern Retail has the best selection, with QC moderate and Kiranas limited in selection.
  - **Convenience:** QC leads in convenience with rapid delivery, slightly better than Kiranas and far ahead of Modern Retail.
  - **Quality:** QC and Modern Retail both score high on quality, especially for perishables, while Kiranas generally lack quality control and a customer lacks recourse in case of poor perishable product.
  - **Ticket size:** Kiranas perform well with low ticket sizes, ideal for small purchases; modern retail scores the least here, and QC is moderately beneficial.

Exhibit 26: Comparison across key metrics

Key Metrics	QC	Kirana	Modern retail
Price			
Selection			
Convenience			
Quality			
Ticket Size			

Source: MOFSL

TAM analysis

Quick commerce is not just disrupting groceries but is also knocking at the door of e-commerce, electronics, and a whole range of other categories. This section analyzes three likely scenarios for quick commerce expansion over the next five years across 10 key retail categories.

In the base case, **Q-Commerce** achieves moderate market penetration, with growth largely confined to high-frequency transactions in urban areas. This scenario reflects a stable but conservative adoption curve, wherein Q-Commerce achieves a **4% share** of the Food & Grocery sector and marginally penetrates segments like Consumer Electronics, Pharmacy & Wellness, and General Merchandise. Here are the key projections:

This scenario reflects a stable but conservative adoption curve, wherein Q-Commerce achieves a **4% share** of the Food & Grocery sector and marginally penetrates other segments.

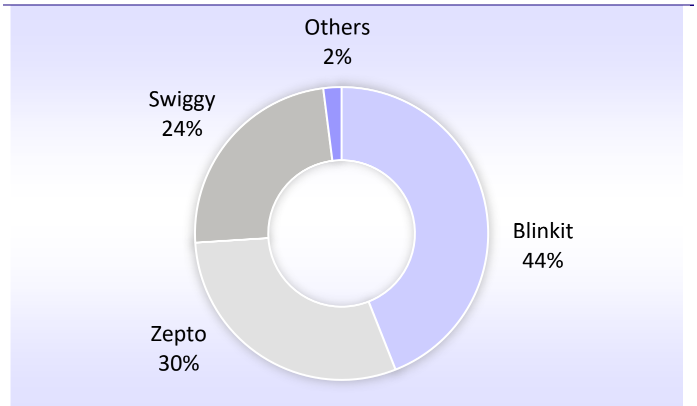
1. **Total GMV and growth rate**:
   - The Food & Grocery segment, which is the largest retail category by value in India, is expected to reach **USD877b** by 2028. With Q-Commerce projected to capture **3%** of this segment, it would drive ~**USD26.3b** in GMV.
   - Overall, Q-Commerce GMV across all relevant categories would total **USD29b** by 2028, assuming an **8% CAGR** across categories.
2. **Segment insights**:
   - **Food & Grocery** remains the primary revenue driver in this case, with minimal penetration in other categories.
   - Q-Commerce sees a slight role in **Consumer Electronics** and **Pharmacy & Wellness** due to rising demand for rapid delivery of essentials but plays an insignificant role in discretionary or high-ticket categories (e.g., Apparel and Jewelry).
3. **Competitive dynamics**:
   - **Blinkit** is expected to lead with a **44% market share**, translating to **USD12.9b** in GMV.
   - **Zepto** and **Swiggy** follow with **30%** and **24%** market shares each, respectively, leading to GMVs of ~**USD8.8b**
   - We also pencil in a ~2% market share for new entrants; these will likely be inefficient as compared to the three leaders mentioned above, but will have a small role to play nonetheless.
   - The competitive landscape in the base case remains intense, with players focused on achieving scale and operational efficiency in top urban centers to manage profitability challenges.

Exhibit 27: Base case scenario – 2028

Particulars	Growth CAGR (%)	USD b	Share of unorganized Retail (%)	Organized B&M (%)	Organized E-commerce	QCom-merce (%)	QComm-erce GMV- 2023	QCommer ce GMV - 2028	Comments
Food and Grocery	8.0	877	91.5	4.2	1.3	3.0	6	26.3	❖ 1% share taken from unorganized; 1% from modern trade
Apparel & Apparel Accessories	8.0	97	55.5	22.0	22.0	0.5	-	0.5	❖ Organized B&M & e-commerce to continue to increase- QCommerce to play minimal role
Non-Apparel Accessories	8.0	8	55.5	22.0	22.0	0.5	-	0.0	❖ Same as above
Watches	8.0	3	28.0	48.0	24.0	0.0	-	0	❖ No role to play for Q commerce
Jewelry	8.0	99	58.0	33.0	9.0	0.0	-	0	❖ No role to play for Q commerce
Consumer Electronics	8.0	93	N.A	55.0	44.0	1.0	-	0.9	❖ Smartphones and other personal/kitchen appliances to move online
Home & Living	8.0	54	68.1	10.9	20.0	1.0	-	0.5	
Pharmacy & Wellness	8.0	40	78.0	13.0	8.0	1.0	-	0.4	
Footwear	8.0	13	58.0	19.0	23.0	0.0	-	0	
Others - General merchandise	8.0	66	80.0	8.0	11.0	1.0	-	0.7	
Total GMV								**29**	

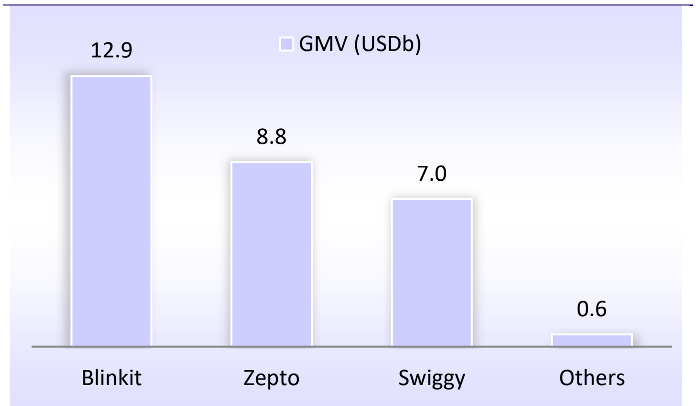
Source: MOFSL

Exhibit 28: Market share – Base case scenario



Source: MOFSL

Exhibit 29: Expected GMV across players – Base case scenario



Source: MOFSL

In the bull case, Q-Commerce experiences accelerated adoption due to broader urban and semi-urban penetration, better logistics, and a shift in consumer behavior favoring convenience for categories beyond Q-commerce.

Bull case scenario for Q-Commerce GMV (2028)

In the bull case, Q-Commerce experiences accelerated adoption due to broader urban and semi-urban penetration, better logistics, and a shift in consumer behavior favoring convenience for categories beyond Q-commerce. In this scenario, Q-Commerce captures **6%** of the Food & Grocery market and makes incremental gains across related categories.

1. **Total GMV and growth rate**:

- In this scenario, the **Food & Grocery** segment remains the core driver, with Q-Commerce capturing a **6% share**, resulting in a **USD40b** GMV contribution.

- Overall Q-Commerce GMV across all segments could reach **USD44b** by 2028, reflecting faster adoption and slightly larger basket sizes compared to the base case.

2. **Segment insights**:

- **Food & Grocery** remains the primary category, but Q-Commerce also gains in **Pharmacy & Wellness** and **Consumer Electronics**, where 10-minute delivery of OTC medications as well as smartphones becomes a competitive advantage.
- **Consumer Electronics** sees modest growth in Q-Commerce sales, with small electronics and accessories contributing to Q-Commerce GMV.

3. **Competitive dynamics**:

- We assume that the top three players—Blinkit, Zepto, and Swiggy—will establish competitive moats around specific SKUs and seek to capture additional market share from one another.
- In this scenario, these major players are expected to hold strong positions, with Blinkit capturing 38% of the Q-Commerce market and Zepto and Swiggy each holding 30%, while other players collectively hold 2%.

4. **Expansion beyond Tier-1 cities**:

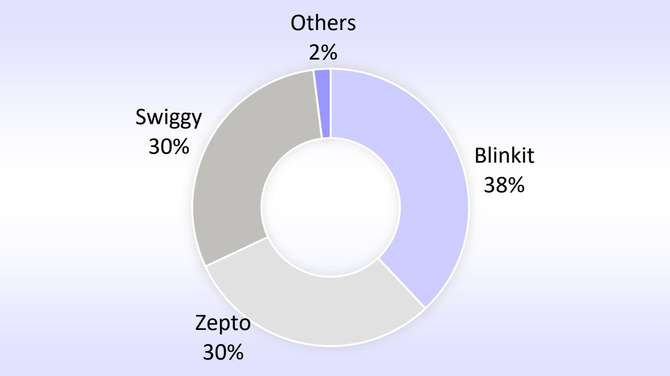
- In the bull case, Q-Commerce expands aggressively into Tier-2 and Tier-3 cities, supported by improvements in logistics and digital adoption.
- This expanded reach enables Q-Commerce to capture demand across a wider demographic, where speed and convenience are key differentiators compared to local Kirana stores.

Exhibit 30: Bull case scenario – 2028

Particulars	Growth CAGR (%)	USD b	Share of unorganized Retail (%)	Organized B&M (%)	Organized E-commerce	QCom-merce (%)	QCom-merce GMV-2023	QCom-merce GMV - 2028	Comments
Food and Grocery	8.0	877	90.5	3.7	1.3	4.5	6	39.5	❖ 2.0% share taken from unorganized; 1.5% from modern trade
Apparel & Apparel Accessories	8.0	97	55.5	22.0	22.0	0.5	-	0.5	❖ Organized B&M & e-commerce to continue to increase- Q-commerce to play a minimal role
Non-Apparel Accessories	8.0	8	55.5	22.0	22.0	0.5	-	0.0	❖ Same as above
Watches	8.0	3	28.0	48.0	24.0	0.0	-	0	❖ No role to play for Q commerce
Jewelry	8.0	99	58.0	33.0	9.0	0.0	-	0	❖ No role to play for Q commerce
Consumer Electronics	8.0	93	N.A	55.0	44.0	2.0	-	1.9	❖ Smartphones and other personal/kitchen appliances to move online
Home & Living	8.0	54	68.1	10.9	20.0	1.0	-	0.5	
Pharmacy & Wellness	8.0	40	77.0	13.0	8.0	2.0	-	0.8	
Footwear	8.0	13	58.0	19.0	23.0	0.0	-	0	
Others - General merchandise	8.0	66	80.0	8.0	11.0	1.0	-	0.7	
Total GMV							**-**	**44**	

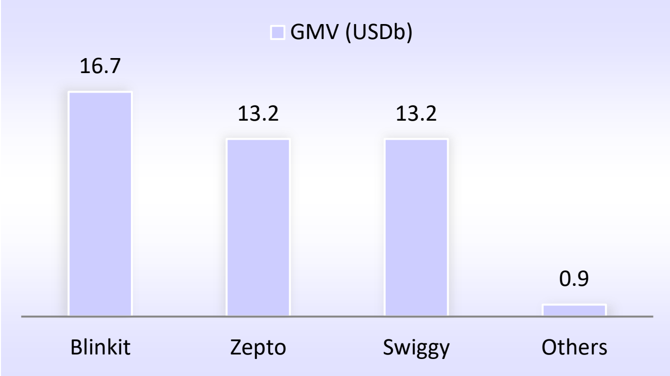
Source: MOFSL

Exhibit 31: Market share – Bull case scenario



Source: MOFSL

Exhibit 32: Expected GMV across players – Bull case scenario



Source: MOFSL

The market's reliance on smaller basket sizes and convenience-driven purchases curtails the broader expansion, keeping Q-commerce's overall GMV at **USD17b** by 2028.

Bear case scenario for Q-Commerce GMV (2028)

In the bear case, Q-commerce adoption remains limited, with growth primarily concentrated in high-frequency purchases within top-tier cities. Q-commerce captures only **2% of the Food & Grocery market**, resulting in a **USD16b GMV**. Other categories like **Consumer Electronics** and **General Merchandise** see minimal penetration, while discretionary segments such as Apparel and Jewelry experience a negligible impact. The market's reliance on smaller basket sizes and convenience-driven purchases curtails the broader expansion, keeping Q-commerce's overall GMV at **USD17b** by 2028.

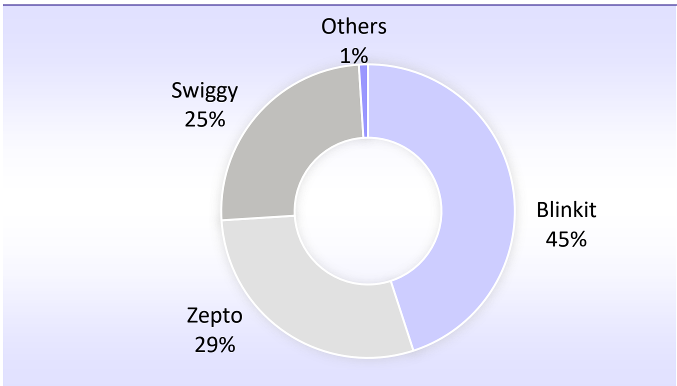
1. **Total GMV and growth rate**:
   - The Food & Grocery segment is projected to reach **USD799b**, with Q-commerce capturing **2%**, resulting in a **USD16b** GMV.
   - Overall Q-commerce GMV across all categories is expected to total **USD17b.**
2. **Segment insights**:
   - **Food & Grocery** remains the main driver, with limited penetration in other categories.
   - Slight roles are seen in **Consumer Electronics** and **General Merchandise**, while discretionary segments like Apparel and Jewelry experience a negligible impact.
3. **Competitive dynamics**:
   - **Blinkit** holds a 45% market share with **USD7.6b** GMV.
   - **Zepto** and **Swiggy** follow with 29% and 25% shares, achieving **USD4.9b** and **USD4.2b** GMV, respectively.
   - Focus remains on achieving scale in top-tier cities to balance profitability.

Exhibit 33: Bear case scenario – 2028

Particulars	Growth CAGR (%)	USD b	Share of unorganized Retail (%)	Organized B&M (%)	Organized E-commerce	QCom-merce (%)	QCom-merce GMV-2023	QCom-merce GMV - 2028	Comments
Food and Grocery	6.0	799	91.7	5.0	1.3	2	6	16.0	❖ QCommerce share only increases to 2% of overall retail, and total retail growth slows
Apparel & Apparel Accessories	6.0	88	58.0	20.0	22.0	0.0	-	0.0	❖ Organized B&M & e-commerce to continue to increase- QCommerce to play minimal role
Non-Apparel Accessories	6.0	7	58.0	20.0	22.0	0.0	-	0.0	❖ Same as above
Watches	6.0	3	28.0	48.0	24.0	0.0	-	0	❖ No role to play for Q commerce
Jewelry	6.0	90	58.0	33.0	9.0	0.0	-	0	❖ No role to play for Q commerce
Consumer Electronics	6.0	84	N.A	55.0	44.0	0.5	-	0.4	❖ Smartphones and other personal/kitchen appliances to move online
Home & Living	6.0	49	69.1	10.9	20.0	0.0	-	0.0	
Pharmacy & Wellness	6.0	37	78.5	13.0	8.0	0.5	-	0.2	
Footwear	6.0	12	58.0	19.0	23.0	0.0	-	0	
Others - General merchandise	6.0	60	80.5	8.0	11.0	0.5	-	0.3	
Total GMV							-	**17**	

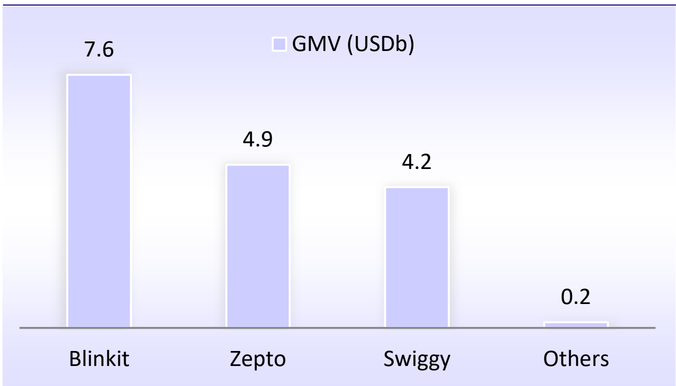
Source: MOFSL

Exhibit 34: Market share – Bear case scenario



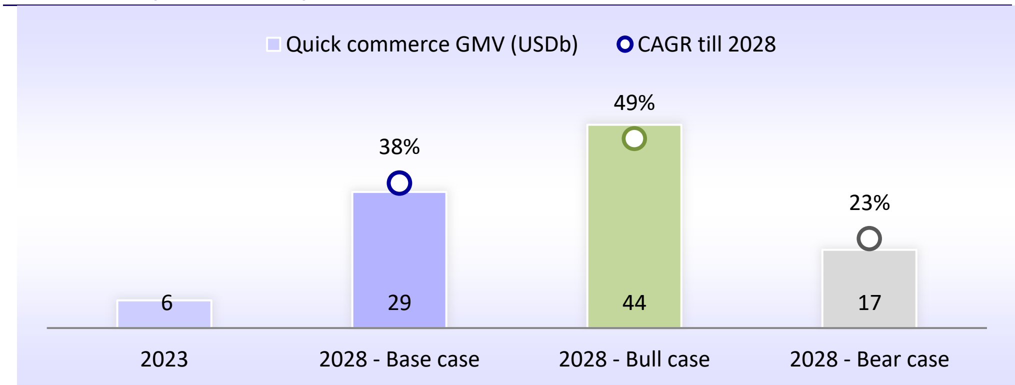
Source: MOFSL

Exhibit 35: Expected GMV across players – Bear case scenario



Source: MOFSL

Exhibit 36: Expected total quick commerce GMV across scenarios



Source: MOFSL

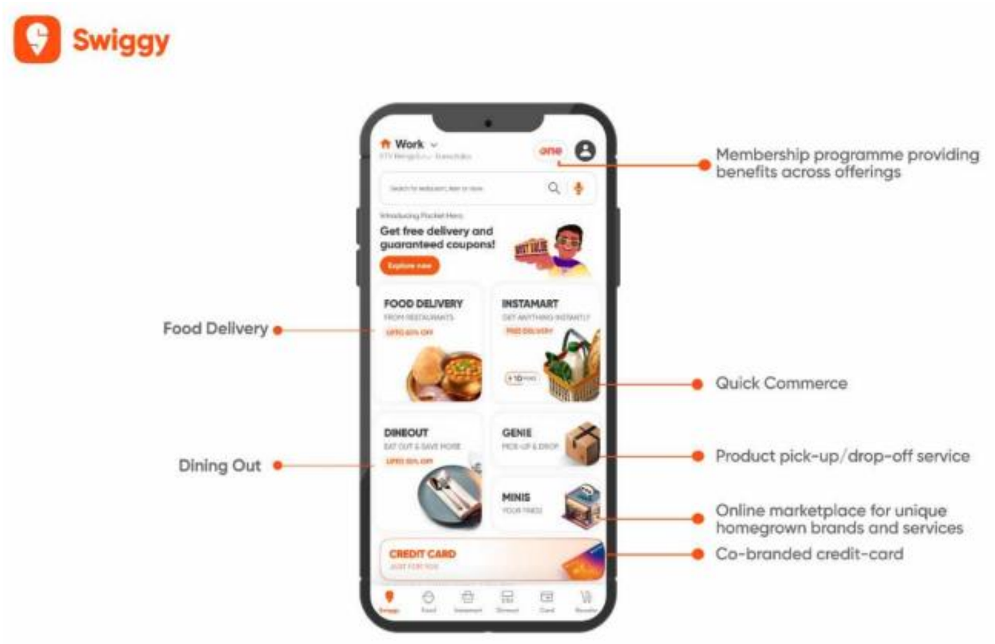
Invesment thesis

A) Unified app strategy different from its competitor, but central to Swiggy's growth plans

Swiggy's approach of an integrated app offering helps it innovate faster (Instamart was born out of a similar synergy).

- Swiggy stands out as India's only unified app that seamlessly supports urban users' food-related needs, from ordering in and dining out to cooking at home—all through a single platform. Swiggy continues to focus on filling up the gaps in convenience needs of users by adding new offerings or supplementing the existing services in the ecosystem and spurring innovations across the value chain.
- This unified platform allows users to conveniently access diverse services—including food delivery, grocery orders (Instamart), restaurant reservations (Dineout), event bookings (SteppinOut), and hyperlocal services like Genie—all from one app.
- Swiggy's approach of an integrated app offering vs. Zomato's multi-app approach (both at the back and the front end) helps it innovate faster (Instamart was born out of a similar synergy).
- For example, Swiggy was able to expand beyond its core offerings of food delivery and quick commerce on platform by increasing the breadth (dining out, event bookings, and product pick-up/drop-off services) and depth (adding more food and product assortments and geographic expansion) of these offerings by relying on experience in this market.

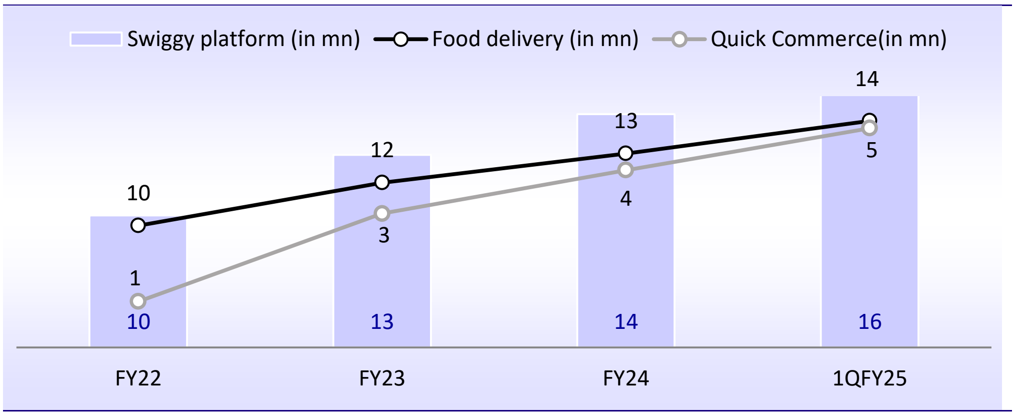
Exhibit 37: Swiggy's unified app approach



Source: Company, MOFSL

- Moreover, Swiggy's unified app approach has expanded its offerings and partner network, enhancing selection and reducing delivery times—factors that drive user engagement and transactions. This integrated platform strategy has led to consistent growth in monthly transacting users across both food delivery and quick commerce, as well as for the platform as a whole.

Exhibit 38: Average MTU across major services



Source: Company, MOFSL

- Swiggy's customer cohorts indicate high-maturity users: FD's avg. MTU is higher for Zomato (20m) vs. Swiggy (14m). GOV per MTU, however, is ~6% higher for Swiggy; this shows Swiggy's customer cohorts are more mature and stickier compared to its peer.

Exhibit 39: B2C GOV retention by cohort

Cohort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
FY 2019	1.00x	1.54x	0.98x	1.99x	2.30x	2.83x
FY 2020	1.00x	0.60x	1.20x	1.37x	1.74x	
FY 2021	1.00x	1.80x	1.66x	1.98x		
FY 2022	1.00x	1.11x	1.31x			
FY 2023	1.00x	2.05x				
FY 2024	1.00x					

Source: Company

Exhibit 40: B2C platform frequency retention by cohort

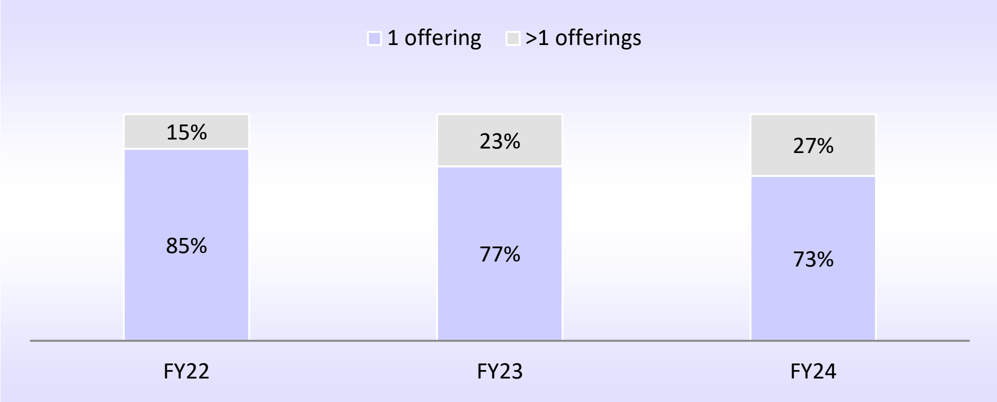
Cohort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
FY 2019	1.00x	1.55x	0.70x	1.30x	1.58x	1.73x
FY 2020	1.00x	0.43x	0.77x	0.92x	1.06x	
FY 2021	1.00x	1.54x	1.51x	1.65x		
FY 2022	1.00x	1.09x	1.16x			
FY 2023	1.00x	1.12x				
FY 2024	1.00x					

Source: Company

- FY19 user cohort—those who placed their first order on Swiggy in FY19—has shown strong engagement over time, with gross order value per user growing 2.83x and average monthly transaction frequency rising to 1.73x by FY24.

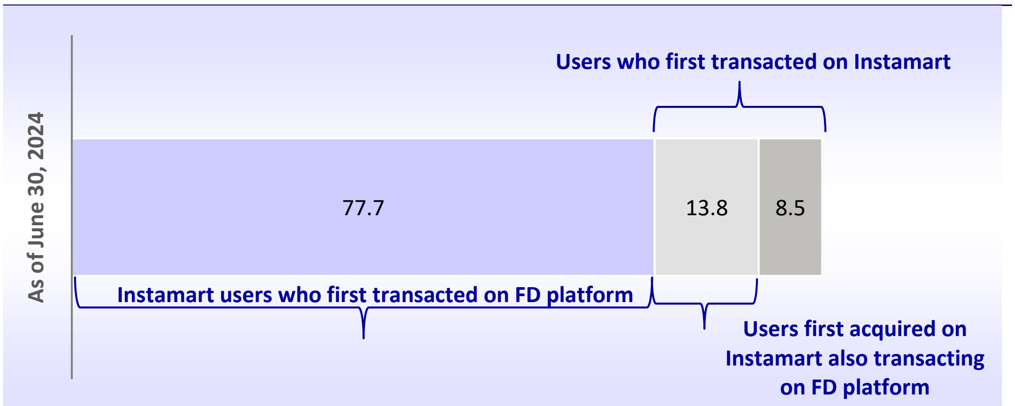
- We believe that the combined effects of a unified approach and its high-frequency offerings maximize cross-utilization of its user base across multiple services, thereby promoting user stickiness. This strategy also supports the efficient and cost-effective rollout of adjacent services and new offerings.

Exhibit 41: Transacting users (%) split by number of services used



Source: Company, MOFSL

Exhibit 42: Transacting users (%) split by number of services used

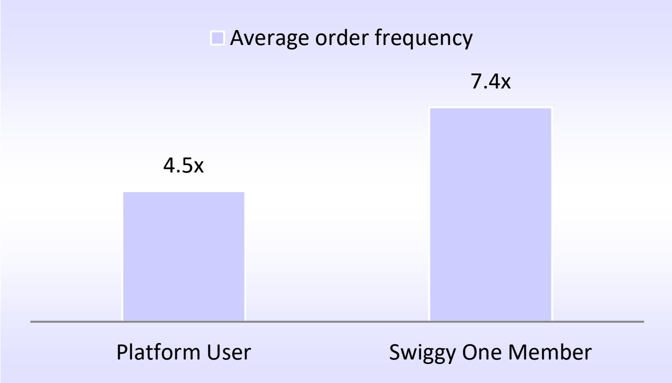


Source: Company, MOFSL

As of 1QFY25, Swiggy's membership program, *Swiggy One*, had attracted 5.71m members with an average order frequency of 7.4x—significantly higher than the platform's overall average of 4.5x.

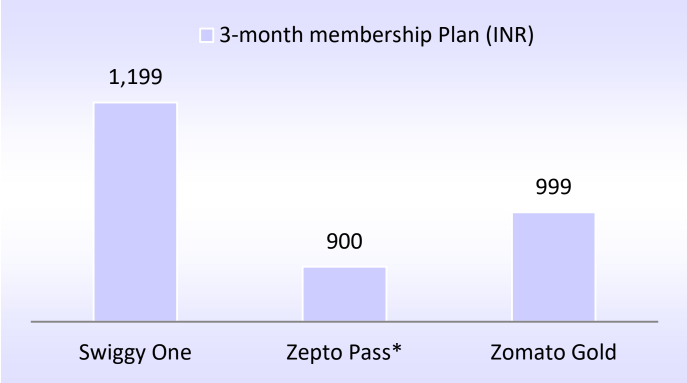
- As of 1QFY25, Swiggy's membership program, *Swiggy One*, had attracted 5.71m members with an average order frequency of 7.4x—significantly higher than the platform's overall average of 4.5x. This program not only drives user engagement and repeat orders but also boosts spending on the platform, creating a substantial competitive advantage over rivals that lack such loyalty-focused offerings.
- Swiggy One, priced at INR1,199 for three months (and *Swiggy One Lite* at INR299 for three months), provides cost-effective value compared to Zepto Pass, which ranges from INR149 to INR299 per month. This pricing strategy positions Swiggy as a more appealing choice for high-frequency users, fostering loyalty and maximizing customer lifetime value. Zomato prices its gold membership at INR999 for three months.
- However, all three memberships may offer variable pricing based on user behavior, with frequent users potentially receiving a steep discounted rate.

Exhibit 43: Swiggy One member's avg. order frequency is significantly higher than a normal user



Source: Company, MOFSL

Exhibit 44: Membership plan across players



Source: MOFSL; Note: Zepto Pass is available monthly ranges from INR149 to INR299 per month.

We expect Swiggy's food delivery profitability to improve gradually, in line with its competitor Zomato. The business model is now fairly scaled up.

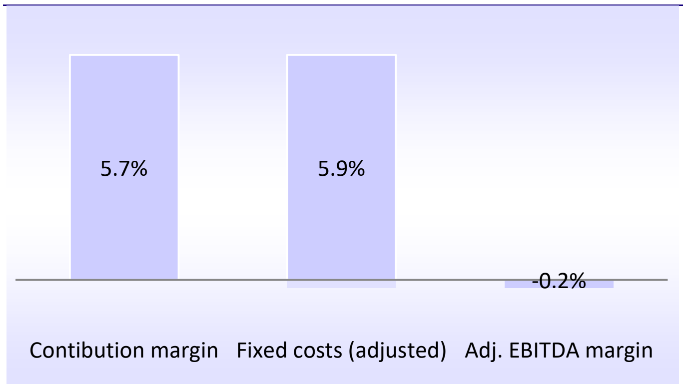
B) Profitability stable in food delivery, but Instamart remains a drag

Swiggy's food delivery business has achieved stable unit economics, and we expect margins in this business to improve gradually. However, its quick commerce business – Instamart - is currently lagging Blinkit in terms of both execution and profitability. We believe that Swiggy has yet to materialize benefit from its unified platform to enhance performance in quick commerce. The divergence in quick commerce's AOV and take rate is driving the margin gap, in our opinion.

Food delivery business

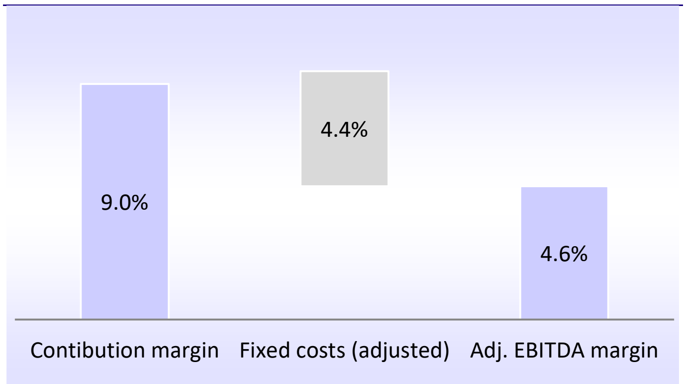
- We expect Swiggy's food delivery profitability to improve gradually, in line with its competitor Zomato. The business model is now fairly scaled up.
- On food delivery, Swiggy's contribution margin is on par with Zomato. With similar AOVs and slightly higher take rates, this is no surprise.
- Adjusted EBITDA, however, is a different story. Fixed costs as a % of GOV for Swiggy are ~6% vs. 4% for Zomato.
- We believe reducing these overheads is a low-hanging fruit, and Swiggy could soon approach positive adjusted EBITDA.

Exhibit 45: FD business's margin walk – FY24



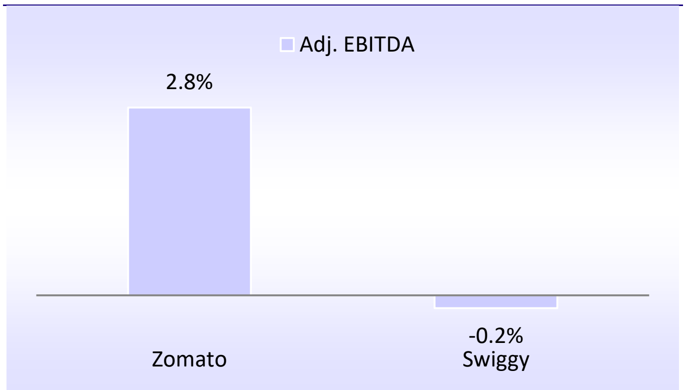
Source: Company, MOFSL

Exhibit 46: FD business's margin walk – FY28E



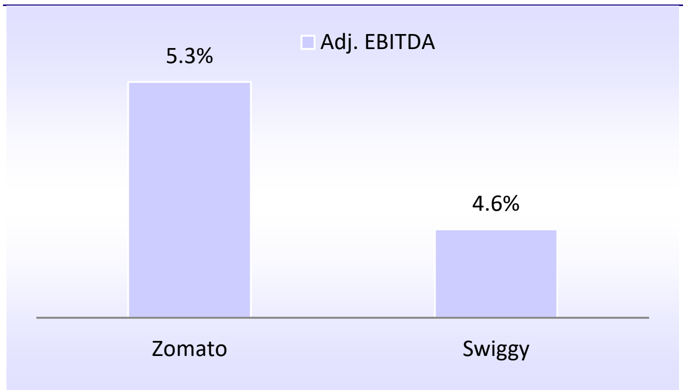
Source: MOFSL

Exhibit 47: Swiggy's margin hovering near breakeven level currently…



Source: Company, MOFSL

Exhibit 48: …by FY28, it is expected to align more closely with Zomato's margin



Source: MOFSL

Quick commerce business

On closer look, almost the entire ~7% difference in contribution margin between the two quick commerce businesses can be explained by **lower AOVs and lower take rates.**

- At first glance, the gap between Instamart and Blinkit may appear quite wide: Instamart's contribution margin of -3% pales in comparison to that of Blinkit at ~4%.

However, we delve deeper and understand the factors behind this gap:

- On closer look, almost the entire ~7% difference in contribution margin between the two quick commerce businesses can be explained by **lower AOVs and lower take rates**.
- Swiggy's take rates are 4.3% lower than Blinkit, and this contributes almost half the CM difference. The other half is attributable to lower AOVs.
- The variable cost/order is in fact **lower** for Swiggy than Blinkit.
- This is encouraging: We believe it is possible to improve higher AOVs further, especially if Swiggy leverages its unified app strategy and a mature customer cohort better. This can happen through
  - Incentivizing a higher AOV by levying higher delivery charges
  - Adding high-value SKUs beyond groceries
- Take rates, similarly, are a function of leveraging the platform for better ad-sales as well as pushing private labels through the platform; something Zepto and Blinkit have both initiated.
- We believe both Swiggy and Blinkit will continue to incur higher fixed costs as they look to expand dark stores and invest in the Q-commerce business.
- **We examine below what needs to be done to breakeven and to reach the adjusted EBITDA levels of Zomato**:

Exhibit 49: Scenario analysis for Instamart

	Instamart-current	Instamart- at Blinkit AOV	Instamart- at Blinkit AOV and take rate	Blinkit-current
AOV	487	625	625	625
Take rate (gross inclusive of delivery charges)	14.8	14.8	19.0	19.1
Commissions gross/order	72	93	119	119
other variable costs/order	88	88	88	94
Contribution/order	-16	5	31	25
CM as a % of AOV	-3.2	0.8	5.0	4.0
Fixed costs/order	41	41	41	25
Adjusted EBITDA	-57	-36	-10	-
Adjusted EBITDA as a % of GOV	-11.7	-5.8	-1.6	-0.1

Source: Company, MOFSL

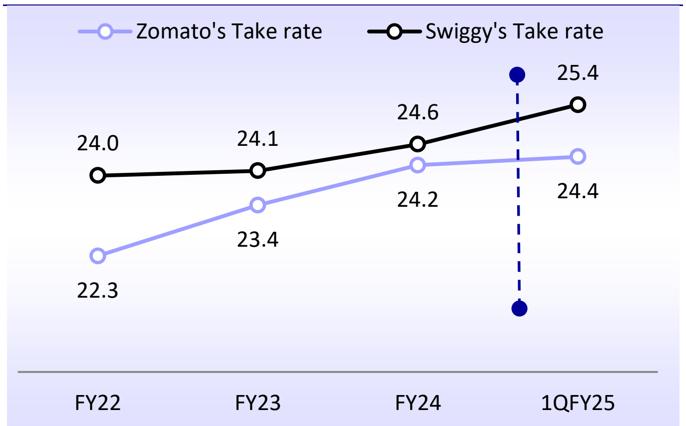
Comparing the giants!

Zomato ahead in food delivery but Swiggy has the potential to bridge the gap

GOV per MTU, however, is ~6% higher for Swiggy; this shows Swiggy's customer cohorts are more mature and stickier compared to its peer.

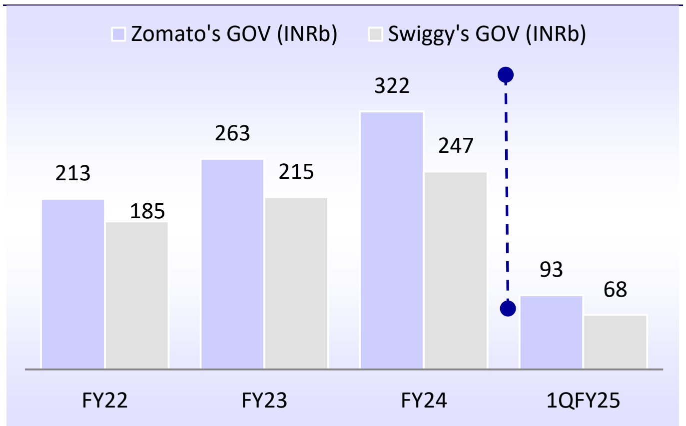
- Swiggy has shown promising progress in its food delivery business, with ~42% expansion in the user base and ~73% growth in the number of restaurant partners, while Zomato has seen 38%/53% growth in user base/no. of restaurant partners (on a high base).
- Swiggy's customer cohorts indicate high-maturity users: FD's avg. MTU is higher for Zomato (20m) vs. Swiggy (14m). GOV per MTU, however, is ~6% higher for Swiggy; this shows Swiggy's customer cohorts are more mature and stickier compared to its peer.
- Zomato has continued to gain market share from Swiggy from FY22 to 1QFY25, aided by its stronger execution. According to reported gross order value (GOV), Zomato's market share grew from 54% in FY22 to 58% in 1QFY25. Nonetheless, we believe that Swiggy is well-positioned to maintain or gradually bridge this gap in the medium term.
- Swiggy's take rates are ahead of Zomato's, indicating better monetization of its platform (possibly in ad sales from restaurant partners). However, we expect the take rates to converge as Zomato continues to dominate the market. Swiggy's focused approach to platform monetization supports future growth.
- Zomato outperforms in terms of average MTU, with 20m vs. Swiggy's 14m. While Swiggy has ~6% higher GOV per MTU, primarily driven by higher order frequency, both platforms have similar average order values.
- In terms of profitability, Zomato currently leads with an EBITDA margin of 3.4% compared to Swiggy's 0.8%. However, Swiggy's recent breakeven marks a significant milestone, setting a foundation for better profitability in the future as it continues to optimize operations and enhance user engagement.

Exhibit 50: Swiggy's take rates are slightly higher (%)



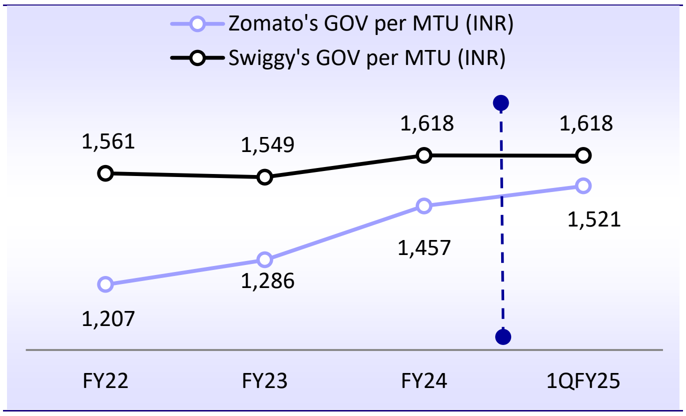
Source: Company, MOFSL

Exhibit 51: Zomato leading the market in terms of GOV



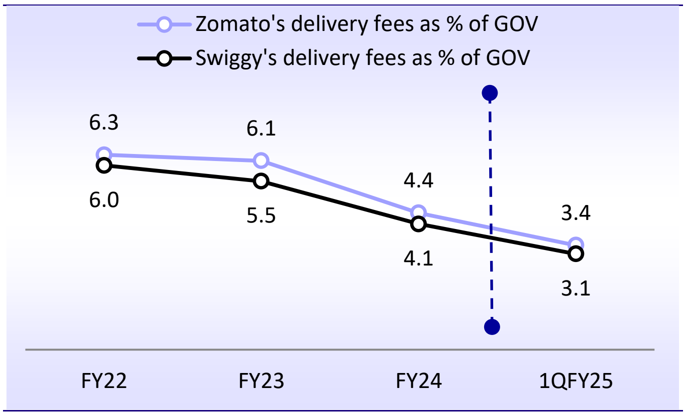
Source: Company, MOFSL

Exhibit 52: GOV per MTU is higher for Swiggy



Source: Company, MOFSL

Exhibit 53: Zomato's delivery fee as a % of GOV is slightly (30-50bp) higher than Swiggy's across period



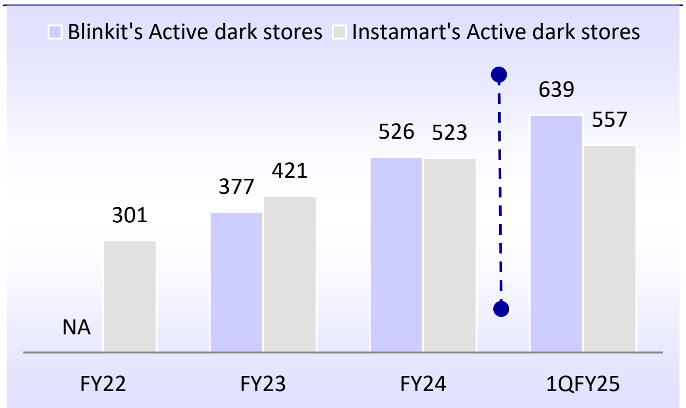
Source: Company, MOFSL

Despite Swiggy's Instamart inventing the category, Blinkit has taken an early lead, and Zepto continues to execute well. However, the market is nascent, and enough avenues exist to differentiate on SKUs and strategy, making it too early to declare winners (or losers).

Blinkit tops Instamart in quick commerce, but too early to call winners

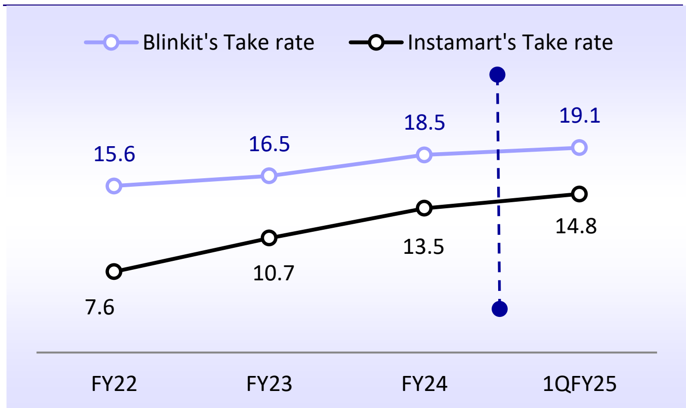
- Zomato acquired Blinkit (formerly Grofers) to strengthen its instant grocery delivery segment. Swiggy launched Instamart for grocery delivery, which has grown to become a significant revenue driver.
- Despite Swiggy's Instamart inventing the category, Blinkit has taken an early lead, and Zepto continues to execute well. However, the market is nascent, and enough avenues exist to differentiate on SKUs and strategy, making it too early to declare winners (or losers).
- As of 1QFY25, Instamart operated a network of 557 active dark stores across 43 cities in India, whereas Blinkit has 639 active dark stores across 44 cities. Blinkit has ~81% higher GOV (INR49,230m) than Instamart in 1QFY25.
- Blinkit has a higher take rate of 19.1%/18.5%/16.5% in 1QFY25/FY24/FY23 compared with Instamart's 14.8%/13.5%/10.7%. Instamart's AOV is also significantly lower than Blinkit's.
- Blinkit is ahead of Instamart in terms of profitability as well. Blinkit's adj. EBITDA margin stood at -0.1% in 1QFY25 vs. Instamart's -11.7%. The divergence in AOV and take rate is driving the margin difference, in our view.
- However, we are at the very beginning of the quick commerce race, and there are enough opportunities for players to differentiate themselves, and it is too early to call off this game, in our view.

Exhibit 54: Blinkit's active dark stores reached 639 in 1Q



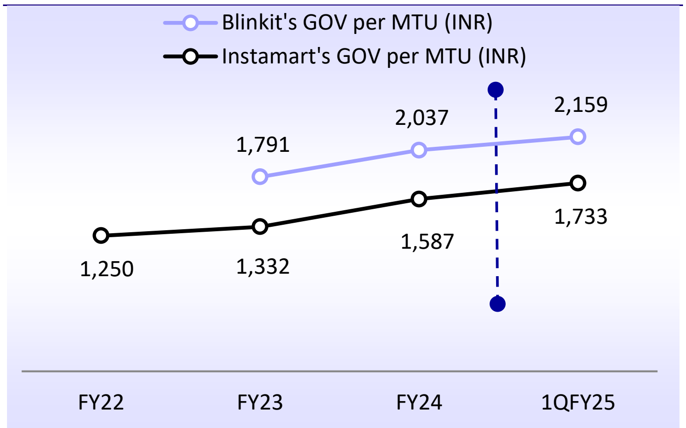
Source: Company, MOFSL

Exhibit 55: Blinkit has significantly higher take rates than Instamart (%)



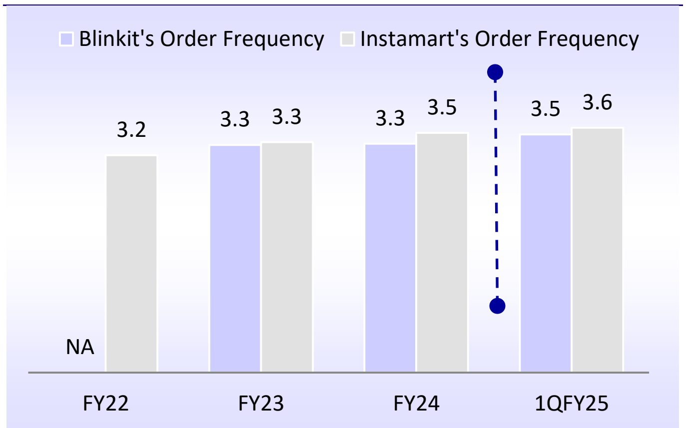
Source: Company, MOFSL

Exhibit 56: Blinkit's higher GOV per MTU driven by elevated take rates



Source: Company, MOFSL

Exhibit 57: Q-commerce's order frequency per MTU per month largely similar for both



Source: Company, MOFSL

Swiggy has the brains to innovate and the brawn to scale, and we expect it to be a key innovator in the quick commerce/food delivery/going out space for years to come.

Swiggy's innovative DNA key to success

- Swiggy's approach of an integrated app offering vs. Zomato's multi-app approach (both at the back and the front end) helps it innovate faster (Instamart was born out of a similar synergy).
- Swiggy could again be at the forefront of food delivery innovation through its new 10-minute food delivery offering; customers can choose from a mix of brands such as KFC, McDonalds, Burger King, Starbucks, etc. and can get food delivered in 10-15 minutes.
- We note that Zomato tried a similar pilot in 2023 but could not scale it. The knowledge of scaling up quick commerce over the past couple of years, however, changes the landscape now, and we expect more players to adopt the 10-minute food delivery model going forward.
- Swiggy has the brains to innovate and the brawn to scale, and we expect it to be a key innovator in the quick commerce/food delivery/going out space for years to come.

Key financial assumptions and Valuations

Expect Swiggy to post 21% GOV growth over FY25-29 in the food delivery business, while quick commerce likely to deliver 53% growth

Key assumptions

- For Swiggy's food delivery business, we expect the GOV to clock 22.6%/27.9%/19.4% YoY growth over FY25E/FY26E/FY27E. The food delivery business is expected to clock an contribution margin of 6.8%/7.6%/8.5%over FY25E/FY26E/FY27E. Adj. EBITDA margin will turn positive at around 1.0%/2.4%/3.7% during FY25E/FY26E/FY27E from -0.2% in FY24.
- Quick commerce GOV is expected to generate strong growth of 64.5%/67.1%/56.0%during FY25E/FY26E/FY27E.
- Quick commerce is expected to reach a positive contribution margin, with an average margin of 2.7% projected from FY25 to FY29.
- The average adjusted EBITDA margin will improve, though it will remain slightly negative at -7.5/-3.0%/-0.9% for FY25E/FY26E/FY27E.
- Overall, Swiggy reported PAT margin of -20.9% (INR23.5b) in FY24. We expect it to turn profitable by FY27, with PAT margin of 1.9%.

Exhibit 58: Food delivery business – Key assumptions (%)

	Food delivery business	
Operating metrics	FY25E-29E	FY25E-37E
GOV Growth	20.6	13.5
Avg. contribution Margin (% of GOV)	8.3	9.7
Average Adj. EBITDA Margin (% of GOV)	3.4	5.7

Source: MOFSL

Exhibit 59: Quick commerce business – key assumptions (%)

	Quick commerce business	
Operating metrics	FY25E-29E	FY25E-37E
GOV Growth	52.7	23.6
Avg. contribution Margin (% of GOV)	2.7	5.6
Average Adj. EBITDA Margin (% of GOV)	-1.7	2.5

Source: MOFSL

Valuations

- We believe the quick commerce revolution could be one of the most significant innovations of the 21st century in India and will pave the way for organized retail in the country. Food delivery could yet go through a similar, if milder, S curve as consumption habits change with economic growth.
- Swiggy’s, through its innovation DNA, has played a pivotal role in both food delivery and quick commerce, effectively inventing these categories and leading the way.
- That said, it has let its lead slip in food delivery and is currently behind its key rival Blinkit in quick commerce on both GOV growth and profitability. While the quick commerce race is just getting started, Swiggy’s re-rating depends on accelerating GOV growth, increasing AOVs, and improving execution in the quick commerce business.
- We expect food delivery orders to grow at 12.3% annually, with an AOV growth of 1.7%, leading to a GOV growth of 14.2% over FY24-37E (21% GOV CAGR over FY24-29E). Quick commerce is expected to grow faster, with orders increasing at

22.3% annually, AOV growth at 3.3%, and GOV growth at 26.3% (55% GOV CAGR over FY24-29E).

- We value the business using DCF methodology for food delivery, quick commerce, supply chain, and distribution, assuming WACC of 12.5% and a terminal growth rate of 6.5%. Additionally, we value the out-of-home consumption segment at 1x EV/GMV. **Our DCF yields a TP of INR475 (which implies a FY27E EV/Sales of 3.7x Vs Zomato's FY27E EV/Sales of 4.5x), and we initiate coverage with a NEUTRAL rating on the stock.**
- **Key downside risks:** 1) Inefficient management or being unable to scale dark stores as planned may impact quick commerce profitability; 2) high user retention and acquisition costs; 3) limited ability to expand margins in food delivery and quick commerce businesses, which could delay valuation re-rating; and 4) intense competition in food delivery, quick commerce, and out-of-home sectors, which challenges its market position.
- **Key catalysts for a rating upgrade: 1) higher AOVs in quick commerce coupled with higher GOV growth, leading to market share gains; 2) improving take rates in quick commerce;** and 3) faster-than-expected GOV growth in food delivery.

Exhibit 60: DCF assumptions and valuation

DCF Assumptions & Valuation	
Food Delivery (%)	
Order growth (FY24-37E)	12.3
AOV growth (FY24-37E)	1.7
GOV growth (FY24-37E)	14.2
Revenue growth (FY24-37E)	15.0
FY37E GOV (USD m)	16,480
FY37E EBITDA (% of GOV)	7.6
Quick Commerce (%)	
Order growth (FY24-37E)	22.3
AOV growth (FY24-37E)	3.3
GOV growth (FY24-37E)	26.3
FY37E GOV (USD m)	20,056
FY37E EBITDA (% of GOV)	6.3
WACC	12.5
Terminal growth	6.5

Source: MOFSL

Exhibit 61: SoTP-based TP at INR475

Segment	Methodology	Methodology description	Valuation toward SWIGGY (INR b)	Contribution (INR per share)
Food Delivery Business	DCF	❖ Estimate 14% GOV CAGR and avg. contribution margin of 9.4% over FY24-37. Our WACC/terminal growth estimate stands at 12.5%/6.5%, respectively.	484	215
Quick Commerce Business	DCF	❖ Estimate 26% GOV CAGR and avg. contribution margin of 4.8% over FY24-37. Our WACC/terminal growth estimate stands at 12.5%/6.5%, respectively.	423	190
Out of Home Consumption Business	Multiples	❖ 1x FY27E EV/GMV	62	26
Supply Chain and Distribution Business	DCF	❖ Estimate 17% revenue CAGR and avg. adj. EBITDA margin of 6% over FY24-37. Our WACC/terminal growth estimate stands at 12.5%/6.5%, respectively.	29	12
Cash on the books			73	31
Total (Rounded)				**475**

Source: MOFSL

Exhibit 62: Peer Comparison

	EV/GMV			EV/Sales			EV/EBITDA		
	FY25E/ CY24E	FY26E/ CY25E	FY27E/ CY26E	FY25E/ CY24E	FY26E/ CY25E	FY27E/ CY26E	FY25E/ CY24E	FY26E/ CY25E	FY27E/ CY26E
Zomato	3.9	2.5	1.6	13.2	8.0	5.5	NA	NA	NA
DoorDash	0.8	0.6	0.5	6.0	5.1	4.4	34.1	24.6	19.0
Just Eat Takeaway^	0.1	0.1	0.1	0.6	0.6	0.5	6.9	5.6	4.8
Deliveroo#	0.3	0.3	0.2	0.9	0.8	0.7	14.5	10.1	7.4
Delivery hero^	0.3	0.2	0.2	1.3	1.2	1.0	20.1	13.0	9.9
Meituan^^	-	-	-	3.1	2.6	2.3	22.3	17.3	13.9
Grab	0.5	0.4	0.3	4.4	3.8	3.3	45.5	27.8	17.8
Average	**1.0**	**0.7**	**0.5**	**4.2**	**3.2**	**2.6**	**23.9**	**16.4**	**12.1**
Swiggy	**2.5**	**1.8**	**1.3**	**7.1**	**5.3**	**4.1**	**NA**	**NA**	**NA**

Source: Bloomberg estimates, MOFSL

* All companies, except Zomato and Swiggy, have followed CY as FY. Thus, their figures are for CY24e to CY26e
** For all companies, except Zomato and Swiggy, GMV figures are estimated based on previous 3 years growth and Sales/EBITDA figures are from Bloomberg; ^Figures are converted into USD from EUR.; #Figures are converted into USD from GBP.; ^^ GMV for Meituan is not available.

Key risks

- Swiggy has faced net losses each year since its inception, with negative cash flows from operations. If it is unable to generate adequate revenue growth and manage its expenses and cash flows, it may continue to incur significant losses.
- Efficient management of Dark Stores is critical for Swiggy's Quick Commerce division. A failure to manage these stores in a cost-effective manner could adversely affect its financial health.
- Swiggy’s inorganic investments, such as acquisitions of Dineout and Lynks, have yet to reach profitability, which could weigh down overall EBITDA margins. If Swiggy’s acquisitions continue to underperform, it may face increased pressure on cash flows and could struggle to justify further strategic investments.
- The ability to retain its current user base and attract new users cost-effectively is crucial.
- Potential labor law changes may require Swiggy to allocate 1-2% of revenue to gig worker benefits, increasing costs and impacting profitability.
- Retaining and adding restaurant, mid-mile logistics partners, last-mile delivery partners, and brand partners affordably is vital to Swiggy's business.
- Swiggy operates in highly competitive sectors, including food delivery, Quick Commerce, and out-of-home consumption, which continually challenge its ability to maintain and strengthen its market position.

ESG initiatives

Environment

- Swiggy is dedicated to reducing its environmental impact by focusing on sustainable delivery practices. The company has introduced electric vehicles (EVs) into its delivery fleet to reduce carbon emissions, working closely with OEMs and EV mobility aggregators to increase EV adoption among delivery partners.
- Additionally, Swiggy is improving charging infrastructure in cities to support the widespread use of EVs. To further reduce waste, Swiggy has implemented eco-friendly packaging solutions, such as compostable bags for Quick Commerce deliveries and reusable bags to replace single-use plastic.
- The company has also launched the Eco-Saver delivery option, encouraging customers to opt for batched deliveries, which helps reduce the cost per delivery and increase earnings for delivery partners.

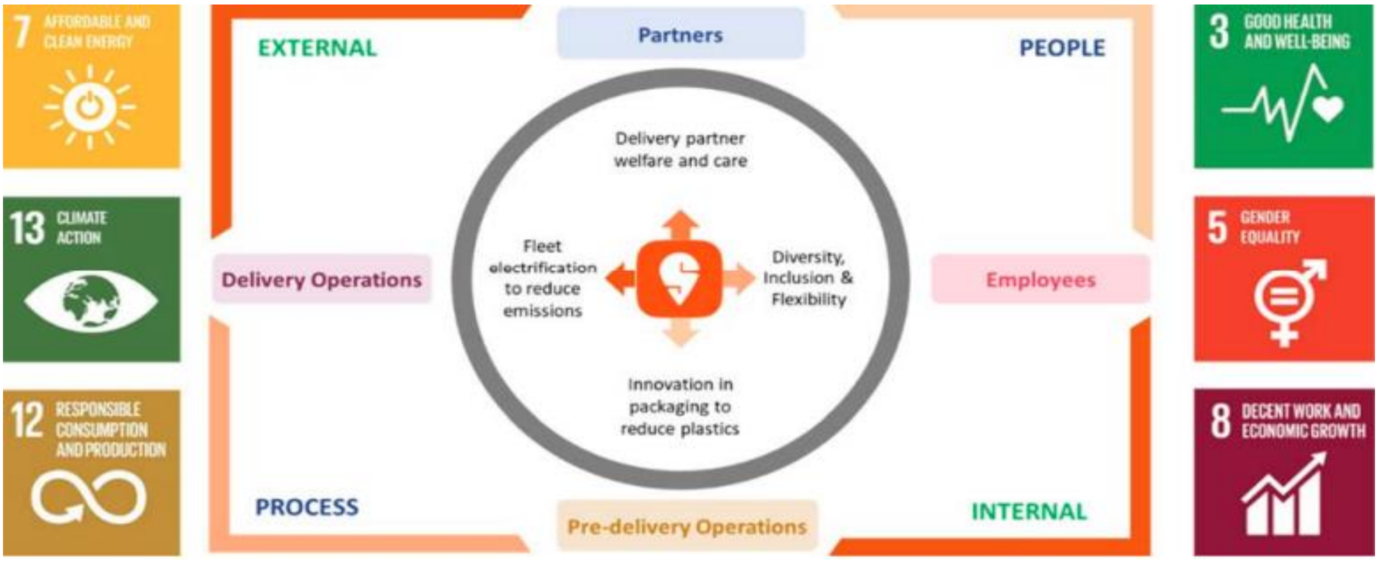
Social

- Swiggy prioritizes the welfare and safety of its delivery partners through various initiatives. These include providing accident medical insurance coverage, income protection plans in case of illness or accidents, and safety gear such as reflective t-shirts and protective helmets. The company has also partnered with government traffic departments to conduct road safety workshops and launched a road safety charter in 2024.
- Swiggy further supports its delivery partners with resting spots equipped with beverages and charging stations. The company also focuses on promoting gender inclusivity with initiatives like paid menstrual leave, maternity cover, and the "SafeCity" program to combat gender biases and sexual harassment.
- Additionally, Swiggy runs skill development programs under the Swiggy Skills initiative, which includes career growth opportunities and recruitment programs for restaurant partners. The company recently launched “Project Next,” a new initiative designed to provide career growth opportunities for delivery partners while accelerating restaurant onboarding by transitioning delivery partners to sales executive roles.

Governance

- Swiggy is governed by a Board of Directors comprising independent leaders, ensuring high corporate governance standards. The Board is chaired by an independent director and supported by a diverse management team overseeing key business areas.
- The company also emphasizes diversity and inclusion, demonstrated by its remote work policy for most roles and initiatives such as Swigstree, a community for women employees, and *She the Change*, a program spotlighting women entrepreneurs.
- Swiggy also promotes gender equality through policies such as a gender-neutral parental leave program, the MINT mentorship initiative for women employees, and the Pawternity policy, offering paid leave for pet adoption.

Exhibit 63: Swiggy's attainment of SDGs given by the UN



Source: Company, MOFSL

Bull and Bear cases

Bull Case

- The food delivery GOV is projected to grow at a CAGR of 22% from FY25 to FY29, driven by increasing consumer adoption of online food ordering, especially in tier-2 and tier-3 cities, whereas Quick commerce GOV is expected to grow at a rapid CAGR of 54% from FY25 to FY29, reaching about USD7.6b by FY29 as consumers increasingly turn to Swiggy for fast delivery of groceries and essentials. Growth will be fueled by Swiggy's strategic partnerships with local retailers and warehouse network expansion to ensure faster, more reliable deliveries.
- Revenue from food delivery/Quick Commerce is forecasted to grow at a CAGR of 23%/54% over FY25-29E. This growth will be supported by upselling opportunities, premium services like Swiggy One, and increased cross-selling between food delivery and other services on the platform.
- FD's average adj. EBITDA margin is expected to improve more, reaching 6.0% over FY25-37E, while the average adj. EBITDA margin for quick commerce is projected to reach 2.4%. This profitability improvement is expected as Swiggy benefits from increased order volumes and a reduced cost per delivery, as well as operational efficiencies.

Bear Case

- The GOV for food delivery might grow at a slower CAGR of around 18% from FY25 to FY29 while Quick commerce GOV might grow at a slower CAGR of 46%, reaching approximately US5.9b by FY29. Growth could be hindered by intensified competition, a slower shift in consumer behavior toward rapid grocery delivery, and slower adoption in tier-2 and tier-3 cities.
- FD's revenue growth could slow down, resulting in a CAGR of about 19% till FY29. Swiggy might face challenges in raising its take rate, stabilizing around 23% by FY29. This conservative growth rate considers potential pricing pressure and competition from other food delivery platforms. Revenue for quick commerce might grow at a CAGR of 46%, reaching a smaller share of the market than previously anticipated.
- FD's average adj. EBITDA margin may improve at a slower pace, reaching only about 4.9% over FY25-37E, while the average adj. EBITDA margin for quick commerce might increase more modestly, hitting around 2.0%. Elevated operating costs and competitive pressures could hinder Swiggy's anticipated margin growth.

Food delivery business - Scenario Analysis (%)

Particulars	Base Case		Bull Case		Bear Case	
	FY25E-29E	FY25E-37E	FY25E-29E	FY25E-37E	FY25E-29E	FY25E-37E
GOV Growth	20.6	13.5	21.7	15.9	17.7	11.9
Average Contribution Margin (% of GOV)	8.3	9.7	8.7	9.9	8.2	9.5
Average Adj. EBITDA Margin (% of GOV)	3.4	5.7	3.8	6.0	3.1	4.9
Quick Commerce business - Scenario Analysis						
GOV Growth	52.7	23.6	54.4	25.8	46.4	20.8
Average Contribution Margin (% of GOV)	2.7	5.6	3.2	5.9	3.2	5.9
Average Adj. EBITDA Margin (% of GOV)	-1.7	2.5	-1.5	2.4	-1.8	2.0
SoTP-based TP (INR)	**475**		**520**		**310**	

SWOT analysis

- ☑ Strong brand recognition, a large user base and high-frequency offerings.
- ☑ Unified app for ordering-in, eating-out, and cooking-at-home.
- ☑ Pioneers of high-frequency hyperlocal commerce.
- ☑ Membership programs (e.g., Swiggy One) drive retention and spending.
- ☑ Robust delivery and partner network for fast, reliable service.

- ☑ Faces pressure on profitability.
- ☑ High operational costs to manage large delivery infrastructure.
- ☑ Faces intense competition in quick commerce.
- ☑ Primary user base is concentrated in urban areas.

- ☑ Expansion into Tier 2 and 3 cities.
- ☑ Potential for dark store growth and increased basket sizes in quick commerce.
- ☑ Improve margins by scaling operations, optimizing logistics, and expanding high-margin offerings.
- ☑ Swiggy's innovation-led DNA likely to be a key innovator in quick commerce, food delivery, and dining out for years to come.

- ☑ Intense competition from Zomato, Zepto, Amazon, etc.
- ☑ Economic slowdown affecting consumer spending on food delivery.
- ☑ Government regulation around food safety, delivery timings, and digital services.
- ☑ Dependence on the fleet of its delivery partners exposes risks from strikes, wage demands, and logistics disruptions.

Management team

Sriharsha Majety
Managing Director and CEO

Sriharsha Majety is the Founder, Managing Director and Group Chief Executive Officer of the company. He holds a bachelor's degree in engineering in electrical and electronics engineering from Birla Institute of Technology and Science, Pilani and a post graduate diploma in management from the Indian Institute of Management, Calcutta. He founded Swiggy in 2014.

Nandan Reddy
Whole time Director & Head of Innovation

Lakshmi Nandan Reddy Obul is a Whole-time Director on Board and Head of Innovation in the company. He holds a master's degree in science from BITS Pilani. He has previously worked with Intellectual Capital Advisory Services Pvt. Ltd. (Intellecap) as an associate, business consulting.

Phani Kishan
Chief Growth Officer

Phani Kishan Addepalli is the Chief Growth Officer. He has been associated with the company since 10th Mar'15. He holds a bachelor's degree in technology in computer science and engineering from Indian Institute of Technology, Madras and a postgraduate diploma in management from the Indian Institute of Management, Calcutta. Prior to joining the company, he was associated with Boston Consulting Group (India) Pvt Ltd as a senior associate.

Rohit Kapoor
CEO - Food Maketplace

Rohit Kapoor is the CEO – Food Marketplace of the company. He has been associated with company from 2022. He holds a bachelor's degree in commerce from the University of Calcutta and has completed the PG in management from ISB. He is also a CFA. Prior to joining the company, he was associated with OYO as the Global CMO and Max Healthcare Institute Ltd. as a senior director and chief growth officer in the growth department, and with Mckinsey & Company– India as an engagement manager.

Amitesh Jha
CEO - Instamart

Amitesh Jha is the CEO – Instamart effective from 4th Sep'24. He holds a bachelor's degree in technology (chemical engineering) and a master's degree in technology (process engineering and design) from the Indian Institute of Technology, Delhi, and has completed the postgraduate program in management from the Indian Institute of Management, Ahmedabad. Previously, he was associated with Flipkart Private Limited for 14 years as senior vice president.

Rahul Bothra
CFO

Rahul Bothra is the Chief Financial Officer of the company. He has been associated with the company since 1st Sep'17. He is a qualified chartered accountant holds a bachelor's degree in commerce from Bangalore University. He has domestic and international experience in various fields including accounting, business finance, treasury, taxation, M&A, and assurance. Prior to joining the company, he was associated with Wipro Limited, Britannia Industries Limited and Olam International Limited. He joined the company as the Chief Financial Officer.

Financials and valuations

Revenue Model

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
MTU (Mn)	9.9	11.6	12.7	14.6	17.5	19.6
Order Frequency	3.8	3.7	3.8	3.9	4.1	4.3
Orders/ Month	37.8	43.1	48.1	57.6	71.9	83.7
Orders/ Year	454	517	578	691	862	1,004
AOV	407	416	428	439	450	461
Delivery GOV	**1,84,788**	**2,15,171**	**2,47,174**	**3,03,132**	**3,87,767**	**4,62,962**
Take Rate (%)	18.4	19.2	20.9	22.3	22.5	23.0
Delivery Revenue	**33,913**	**41,300**	**51,601**	**67,598**	**87,247**	**1,06,481**
Instamart Revenue	828	4,514	9,786	17,255	28,827	44,956
Out-of-home consumption revenue	0	777	1,572	2,751	4,224	5,544
Others	22,307	36,056	49,515	64,026	82,856	1,03,153
Revenue	**57,049**	**82,646**	**1,12,474**	**1,51,630**	**2,03,154**	**2,60,134**

(INR M)

Income statement

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales	**57,049**	**82,646**	**1,12,474**	**1,51,630**	**2,03,154**	**2,60,134**
Change (%)	NA	44.9	36.1	34.8	34.0	28.0
Inventory of traded goods	22,680	33,809	46,042	59,669	76,602	94,608
Employee Expenses	17,085	21,298	20,122	22,655	25,770	29,579
Other direct expenses	199	6,241	26,189	46,650	75,011	1,06,368
Gross Profit	**17,284**	**27,539**	**46,310**	**69,305**	**1,00,781**	**1,35,947**
% of Net Sales	30.3	33.3	41.2	45.7	49.6	52.3
Other Expenses	53,794	70,297	68,390	85,500	1,04,583	1,25,499
EBITDA	**-36,511**	**-42,758**	**-22,080**	**-16,195**	**-3,802**	**10,448**
% of Net Sales	-64.0	-51.7	-19.6	-10.7	-1.9	4.0
Depreciation	1,701	2,858	4,206	4,549	6,095	7,804
EBIT	**-38,212**	**-45,616**	**-26,286**	**-20,744**	**-9,897**	**2,644**
% of Net Sales	-67.0	-55.2	-23.4	-13.7	-4.9	1.0
Other Income (net)	3,665	3,917	3,156	3,750	3,750	3,750
PBT	**-34,547**	**-41,699**	**-23,130**	**-16,994**	**-6,147**	**6,394**
Tax	0	0	0	0	0	1,343
Rate (%)	0.0	0.0	0.0	0.0	0.0	21.0
PAT	**-34,547**	**-41,699**	**-23,130**	**-16,994**	**-6,147**	**5,051**
Extraordinary gains/loss	1,732	93	306	0	0	0
Adjusted PAT	**-36,279**	**-41,792**	**-23,436**	**-16,994**	**-6,147**	**5,051**
Minority Interest	10	1	66	0	0	0
Reported PAT	**-36,289**	**-41,793**	**-23,502**	**-16,994**	**-6,147**	**5,051**
Change (%)	NA	NA	NA	NA	NA	NA

(INR M)

Balance Sheet

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,55,634	1,55,652	1,55,763	2,00,753	2,00,753	2,00,753
Reserves	-32,965	-65,086	-77,848	-94,842	-1,00,989	-95,938
Net Worth	**1,22,669**	**90,566**	**77,915**	**1,05,911**	**99,764**	**1,04,814**
Loans	0	0	960	960	960	960
Capital Employed	**1,22,669**	**90,566**	**78,874**	**1,06,870**	**1,00,723**	**1,05,774**
Net Block	**7,738**	**8,596**	**10,406**	**11,164**	**12,180**	**13,480**
Intangibles	272	6,455	10,008	10,008	10,008	10,008
Other LT assets	14,711	19,529	17,514	17,514	17,514	17,514
Curr. Assets	**1,21,336**	**78,227**	**67,366**	**97,671**	**94,543**	**1,02,756**
Debtors	11,119	10,623	9,639	12,994	17,409	22,292
Cash & Bank Balance	10,961	8,325	8,691	35,640	28,097	31,427
Investments	90,757	48,885	37,323	37,323	37,323	37,323
Other Current Assets	8,498	10,393	11,714	11,714	11,714	11,714
Current Liab. & Prov	**21,388**	**22,240**	**26,420**	**29,487**	**33,522**	**37,985**
Net Current Assets	**99,948**	**55,987**	**40,946**	**68,184**	**61,022**	**64,772**
Application of Funds	**1,22,669**	**90,566**	**78,874**	**1,06,870**	**1,00,723**	**1,05,774**

(INR M)

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)						
EPS	**-18.6**	**-19.3**	**-10.7**	**-7.3**	**-2.6**	**2.2**
Cash EPS	-17.8	-18.0	-8.8	-5.3	0.0	5.5
Book Value	63.0	41.9	35.5	45.5	42.9	45.1
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Payout %	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)						
P/E	NA	NA	NA	NA	NA	NA
Cash P/E	NA	NA	NA	NA	NA	NA
EV/EBITDA	NA	NA	NA	NA	NA	NA
EV/Sales	14.2	10.9	8.2	6.2	4.7	3.7
Price/Book Value	6.7	10.1	11.9	9.3	9.8	9.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
Profitability Ratios (%)						
RoE	(29.6)	(39.2)	(27.8)	(18.5)	(6.0)	4.9
RoCE	(30.0)	(40.9)	(29.2)	(21.1)	(9.1)	1.9
Turnover Ratios						
Debtors (Days)	71	47	31	31	31	31
Fixed Asset Turnover (x)	7.4	9.6	10.8	13.6	16.7	19.3

Cash Flow Statement (INR M)

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
CF from Operations	-32,128	-39,460	-15,115	-10,531	1,579	14,217
Cash for Working Capital	-6,876	-1,139	1,988	-289	-380	-420
Net Operating CF	**-39,004**	**-40,599**	**-13,127**	**-10,819**	**1,199**	**13,797**
Net Purchase of FA	-2,274	-1,573	-3,440	0	0	0
Free Cash Flow	**-41,278**	**-42,172**	**-16,567**	**-10,819**	**1,199**	**13,797**
Net Purchase of Invest.	-89,327	41,251	18,025	-807	-2,610	-4,605
Net Cash from Invest.	**-91,601**	**39,678**	**14,585**	**-807**	**-2,610**	**-4,605**
Proc. from equity issues	1,39,058	0	0	39,326	-5,381	-5,112
Proceeds from LTB/STB	-918	0	1,076	0	0	0
Others	-1,799	-1,715	-2,304	-750	-750	-750
Dividend Payments	0	0	0	0	0	0
Cash Flow from Fin.	**1,36,341**	**-1,715**	**-1,228**	**38,576**	**-6,131**	**-5,862**
Net Cash Flow	**5,736**	**-2,636**	**229**	**26,949**	**-7,543**	**3,330**
Opening Cash Bal.	**5,225**	**10,961**	**8,325**	**8,691**	**35,640**	**28,097**
Forex differences	0	0	137	0	0	0
Add: Net Cash	5,736	-2,636	229	26,949	-7,543	3,330
Closing Cash Bal.	**10,961**	**8,325**	**8,691**	**35,640**	**28,097**	**31,427**

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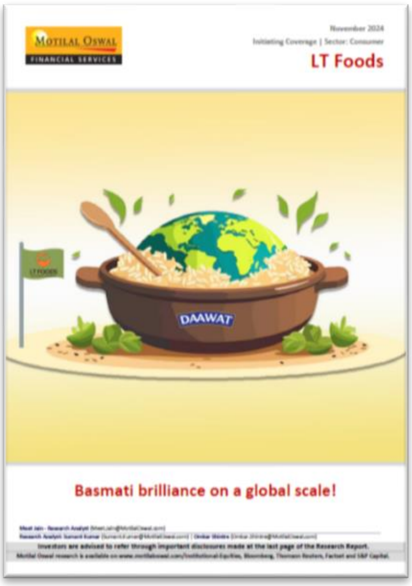

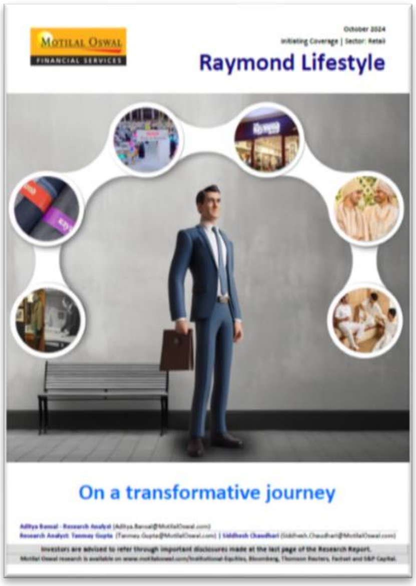

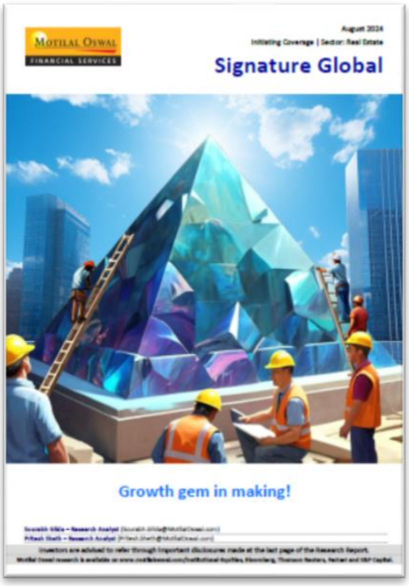

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Investment Rating	**Expected return (over 12-month)**
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