

Swiggy Ltd.

Nifty: 24,213 | Sensex: 79,477

IPO Note | 05th November 2024

Subscribe

Sector: E-commerce

Price Range: ₹371 - ₹390

An E-commerce Player Poised for Sustainable Growth

Swiggy Ltd., (Swiggy) established in 2013, is a new-age, user-centric technology company offering a comprehensive convenience platform through a single app. Users can order food, groceries, and household items (Instamart) for doorstep delivery via an on-demand network. The platform also includes restaurant reservations, product pick-up/drop-off services (Genie), and other hyperlocal commerce activities. Swiggy enhances its offerings with membership programs like Swiggy One, Swiggy Money, and the Swiggy-HDFC Bank credit card.

- ◆ The online food delivery market in India grew from ₹112 billion (US\$1.4 billion) in 2018 to ₹640 billion (US\$8 billion) in 2023 and is expected to become a ₹1400-1700 billion (US\$17-21 billion) market by 2028P, growing at a CAGR of 17-22%. (Source: RHP/Redseer Report)
- ◆ Convenience-focused Quick Commerce models are gaining traction among urban consumers and addressing supply chain inefficiencies. This segment is expected to grow rapidly, with a CAGR of 60-80%, reaching ₹2.3-4.2 trillion (US\$29-53 billion) by 2028 from ₹224 billion (US\$2.8 billion) in 2023. (Source: RHP/Redseer Report)
- ◆ In the 10th year of its operations, Swiggy has achieved a significant milestone of 112.73 million users, who have transacted on their platform. This indicates its operational efficiencies, integrated app approach, innovations, customer retention and providing a seamless experience for its customers.
- ◆ Swiggy has reported strong topline growth of ~40% CAGR over FY22-24 to ₹11,247cr in FY24, led by enhanced customer engagements and rapid delivery options in food delivery and Quick Commerce.
- ◆ On the profitability side, Swiggy has witnessed setbacks and has recorded negative cash flow from operations since inception.
- ◆ Going ahead, Swiggy's strategy to expand Dark Stores and introduce non-grocery categories is intended to enhance basket sizes and drive profitability.
- ◆ At the upper price band of ₹390, Swiggy is available at Mcap/sales of 7.8x (on FY24 financials), which appears to be fairly priced. We assign a "Subscribe" rating for the issue on a long term investment basis, considering its strong brand recall, diversified offerings, integrated app, rapid scaling, consistent innovation, expansion of dark stores, and promising industry outlook.

Purpose of IPO

The IPO consists of a fresh issue of ₹4,499cr and an offer for sale of ₹6,828 by selling shareholders. The proceeds from its fresh issuance worth ₹165cr will be utilised for the repayment or prepayment of borrowings of its subsidiary Scootsy, ₹1,179cr for expansion of dark stores, ~₹703cr for technology investment and cloud infrastructure, ₹1,115cr for brand marketing & promotion expenses and general corporate purposes.

Key Risks

- ◆ Net loss and negative cash flow from operations since incorporation. However, the profitability has narrowed 44%YoY to ₹2,350cr in FY24.
- ◆ Rise in competition and other business model.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
Swiggy Ltd	87,299	11,247	-19.63	-20.9	-10.5	-30.2	-40	11.2	7.8	390
Zomato	21,6384	12,114	0.3	2.9	0.3	1.8	3,431.2	10.6	17.8	249

Source: Geojit Research, Bloomberg; Valuations of Swiggy are based on upper end of the price band (post issue), Financials as per FY24 consolidated.

Issue Details

Date of opening	November 6, 2024
Date of closing	November 8, 2024
Total No. of shares offered (cr.)	17.51
Post Issue No. of shares (cr)	223.8
Face Value	₹1
Bid Lot	38 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,820
Maximum application for retail (upper price band for 13 lot)	₹ 192,660
Listing	BSE,NSE
Employee discount	₹25 per share
Lead Managers	Kotak Mahindra Capital Company Ltd, Citigroup Global Markets India Private Ltd, Jefferies India Private Ltd, Avendus Capital Pvt Ltd, J.P. Morgan India Private Ltd, Bofa Securities India Ltd and ICICI Securities Ltd
Registrar	Link Intime India Private Ltd.

Issue size (upper price)

	Rs.cr
Fresh Issue	4,499
OFS	6,828
Total Issue	11,327.4

Shareholding (%)

	Pre-Issue	Post Issue
Promoter & Promo. Group.	0	0
Public & others	100	100
Total	100.0	100.0

Issue structure

	Allocation (%)	Size Rs.cr
Retail	10	1,132.7
Non-Institutional	15	1,699.1
QIB	75	8,495.6
Emp. Reservation	-	-
Total	100	11,327.4

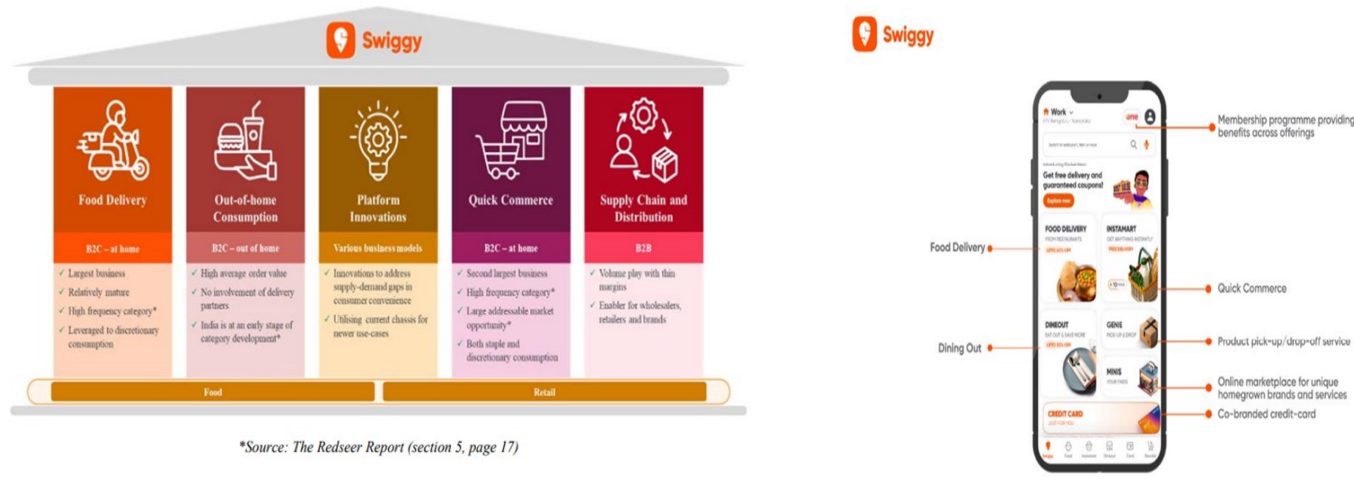
Y.E March (Rs cr) Consol.

	FY23	FY24	Q1FY25
Sales	8,264.6	11,247.4	3,222.2
Growth YoY(%)	44.9	36.1	34.8
EBITDA	(4,275.8)	(2,208)	(544.2)
Margin(%)	(51.7)	(19.6)	(16.9)
PAT Adj.	(4,179.3)	(2,350.2)	(611)
Growth (%)	15.2	(43.8)	-
EPS	(18.7)	(10.5)	(2.7)
P/E (x)	(20.9)	(37.1)	(142.9)
EV/EBITDA (x)	(20.6)	(40)	(162.3)
RoE (%)	(46.1)	(30.2)	(8.2)



Business Operations:

Swiggy operates in five key segments. Firstly, the **food delivery** segment, present in 681 cities, allows users to order their favourite meals directly to their doorsteps. Secondly, the **out-of-home consumption** segment, which includes dining out and events, is available in 52 cities. Thirdly, the **quick commerce** segment offers on-demand delivery of groceries and household items in 32 cities. Fourthly, the **supply chain and distribution** segment covers B2B supplies, warehousing, logistics, and distribution services for wholesalers and retailers. Lastly, the **platform innovations** segment encompasses new initiatives and services such as Swiggy Genie and Swiggy Minis, available in 69 cities. This diverse operational framework positions Swiggy as a comprehensive service provider in the hyperlocal commerce landscape.



Swiggy Platform Consolidated Gross Revenue refers to consolidated Gross Revenue of all businesses i.e. (i) Food delivery, plus (ii) Quick Commerce, plus (iii) Out-of-home Consumption, plus (iv) Supply Chain and Distribution, plus (v) Platform Innovations.

Gross revenue of the segments refers to revenue from operations plus (i) user delivery charges collected and passed on to delivery partners (net of any discounts, including free delivery discounts provided through Swiggy One membership program), plus (ii) fee from user (that is not already included in revenue from operations) collected and netted off from platform funded discounts given for corresponding orders. User delivery charges represent the charges collected from the user and passed on to the delivery partner after recovering fees for platform services along with "delivery and related charges" for corresponding orders, included within total expenses appearing on the statement of profit and loss. Fee from User collected and netted off from discounts provided to users which is part of "Advertisement and sales promotion" expenses appearing in the statement of profit and loss.

(₹ in million)

Particulars	For the three months ended June 30,		Fiscals		
	2024	2023	2024	2023	2022
Revenue from operations	32,222.17	23,898.18	112,473.90	82,645.96	57,048.97
Add: user delivery charges	2,253.87	3,001.80	10,240.76	12,150.93	11,555.47
Add: fee from user (that is not already included in revenue from operations)	296.83	38.50	488.48	-	-
Swiggy Platform Gross Revenue	34,772.87	26,938.48	123,203.14	94,796.89	68,604.44

(₹ in million)

Particulars	For the three months ended June 30,		Fiscals		
	2024	2023	2024	2023	2022
FOOD DELIVERY					
Revenue from operations	15,153.40	11,926.12	51,601.25	41,299.90	33,913.14
Add: user delivery charges	1,854.58	2,580.70	8,725.78	10,492.15	10,384.93
Add: fee from user (that is not already included in revenue from operations)	288.32	38.50	488.48	-	-
Food Delivery Gross Revenue	17,296.30	14,545.32	60,815.51	51,792.05	44,298.07
OUT-OF-HOME CONSUMPTION					
Revenue from operations	458.52	311.25	1,571.86	776.86	-
Add: fee from user (that is not already included in revenue from operations)	8.51	-	-	-	-
Out-of-home Consumption Gross Revenue	467.03	311.25	1,571.86	776.86	-
QUICK COMMERCE					
Revenue from operations	3,740.29	1,797.65	9,785.50	4,513.63	828.43
Add: user delivery charges	293.56	325.40	1,091.50	959.12	413.80
Quick Commerce Gross Revenue	4,033.85	2,123.05	10,877.00	5,472.75	1,242.23
PLATFORM INNOVATIONS					
Revenue from operations	187.39	387.35	1,719.24	3,192.10	7,654.40
Add: user delivery charges	105.73	95.70	423.48	699.66	756.74
Platform Innovations Gross Revenue	293.12	483.05	2,142.72	3,891.76	8,411.14

Source: RHP, Geojit Research

Key strengths:




- ◆ **Pioneers of High-Frequency Hyperlocal Commerce:** Driven by an innovation-led culture.
- ◆ **Consistently Growing Network of Users:** Swiggy has reached 112.73 million ever transacted users as of June 30, 2024.
- ◆ **Rising User Engagement:** Continually increasing interaction and transactions on the platform.
- ◆ **Preferred Partner:** Favoured by restaurant, merchant, brand, and delivery partners. Significant increase in the Food Delivery Average Monthly Transacting Restaurant Partner base, Active Dark Stores, and Average Monthly Transacting Delivery Partners base, by 1.73x, 1.85x, and 1.88x respectively from FY22 to June 30, 2024.

Key strategies:

- ◆ Retain and grow the user base by expanding offerings and growing the partner network.
- ◆ Expand Dark Store footprint and basket sizes for Quick Commerce.
- ◆ Improve contribution margin by scaling operations and expanding high-margin offerings and revenue streams.
- ◆ Invest in technology backbone and optimize the last-mile network to enable efficient scaling of operations to service more users.
- ◆ Enhance brand recall by investing in marketing efforts to improve app traffic and increase engagement across businesses.

Industry Outlook...

Evolving demographic structures have led Indian consumers to shop more and increasingly use digital channels for their purchases, enabling online commerce platforms to expand to over 950 cities. This shift allows consumer-centric technology platforms to engage with users at multiple touch-points. Digitally-native consumers are fostering an internet-based ecosystem across various consumption categories, contributing to the growth of the online market. Hyperlocal, urban convenience-driven, high-frequency commerce platforms are particularly appealing to consumers. Between 2018 and 2023, the online Food Delivery and Quick Commerce markets grew at compound annual growth rates (CAGRs) of approximately 42% and 148%-169%, respectively (Source: Redseer Report). Additionally, there has been a significant increase in annual spending by users on online Food Delivery, rising from approximately ₹2,800-3,200 in 2018 to ₹7,500-8,000 in 2023 (Source: Redseer Report). The spending per user for Quick Commerce increased to approximately ₹13,400 in 2023, up from negligible levels in 2018 (Source: Redseer Report).

Quick Commerce Market	Unit	2018	2023	CAGR % (2018-2023)	2028P	CAGR % (2023-2028P)
 Market Size	₹ billion (US\$ billion)	1.6-2.4 (0.02-0.03)	~224 ~(2.8)	148-169%	2320-4240 (29-53)	60-80%
 Penetration in Total Retail	%	0.003%	0.3%		2-3%	
 Penetration in Online Retail	%	0.14%	4.8%		17-30%	

Source(s): Redseer Research and Analysis; Note(s): 1) Calculated at the selling price before cancellations and returns; 2) GOV reported by Quick-commerce players are at MRP, which is typically 10-20% higher than selling price.

Source: RHP, Geojit Research

Promoter and promoter group

The company is a professionally managed company and does not have an identifiable promoter and no members forming part of the 'promoter group' in terms of the SEBI ICDR Regulations and the Companies Act.

Brief Biographies of directors

As on the date of this Red Herring Prospectus, the Board comprises 10 Directors including two Executive Directors, eight Non Executive Directors of whom are four Independent Directors (including one woman Director).

- ◆ **Anand Kripalu** is an Independent Director and a Chairman on the Board, since December 4, 2023
- ◆ **Sriharsha Majety** is the Managing Director and Group Chief Executive Officer of the Company.
- ◆ **Lakshmi Nandan Reddy Obul** is a Whole-time Director - Head of Innovation on the Board
- ◆ **Shailesh Vishnubhai Haribhakti** is an Independent Director of the Company since January 24, 2023
- ◆ **Sahil Barua** is an Independent Director on the Board since January 24, 2023
- ◆ **Suparna Mitra** is an Independent Director on the Board since April 1, 2024

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Sales	8,264.6	11,247.4	3,222.2
% change	44.9	36.1	34.8
EBITDA	(4,275.8)	(2,208)	(544.2)
% change	17	-48	-
Depreciation	285.8	420.6	121.7
EBIT	(4,561.6)	(2,628.6)	(665.9)
Interest	58.2	71.4	19.8
Other Income	449.9	387	87.9
Exceptional items	(9)	(31)	(13)
PBT	(4,179.2)	(2,343.6)	(610.9)
% change	15	-43.9	-
Tax	-	-	-
Tax Rate (%)	0	0	0
Reported PAT	(4,179.3)	(2,350.2)	(611)
Adj	-	-	-
Adj. PAT	(4179.3)	(2350.2)	(611)
% change	15.2	(43.8)	-
Post issue No. of shares (cr)	223.8	223.8	223.8
Adj EPS (Rs)	(18.7)	(10.5)	(2.7)
% change	15.2	(43.8)	-

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	Q1FY25
PBT Adj. (reported)	(4,179.31)	(2,350.24)	(611.01)
Non-operating & non cash adj.	278.2	834.9	336.1
Changes in W.C	(113.9)	198.8	(228)
C.F. Operating	(4,059.91)	(1,312.7)	(516.627)
Capital expenditure	(168.30)	(353.6)	(69.921)
Change in investment	(9,791.4)	(8,284.1)	(2,250.76)
Sale of investment	13,843.74	10,012.2	2,778.147
Other invest.CF	83.8	83.9	38.43
C.F - investing	3,967.85	1,458.5	495.9
Issue of equity	-	-	(8)
Issue/repay debt	(145)	(56)	17
Dividends paid	-	-	-
Other finance.CF	(26.5)	(66.8)	(21)
C.F - Financing	(171.5)	(122.795)	(11.89)
Change. in cash	(263.6)	22.9	(32.6)
Opening Cash	1096.1	846.2	869.1
Closing cash	832.5	869.1	836.5

*Annualised.

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Cash	863.9	890.9	839.5
Accounts Receivable	1,062.3	963.9	1,189.6
Inventories	10.6	48.7	56.3
Other Cur. Assets	1,028.6	1,104.8	1,218.6
Investments	6,540.5	5,171.1	4,661.6
Deff. Tax Assets	-	-	-
Net Fixed Assets	313.7	452.8	467.9
CWIP	-	-	-
Intangible Assets	1,191.3	1,588.6	1,580.4
Other Assets	269.5	308.8	327.4
Total Assets	11,281	10,529	10,341
Current Liabilities	1,074.9	1,087.5	1,195.1
Provisions	157.9	146.8	156.2
Debt Funds	599.6	864.2	912.2
Other Fin. Liabilities	391.7	639.4	632.7
Deferred Tax liability	-	-	-
Equity Capital	9,056.6	7,791.5	7,445
Reserves & Surplus	-	-	-
Shareholder's Fund	9,056.6	7,791.5	7,445
Total Liabilities	11,281	10,529	10,341
BVPS (Rs)	40.5	34.8	33.3

RATIOS

Y.E March	FY23	FY24	Q1FY25
Profitab. & Return			
EBITDA margin (%)	(51.7)	(19.6)	(16.9)
EBIT margin (%)	(55.2)	(23.4)	(20.7)
Net profit mgn.(%)	(50.6)	(20.9)	(19.0)
ROE (%)	(46.1)	(30.2)	(8.2)
ROCE (%)	(36.7)	(24.8)	(6.7)
W.C & Liquidity			
Receivables (days)	48	33	30
Inventory (days)	2	2	3
Payables (days)	39	29	28
Current ratio (x)	7.7	6.6	5.9
Quick ratio (x)	1.8	1.7	1.7
Turnover & Levg.			
Net asset T.O (x)	26.4	29.3	6.9
Total asset T.O (x)	0.6	1.0	0.3
Int. covge. ratio (x)	(78.4)	(36.8)	(33.6)
Adj. debt/equity (x)	0.1	0.1	0.1
Valuation ratios			
EV/Sales (x)	10.6	7.8	27.4
EV/EBITDA (x)	(20.6)	(40)	(162.3)
P/E (x)	(20.9)	(37.1)	(142.9)
P/BV (x)	9.6	11.2	11.7

DISCLAIMER & DISCLOSURES

Certification

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect the personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of the business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by the Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or the Analysts in connection with the business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen G, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

