SWIGGY LIMITED

November 05, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Food Delivery and Quick Commerce
Offer for sale (Shares)	175,087,863
Fresh Issue (Shares)	115,358,974
Net Offer to the Public	**290,446,837**
Issue Size (Rs. Cr.)	10775.58-11327.43
Price Band (Rs.)	371-390
Employee Discount	25
Offer Date	6-Nov-24
Close Date	8-Nov-24
Face Value	1
Lot Size	38

Issue Composition

	In shares
Total Issue for Sale	290,446,837
QIB	217,835,128
NIB	43,567,026
Retail	29,044,684

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	0.00%	0.00%
QIB	91.32%	89.35%
NIB	8.68%	9.44%
Retail	0.00%	1.20%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

Investment in the Material Subsidiary, Scootsy, for repayment or pre-payment, in full or in part, of certain or all of its borrowings;

Investment in the Material Subsidiary, Scootsy, for (a) expansion of Dark Store network for Quick Commerce segment through setting up of Dark Stores; and (b) making lease/license payments for Dark Stores;

Investment in technology and cloud infrastructure;

Brand marketing and business promotion expenses for enhancing the brand awareness and visibility of its platform, across segments; and

Funding inorganic growth through unidentified acquisitions and general corporate purposes.

Book Running Lead Manager

- Kotak Mahindra Capital Company Limited
- J.P. Morgan India Private Limited
- Citigroup Global Markets India Private Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Founded in 2014, Swiggy Limited provides its users with an easy-to-use platform that they can access via a single app to search, select, order, and pay for food (Food Delivery), grocery and household goods (Instamart) and have orders delivered to their homes via an on-demand delivery partner network. It operates in five business units, Food Delivery; Out-of-home consumption, which includes restaurant visits and events; Quick Commerce for the delivery of grocery and household items on demand; Supply chain and distribution: business-to-business (“B2B”) deliveries, warehousing, logistics and distribution for wholesalers and retailers; and Platform innovation for new initiatives and offerings such as Swiggy Genie and Swiggy Minis. As of June 30, 2024, Swiggy carried a selection of approximately 19,000 SKUs of grocery and household items. As of June 30, 2024, Swiggy's Instamart operated a large network of 557 Active Dark Stores across 32 cities in India and as of September 10, 2024, Instamart operated a network of 605 Active Dark Stores across 43 cities in India.

Strength

Pioneers of high-frequency hyperlocal commerce categories driven by an innovation-led culture: Being among the first hyperlocal commerce platforms, Swiggy has successfully pioneered the industry in India, launching Food Delivery in 2014 and Quick Commerce in 2020, and due to the pioneering status of Swiggy, it is well-recognised as a leader in innovation in hyperlocal commerce and as a brand synonymous with the categories it is present in. It has been able to expand beyond its core offerings of Food Delivery and Quick Commerce on its platform by increasing the breadth (dining out, events 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 its experience in this market. It has leveraged its network of users and partners to assess the market attractiveness and demand for new offerings through targeted tests. Its innovation-led approach operates as a self-reinforcing ecosystem where its offerings help drive interactions with users and consequently enhances value for all ecosystem participants and the overall platform.

A consistently growing network of users: In its tenth year of operations, it has reached a milestone of 112.73 million users that have transacted on our platform (ever transacted users) on June 30, 2024. Its unified app, growing offerings and wide network of partners drive greater selection and faster delivery times, all of which enhance user experience on its platform and encourages more users to transact with it. As a result, it has witnessed a consistent growth in its base of Monthly Transacting Users, both for Food Delivery and Quick Commerce individually, as well as for the overall platform.

Rising user engagement on its platform: It is the only unified app in India that fulfils through its own platform all food-related missions of urban users of ordering-in, eating-out and cooking-at-home, as of June 30, 2024, and captures the largest share of consumer wallet in terms of Monthly GOV per MTU in the hyperlocal commerce use-cases, in the three months ended June 30, 2024. The combined effects of its brand recognition, unified app approach and high frequency offerings helps increase user engagement across multiple offerings on its platform, ensures user stickiness, and enables the quick introduction of adjacent and new offerings cost-effectively. This also creates an opportunity for to cross-sell its offerings which serves as an attractive tool for user acquisition at low costs and also allows its partners to cross-promote their products across the various offerings it has. Integration across offerings on its platform also strengthens its operations. For example, it can tap into the Food Delivery fleet during non-meal hours to service Quick

Commerce orders, which helps meet delivery expectations and fulfil orders efficiently.

A preferred choice for restaurant partners, merchant partners, brand partners and delivery partners: Its scale, unified app approach with adjacent categories, engaged user base, and on-demand delivery network creates meaningful opportunities for restaurant partners, merchant partners and brand partners to engage with its user base at low incremental costs. Its data-driven technology helps understand demand patterns food preparation time (in Food Delivery) and product availability (in Quick Commerce), match delivery partner availability with user demand, optimise delivery partner allocation, maximise delivery partner earnings, reduce delivery time and track orders in real time. With multiple high-frequency offerings integrated and offered on a common interface coupled with a unified payment infrastructure and technology stack, its platform benefits from a virtuous flywheel that enhances the value proposition to all its platform participants as it grow its business. More offerings on its platform attracts more restaurant partners, merchant partners and brand partners on its platform, which in turn creates a wide selection of services and products, attracting more users. More users on its platform gives its other ecosystem participants access to a larger addressable market.

An experienced professional management team and high standards of governance: It is led by a team of dynamic entrepreneurs and experienced professional management, with industry expertise. It has an eight-member strong leadership team, many of whom come with deep backgrounds in the consumer technology and hyperlocal commerce sectors. Its team has demonstrated leadership in innovation and execution prowess in shaping the evolution of the online Food Delivery and Quick Commerce industries in India, as demonstrated by the success of its businesses and the industry accolades and recognition received by it.

Strategy

Retain and grow user base by expanding its offerings and growing its partner network: Its aim is to build innovative solutions that deliver unparalleled convenience to urban users. The online Food Delivery market and the Quick Commerce market in India are expected to grow at a CAGR of approximately 17 to 22% and 60 to 80%, respectively, from 2023 to 2028, according to the Redseer Report. Further, the penetration of Quick Commerce in overall retail market in India is expected to become more than six times to approximately 2-3% by 2028, with Quick Commerce as a percentage of overall online retail expected to increase from 4.8% in 2023 to between 17% and 30% in 2028, with a significant headroom for future growth. It intend to increase its user base and the frequency of their interactions on its platform by providing new use-cases addressing growing user convenience needs, better value, wider selection of food and product options, and faster delivery times. It also intend to increase the number of restaurant partners, merchant partners and brand partners on its platform by providing enhanced advertising tools or other business enablement tools for its partners to increase their earnings, solve their business needs of go-to-market, discovery, and their geographical expansion strategies and category extension strategies, among others. Its aim is to continue increasing the geographical overlap of its various offerings including Food Delivery and Quick Commerce to fuel cross-selling opportunities on the platform.

Expand Dark Store footprint and basket-sizes for Quick Commerce: It intend to continue to increase the density of its Quick Commerce network in the cities it currently operate, as well as in new cities it may choose to expand to in the future, and increase its Dark Store footprint in terms of aggregate area, to enable its merchant partners to offer a wider selection of products on its platform to meet consumer demands, and get closer to consumer demand clusters in order to fulfil orders more efficiently and within expected delivery time. For this, it intends to open new Dark Stores that are sized or located more favourably. Together, it believe this will enable it and its merchant partners to serve new localities, reduce last-mile costs of delivery, and build more engagement with users due to shorter delivery times and availability of a wider selection of SKUs on its platform, which will lead to improved basket-sizes, and thereby, unit economics.

Improve its contribution margin by scaling its operations, and expanding high margin offerings and revenue streams: Its platform benefits from inherent local network effects and operating leverage, leading to improved contribution margin with growing scale, better synergies across business segments and tighter integration between ecosystem partners. As it seed new

offerings, it incur fixed costs such as costs for innovations as well as marketing and promotions expenses to drive user adoption and habit formation. As these new offerings scale, it will benefit from repeat transactions and economies of scale. It plan to continue improving its contribution margins by reducing the net discounts provided to consumers on delivery costs, on the back of increased user propensity to place a higher value on convenience. In addition, it intends to continue optimizing its category mix by adding more premium product offerings on its platform, to improve the average order value of the transactions, leading to better unit economics.

Invest in its technology backbone and optimise its last-mile network to enable efficient scaling of operations to service more users: Its technology stack is built in-house, atop services provided by third-party cloud architecture vendors. It aim to further innovate, iterate and improve its technology stack to enhance the platform experience and offerings for all its ecosystem partners and improve its operational efficiency. It plan to further invest in expanding the capacity of its cloud architecture to handle more users, greater engagement through a higher number of use-cases, and efficient handling of data and peak demand scenarios.

Risk factor

- The company has incurred net losses in each year since incorporation and have negative cash flows from operations.
- Attracting and retaining delivery partners is critical to its business.
- The company face intense competition across the markets we serve and if we are unable to compete effectively.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Zomato Limited	15855.00	742.00	0.84	291.85	10.16	24.14	1	245.15	216622.93
Swiggy Limited	11247.39	-2350.24	-ve	-ve	7.88	49.49	1	390.00	94127.03

***Peer companies financials are TTM based**

Valuation

Considering the P/S valuation, on the upper end of the price band of Rs.390, the stock is priced at pre issue P/S of 6.85x on TTM Sales per share of Rs. 56.90. Post issue, the stock is priced at a P/S of 7.79x on its Sales per share of Rs. 50.05. Looking at the P/B ratio at Rs. 390, pre issue, book value of Rs. 35.07 of P/Bvx 11.12x. Post issue, book value of Rs. 49.49 of P/Bvx 7.88x.

Considering the P/s valuation, on the lower end of the price band of Rs. 371, the stock is priced at pre issue P/S of 6.52x on TTM Sales per share of Rs. 56.90. Post issue, the stock is priced at a P/S of 7.41x on its sales per share of Rs. 50.05. Looking at the P/B ratio at Rs.371, pre issue, book value of Rs. 35.07 of P/Bvx 10.58x. Post issue, book value of Rs. 49.49 of P/Bvx 7.50x.

Industry Outlook

Evolving demographic structures are leading to Indian consumers not only shopping more, but also increasingly choosing digital channels for their purchases, and as a result, online commerce platforms have reached over 950 cities. This shift allows consumer-first technology platforms to engage with consumers at multiple touchpoints. Digitally-native consumers are creating an internet-based ecosystem across consumption categories leading to growth in online market. Hyperlocal, urban convenience driven, high-frequency commerce platforms stand out for consumers. Between 2018 and 2023, the online Food Delivery and Quick Commerce markets grew at CAGRs of ~42% and 148%-169%, respectively. Further there is significant increase in annual spending by users on online Food Delivery, which has increased from ~Rs. 2,800-3,200 in 2018 to approximately Rs. 7,500- 8,000 in 2023. The spent per user for Quick Commerce increased to ~Rs.13,400 in 2023 which was negligible in 2018.

Outlook

Due to the pioneering status, it is well-recognised as a leader in innovation in hyperlocal commerce and as a brand synonymous with the categories it is present in. Its aim is to build innovative solutions that deliver unparalleled convenience to urban users. It is focusing on increase the density of its Quick Commerce network in the cities it currently operate, as well as in new cities it may choose to expand to in the future, and increase its Dark Store footprint. It plan to improving its contribution margins by reducing the net discounts provided to consumers on delivery costs, on the back of increased user propensity to place a higher value on convenience. On the flip side, the main cause of concern is that the company is making continuous losses since inception. Given its leadership position and palns for expansion and margin improvement high-risk tolerance may consider investing in the company

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	06-November-24
BID/ISSUE CLOSES ON	08-November-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	11-November-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	12-November-24
Credit of Equity Shares to Demat Accounts of Allottees	12-November-24
Commencement of trading of the Equity Shares on the Stock Exchanges	13-November-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (3 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	3,222.22	11,247.39	8,264.60
Total expenditure	3,766.46	13,455.40	12,540.42
Operating Profit	**-544.24**	**-2208.01**	**-4275.83**
OPM%	-16.89	-19.63	-51.74
Other Income	87.89	386.96	449.86
PBDIT	**-456.35**	**-1821.05**	**-3825.97**
Depreciation	121.67	420.59	285.79
PBIT	**-578.02**	**-2241.63**	**-4111.75**
Interest	19.83	71.40	58.19
Profit BeforeTax Before before share of loss of an associate, exceptional items and tax	**-597.85**	**-2313.04**	**-4169.95**
Share in net loss of an associate	-0.09	-6.61	-0.10
Exceptional items	-13.07	-30.60	-9.26
PBT	**-611.01**	**-2350.24**	**-4179.31**
Tax	0.00	0.00	0.00
PAT	**-611.01**	**-2350.24**	**-4179.31**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	467.86	452.79	313.75
Right-of-use assets	592.70	587.80	545.83
Goodwill	696.47	696.47	325.77
Other intangible assets	291.26	304.31	319.74
Investment in associates	60.27	60.36	66.97
Financial Assets			
Investments	1682.99	1382.28	1616.40
Other financial assets	96.22	94.89	80.55
Income tax assets	174.07	160.30	157.45
Other assets	57.08	53.60	31.49
Total Non Current Assets	**4118.92**	**3792.79**	**3457.95**
Current assets			
Inventories	56.30	48.69	10.64
Financial Assets			
Investments	2918.32	3728.47	4857.15
Trade Receivables	1189.59	963.85	1062.35
Cash and cash equivalents	836.49	887.05	832.52
Bank balances other than cash and cash equivalents	3.01	3.80	31.40
Other financial assets	906.96	826.80	651.87
Other assets	311.66	277.97	376.77
Total current assets	**6222.33**	**6736.63**	**7822.70**
Total Assets	**10341.24**	**10529.42**	**11280.65**
Non-current liabilities			
Financial liabilities			
Borrowings	154.61	95.98	0.00
Lease Liabilities	470.88	467.06	444.58
Other financial Liabilities	3.78	0.00	37.44
Contract liabilities	28.77	29.01	0.00
Provisions	40.34	39.11	38.49
Total non-current liabilities	**698.39**	**631.16**	**520.51**
Current liabilities			
Financial liabilities			
Borrowings	102.00	115.21	0.00
Lease Liabilities	184.73	185.95	155.02
Trade payables	989.47	880.90	873.17
Other financial liabilities	632.73	639.42	391.66
Contract liabilities	16.18	20.94	35.04
Other current liabilities	189.41	185.67	166.69
Provision	83.35	78.73	81.94
Total current liabilities	**2197.86**	**2106.80**	**1703.53**
Total	**2896.25**	**2737.96**	**2224.03**
Net worth represented by:			
Equity Share Capital	3.81	3.01	2.66
Instruments entirely equity in nature	15090.76	15573.26	15562.54
Other equity	-7649.58	-7784.81	-6508.59
Net Worth	**7444.99**	**7791.46**	**9056.61**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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