

SWIGGY LTD

06-11-2024 - 08-11-2024

Industry: E-Retail/ E-Commerce

Price Band: ₹371 - 390

Recommendation: Subscribe for long term

Post Implied Market Cap: - ₹83,265 - ₹87,299Cr

Key Data

Issue Size (₹ Cr)	10,995 - 11,327
Fresh (₹)	4,490
OFS (₹)	6,828
No. of shares offered	115,358,974
Face Value (₹ /share)	1
Bid Lot	38

About the Company

Swiggy is a consumer-centric technology company providing a unified app platform for convenient access to food delivery, grocery and household items (Instamart), restaurant reservations (Dineout), event bookings (SteppinOut), pickup/drop services (Genie) and other hyperlocal commerce activities. Since launching Food Delivery in 2014 and Quick Commerce in 2020, Swiggy has established itself as a leading innovator in India's hyperlocal commerce space, becoming a well-recognized brand across its service categories.

Investment Rationales

- Pioneers of high-frequency hyperlocal commerce categories driven by an innovation-led culture:** Swiggy, a pioneering hyperlocal commerce platform in India, launched Food Delivery in 2014 and Quick Commerce in 2020, establishing itself as a leader in innovation across its categories. With a strong focus on continuous ideation and experimentation, Swiggy has become synonymous with hyperlocal convenience in India.
- Rising user engagement on the platform:** Company's unified app and high-frequency offerings have driven strong user engagement, with average monthly order frequencies increasing consistently—from 4.14 times in FY2022 to 4.50 times for the quarter ending June 2024. This frequency surpasses other hyperlocal commerce players.
- A preferred choice for restaurant partners, merchant partners, brand partners and delivery partners:** The company's success in retaining partners highlights the appeal of its platform, with its Food Delivery Monthly Transacting Restaurant Partners, Active Dark Stores and Transacting Delivery Partners increasing by 1.73x, 1.85x, and 1.88x, respectively, from Fiscal 2022 to June 2024.
- Company's platform has created strong network effects driven by the wide user and partner base:** Swiggy's diverse platform offerings attract numerous restaurant, merchant, and brand partners, creating a broad selection that draws more users. In Q2 2024, 26.74% of transacting users utilized multiple services, highlighting the platform's convenience and appeal.
- Expand Dark Store footprint and basket-sizes for Quick Commerce:** Company has demonstrated strong growth in its Quick Commerce network, significantly expanding its dark store footprint. In Q1 FY 2025, Swiggy increased the average area of its dark stores from 2,855 sq. ft. in Q1 FY 2024 to 4,123 sq. ft., with the total number of active dark stores rising from 421 to 557. This expansion has allowed Swiggy to improve product availability on its platform, with SKUs increasing from 8,800 in Q1 FY 2024 to 19,200 in Q1 FY 2025. Enhanced operations have also led to a notable reduction in delivery times—from 16.9 minutes in Q1 FY 2024 to 12.6 minutes in Q1 FY 2025—resulting in increased order volumes and a higher Average Order Value (AOV), which grew from ₹ 441 to ₹ 487 over the same period. Consequently, Swiggy has improved its contribution margin from -7.5% in Q1 FY 2024 to -3.18% in Q1 FY 2025.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	11-11-2024
Refunds/Unblocking ASBA Fund	11-11-2024
Credit of equity shares to DP A/c	12-11-2024
Trading commences	13-11-2024

Shareholding (No. of shares)

Pre-Issue	2,123,066,748
Post Issue (Lower price band)	2,244,333,594
Post Issue (Higher price band)	2,238,425,722

Shareholding Pattern

Public - Investor Selling S/h:	
Pre Issue	64.16%
Post Issue	53.24%
Public - Investor Selling S/h:	
Pre Issue	9.61%
Post Issue	8.91%
Public - Others:	
Pre Issue	26.23%
Post Issue	37.86%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Other Details

BRLMs: Kotak Mahindra Capital, J P Morgan India, Citigroup Global, BofA Securities, Jefferies India, ICICI Securities, Avendus Capital

Registrar: Link Intime India.

Listing: BSE & NSE

Research Analyst

Rajan Shinde
rajan.shinde@mehtagroup.in
 022-61507142

Risk

- High competition.
- Delivery partner retention failure.
- Failure of retaining restaurant, merchant and brand partner.

MView

We believe Swiggy Ltd IPO brings investors an opportunity to invest in a new age fast growing consumer first technology company offering an easy to use convenience platform. We think the company's continuous expansion in hyperlocal commerce, evident through its increased dark store footprint and faster delivery times, reinforces its leadership in convenience and service quality. We also believe with notable improvements in Average Order Value (AOV) and contribution margin—from -7.5% to -3.18% in just a year—Swiggy demonstrates both operational efficiency and financial resilience. The company's high-frequency user engagement, rising partner retention and broad selection of offerings have created a sticky user base that drives sustained growth. By looking at the financials, the company achieved impressive revenue growth, increasing by 44.9% in FY 2023 and 36.1% in FY 2024, while also reducing its losses from ₹ 4,179.31 cr in FY 2023 to ₹ 2,350.24 cr in FY 2024. On valuation parse at the upper price band of ₹ 390/-, the issue is asking for a Market cap of ₹ 87299 cr, which seems fairly valued to peers. We have valued the company on the basis of Market cap to sales due to the loss status as of now, so on this basis Swiggy's offer is valued at 7.8x Market cap to sales which is fairly valued discounting to its competitor Zomato. We believe Swiggy has been more efficient in customer acquisition than its competitor Zomato, driven by its unified app model, which enhances cost efficiency and supports user growth. The company's expansion into Tier 2 and Tier 3 cities, along with its inclusion of groceries and medicines, bolsters its path to profitability. Given its consistent innovation and strategic expansion, we believe Swiggy's is well-positioned for sustained growth. Making it a compelling opportunity for investors seeking exposure in the evolving hyperlocal commerce space. Hence, by looking at all attributes we recommend investors to "SUBSCRIBE" the Swiggy Ltd for long term perspective.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at June 30		As at March' 31		
	2024 (03)	2023 (03)	2024	2023	2022
Equity Share Capital	3.81	2.66	3.01	2.66	0.86
Instruments entirely equity in nature	15,090.76	15,562.54	15,573.26	15,562.54	15,562.54
Reserve	-7,649.58	-6,904.60	-7,784.81	-6,508.59	-3,296.49
Net Worth	7,444.99	8,660.60	7,791.46	9,056.61	12,266.91
Total Borrowings	256.61	-	211.19	-	-
B2C Gross Order Value	10,189.59	8,277.19	34,969.08	27,740.52	20,122.56
B2C Contribution Margin (%)	3.65%	2.39%	2.81%	-2.02%	-1.17%
Revenue from Operations	3,222.22	2,389.82	11,247.39	8,264.60	5,704.90
Revenue Growth (%)	34.83%	-	36.09%	44.87%	-
EBITDA	-469.51	-455.39	-1,858.26	-3,835.33	-3,410.43
Net Loss for the Period/Year	-611.01	-564.08	-2,350.24	-4,179.31	-3,628.90
Net Loss (%) as stated	-18.96%	-23.60%	-20.90%	-50.57%	-63.61%
NAV (₹)	33.61	39.61	35.48	41.88%	62.96
Debt to Equity	3.45%	0.00%	2.71%	0.00%	0.00%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Revenue from Operations (₹ in Cr)	Mcap (₹ in Cr)	FV	EPS	NAV (₹ Per Share)	P/E	RoNW
Swiggy Ltd	11,247.39	87,299	1	-	53.36	-	-30.16%
Zomato Ltd	12,114.00	2,13,530	1	0.41	23.14	288	1.7%

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 05-11-2024

Swiggy Ltd, EPS/PE,PB, NAV calculated on annualised basis post money



MSEARCH

DISCLAIMER & DISCLOSURE

This Report is published by Mehta Equities Limited (hereinafter referred to as "MEL") for registered client circulation only. MEL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH00000552. MEL is a registered broker with the Securities & Exchange Board of India (SEBI) and registered with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments, Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stockbroking activities & is Depository participant with Central Depository Services Limited (CDSL), is registered with SEBI for providing PMS services and distribute third party PMS product and also member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

MEL a "Research Entity" under SEBI (Research Analyst) Regulations 2014 has independent research teams working with a Chinese wall rule with other business divisions of MEL as mentioned above.

MEL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. MEL, its associates or Research analyst or his relatives do not hold any financial interest in the subject company. MEL or its associates or Research analysts do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. MEL or its associates or Research Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

MEL or its associates or Research analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Research analyst during the past twelve months. MEL or its associates have not received any compensation or other benefits from the company covered by Research analyst or third party in connection with the research report. Research Analyst has not served as an officer, director or employee of Subject Company and MEL / Research analyst has not been engaged in market making activity of the subject company.

This report is for the personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. MEL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. This research has been prepared for the general use of the clients of MEL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MEL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MEL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. MEL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MEL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. MEL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, MEL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of MEL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither MEL, nor its directors, employees, or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Analyst Certification: Research Analyst the author of this report, hereby certifies that the views expressed in this research report accurately reflect my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the Research Analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The Research Analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD

BSE: - Membership Clearing No. 122 - SEBI Regn. No. INB010683856, NSE: - Membership Clearing No. 13512-
SEBI Regn. No. INB231351231, NSE FO SEBI Regn. No. INF231351231, CIN No: U65990MH1994PLC078478
MSEI: - Membership Clearing No. 51800 - SEBI Regn. No. INB261351234 SEBI registered RA Reg No INH00000552
Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in

Compliance Officer: Prakash Joshi

Email Id: compliance@mehtagroup.in

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: help.kyc@mehtagroup.in Phone: + 91 22 61507154