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**IPO Report**

04<sup>th</sup> Nov'24

**Snapshot**

Swiggy is a new-age, consumer-first technology company offering users an easy-to-use convenience platform, accessible through a unified app - to browse, select, order and pay for food (“Food Delivery”), grocery and household items (“Instamart”), and have their orders delivered to their doorstep through company’s on-demand delivery partner network. Company’s platform can be used to make restaurant reservations (“Dineout”) and for events bookings (“SteppinOut”), avail product pick-up/dropoff services (“Genie”) and engage in other hyperlocal commerce (Swiggy Minis, among others) activities. 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.

**VALUATION**

Company is bringing the issue at price band of Rs 371-390 per share at p/b multiple of 7x on post issue basis.

Company being pioneers of high-frequency hyperlocal commerce categories driven by an innovation-led culture has a consistently growing network of users. Company’s rising user engagement on its platform along with Swiggy” brand delivered through a unified app with consistent user experience is a preferred choice for restaurant partners, merchant partners, brand partners and delivery partners. Also, company’s platform has created strong network effects driven by its wide user and partner base.

Hence Looking after all above , we recommend “Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	<b>371-390</b>
<b>Opening date of the issue</b>	<b>06<sup>th</sup> Nov '2024</b>
<b>Closing Date of the issue</b>	<b>08<sup>th</sup> Nov '2024</b>
<b>No of shares pre issue</b>	2,123,066,748 Eq Shares
<b>Issue Size</b>	Rs 10995-11327 Cr
<b>Fresh issue</b>	Rs 4490 Cr
<b>Offer For Sale</b>	175,087,863 Equity Shares
<b>Face Value (Rs/ share)</b>	Rs 1/share
<b>Bid Lot</b>	38
<b>Employee Discount</b>	Rs 25/share

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	75% of the offer (Approx 221,741,437 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 44,348,287 Eq Shares)
<b>Retail</b>	10% of the offer (Approx 29,565,524 Eq Shares)
<b>Employees</b>	7,50,000 Eq Shares
<b>Lead managers</b>	Kotak Mahindra Capital, J P Morgan India, Citigroup Global, BofA Securities, Jefferies India, ICICI Securities, Avendus Capital
<b>Registrar to the issue</b>	Link Intime India Pvt. Ltd

**WHAT WE LIKE**

***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,

***“Swiggy” brand delivered through a unified app with consistent user experience***

Swiggy is the most valuable brand in the Consumer Technology & Services Platforms category and is among the Top 25 most valuable brands in India overall . Owing to the pioneering status of Swiggy, it is well-recognized as a brand synonymous with the categories it is present in. This has helped company position “Swiggy” as a household brand that represents convenience and quality in users’ minds. Swiggy is unique as 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,

***An experienced professional management team and high standards of governance***

Company’s Managing Director and Group Chief Executive Officer (“CEO”) Sriharsha Majety (who has an industry experience of 10 years and has been with Swiggy since December 26, 2013) was awarded the Economic Times Entrepreneur of the Year Award in 2019. Company’s Chief Financial Officer (“CFO”), Rahul Bothra (who has been with Swiggy since September 1, 2017) was awarded the CFO Power List – Digital Finance Transformation Icon Award by Center of Recognition and Excellence (CORE) in 2019.



## COMPANY BACKGROUND

Company augment the value proposition to users through its membership programme called “Swiggy One” providing discounts and offers; in-app payment solutions like digital wallet “Swiggy Money” (a pre-paid payments instrument), “Swiggy UPI”, and Swiggy-HDFC Bank credit card for additional benefits. Company offer comprehensive business enablement solutions to restaurant partners, merchant partners (that sell grocery and household items on company’s platform) and brand partners including company’s alliance partners such as analytics-backed tools to enhance their online presence and user base; fulfilment services for streamlining their supply chain operations; and last-mile delivery.

Company’s primary business is operating a B2C (business-to-consumer) marketplace platform where company aggregate restaurant and merchant partners that can list their food and products; users can discover and purchase such items; and company facilitate the fulfilment of these orders through enabling delivery, reservations and payments, and lead generation for partners. Company have five business segments – (i) Food Delivery; (ii) Out-of-home Consumption, covering dining out and events; (iii) Quick Commerce covering on-demand delivery of grocery and household items, (iv) Supply Chain and Distribution covering business-to-business (“B2B”) supplies, warehousing, logistics and distribution for wholesalers and retailers, and (v) Platform Innovations covering company’s new initiatives and offerings, such as Swiggy Genie, Swiggy Minis, among others. Company collect payments from users for transactions completed on its platform, which typically includes the cost of the food or product purchased, delivery fees and other fees. Company then facilitate the transfer of the cost of food or product and delivery related fees to its partners at regular intervals after retaining certain fees.

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 company’s 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 company’s 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 company’s statement of profit and loss.



**INVESTMENT RATIONALE**

<p><i>A consistently growing network of users</i></p>	<p>In company’s tenth year of operations, company have reached a milestone of 112.73 million users that have transacted on its platform (ever transacted users) on June 30, 2024. Company’s 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 company. As a result, company have witnessed a consistent growth in company’s base of Monthly Transacting Users, both for Food Delivery and Quick Commerce individually, as well as for the overall platform</p>
<p><i>Rising user engagement on company’s platform</i></p>	<p>Given the high-frequency nature of company’s offerings and company’s unified app, users on its platform transacted more frequently per month compared to hyperlocal commerce players in Fiscal 2024. Company’s customer focussed approach to developing its platform across offerings, habit formation due to the seamless user experience, and increasing propensity of users to pay for convenience continues to drive higher engagement and user stickiness on company’s platform. This is visible through an increase in average monthly transaction frequency and Gross Order Value retention across cohorts as they age.</p>
<p><i>A preferred choice for restaurant partners, merchant partners, brand partners and delivery partners</i></p>	<p>Company’s 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 company’s user base at low incremental costs. Company adopt a consultative approach to engage with its partner network and provide them with a variety of business enablement solutions to establish an online presence and engage with users in real time – such as tools and insights to run targeted advertisements across multiple offerings with an aim to increase their sales, promote new menus and products, and provide personalised recommendations. Company also support them with its large on-demand delivery network; seamless integrated payment systems; and end-to-end supply chain solutions, all with an aim for company’s partners to achieve optimal return on their investments,</p>
<p><i>Company’s platform has created synergetic network effects driven by company’s wide user and partner base.</i></p>	<p>With multiple high-frequency offerings integrated and offered on a common interface coupled with a unified payment infrastructure and technology stack, company’s platform benefits from a virtuous flywheel that enhances the value proposition to all company’s platform participants as company grow its business. More offerings on company’s platform attracts more restaurant partners, merchant partners and brand partners on company’s platform, which in turn creates a wide selection of services and products, attracting more users. More users on company’s platform gives its other ecosystem participants access to a larger addressable market. Increased supply and demand generates more platform interactions leading to improved utilisation and higher earnings for delivery partners, thereby also attracting more delivery partners. This in turn leads to shorter delivery times, thereby attracting more users. A higher number of interactions on company’s platforms generates insights which helps company optimise all aspects of its business including creating relevant and curated offerings on company’s platform, personalised recommendations for users and better supply chain management.</p>



## OBJECTS OF OFFER

### Offer for Sale

The object of the Offer for Sale is to allow the Selling Shareholders to sell an aggregate of up to 175,087,863 Equity Shares held by them.

Company propose to utilise the Net Proceeds towards funding the following objects:

1. Investment in company's Material Subsidiary, Scootsy, for repayment or pre-payment, in full or in part, of certain or all of its borrowings;
2. Investment in company's Material Subsidiary, Scootsy, for: (a) expansion of company's Dark Store network for its Quick Commerce segment through setting up of Dark Stores; and (b) making lease / license payments for Dark Stores;
3. Investment in technology and cloud infrastructure;
4. Brand marketing and business promotion expenses for enhancing the brand awareness and visibility of company's platform, across company's segments; and
5. Funding inorganic growth through unidentified acquisitions and general corporate purposes.

## RISKS

Company have incurred net losses in each year since incorporation and have negative cash flows from operations. If company is unable to generate adequate revenue growth and manage its expenses and cash flows, company may continue to incur significant losses.

Source:RHP

## INDUSTRY OVERVIEW

### Evolution of Hyperlocal Commerce Platforms

***Hyperlocal commerce platforms are rapidly evolving to serve emerging needs of various stakeholders and enhancing their profitability. Innovative integration of multiple adjacent use-case into an integrated platform may lead to improved scalability and improved unit economics by leveraging existing capabilities.***

The hyperlocal food market in India is highly competitive which is highlighted by the inability of several players to sustain themselves successfully in the market. The market is composed of online Food Delivery players, house of brands (which is a brand architecture strategy of owning multiple brands under a single corporate umbrella, predominantly with an intent to target multiple consumer use-cases or price-points, or for any other strategic objectives), standalone branded food services players (including quick service restaurants), and online restaurant booking platforms (such as EazyDiner, etc.). Food services players also compete with multiple other participants in the industry including restaurants which own and operate their own delivery fleets, restaurants with traditional offline ordering channels, such as take-out offerings and phone-based ordering, restaurants with their own self-booking portals for making online reservations and, restaurants using local publications and other media, both online and offline, where advertisements can be placed to attract consumers.

Before the marketplace model, Food Delivery existed only from individual restaurants and large chains such as Domino's. Swiggy entered the online Food Delivery marketplace model in 2014 by enabling an on-demand delivery network. Moreover, before the emergence of online Food Delivery players, the product marketplace model was limited to e-commerce which had a significantly higher delivery time. Similarly, in the competitive Indian retail market, general trade outlets (kiranas) and trade outlets compete with online horizontal e-commerce platforms, as well as vertical grocery and/ or other retail platforms (including various models such as Quick Commerce, slotted delivery, amongst others). Players offering other hyperlocal offerings like intracity parcels and business-to-business ("B2B") logistics compete with other delivery and logistics players. With introduction of on-demand delivery, a host of new services and adjacent categories emerged, for example egrocery marketplaces (largely delivered next day including subscription business models) and concierge services (e.g., parcel and retail deliveries). As a result, hyperlocal commerce players started entering the Quick Commerce space around 2020 (i.e., grocery and household items which are now delivered in less than 10-20 minutes) and Indian Quick Commerce are at the forefront of this model globally.

With hyperlocal commerce platforms essentially solving for convenience within a city, multiple adjacent use-cases are folding up in the same platform to provide an enhanced offering to consumers. Browsing, ordering and payments for multiple categories are done through a single platform which further adds convenience to the consumer's buying experience. Globally, successful hyperlocal commerce platforms have started with a high frequency and sticky category such as Food Delivery as their foundational use-case. These foundational use-cases are crucial to acquire consumers and build a steady flow of direct traffic on the unified app which then further allows the launch of other offerings such as fintech, mobility and travel, among others, that maintain stickiness across consumers and merchants and add other high value, high margin offerings to complement the high frequency offerings.



**Consolidated Financials**

(Rs in Mn)

<b>Financials</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>Q1 FY 2025</b>
Total Revenue (A)	57048.97	82645.96	112473.90	32222.17
Total Expenditure (B)	93559.87	125404.21	134553.96	37664.6
EBIDTA	-36510.90	-42758.25	-22080.06	-5442.43
EBIDTA Margin	-64.00	-51.74	-19.63	-16.89
Other Income	4148.80	4498.57	3869.59	878.94
Depreciation	1700.90	2857.86	4205.85	1216.72
EBIT	-34063.00	-41117.54	-22416.32	-5780.21
Interest	483.76	581.92	714.03	198.26
PBT	-34546.76	-41699.46	-23130.35	-5978.47
Share of profit in Asso	-10.16	-1.03	-66.14	-0.90
PBIT	-34556.92	-41700.49	-23196.49	-5979.37
Exceptional	-1732.04	-92.56	-305.94	-130.70
PBT	-36288.96	-41793.05	-23502.43	-6110.07
Tax	0.00	0.00	0.00	0.00
PAT	-36288.96	-41793.05	-23502.43	-6110.07
NPM	-63.61	-50.57	-20.90	-18.96
ROE%	-29.58	-46.15	-30.16	-8.21
EPS	-18.62	-19.33	-10.70	-2.76
Eq Cap	8.56	26.57	30.06	38.09
Net Worth	1,22,669.12	90,566.12	77,914.61	74,449.92

(Source: RHP)

**Peer Comparison**

<b>Company Name</b>	<b>Face Value</b>	<b>EPS</b>	<b>P/E</b>	<b>ROE %</b>	<b>NAV</b>
<i>Company</i>	<i>1</i>	<i>-10.70</i>	<i>--</i>	<i>-30.16</i>	<i>35.48</i>
<b>Peers</b>					
Zomato Limited	1	0.40	634.50	1.72	23.14

(Source: RHP)



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