

06th November 2024

Swiggy Ltd.– SUBSCRIBE

Investment Thesis

Swiggy IPO is a book built issue of Rs 11,327.43 crores. The issue is a combination of fresh issue of 11.54 crore shares aggregating to Rs 4,499.00 crores and offer for sale of 17.51 crore shares aggregating to Rs 6,828.43 crores. Objective for IPO 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.

The online food delivery market in India is projected to grow from ₹640 billion in FY23 to between ₹1,400 billion and ₹1,700 billion by FY28, with a CAGR of 17-22%. Quick commerce is expected to expand even more rapidly, with projections of ₹2.3 trillion to ₹4.2 trillion by FY28, growing at a CAGR of 60-80%.

Swiggy plans to invest in expanding its dark store network and enhancing its service offerings. This includes acquiring logistics companies and diversifying into B2B services, which can increase revenue streams and market share.

With over 112 million users transacting on its platform, Swiggy has successfully fostered high user engagement through a unified app experience that integrates various services like food delivery, dining out, and event bookings. This broad service offering encourages customer loyalty and repeat transactions.

Swiggy leverages advanced data analytics to optimize supply chain efficiency and enhance user experience. By utilizing technology for personalized recommendations and targeted advertising, Swiggy maintains a competitive edge in the hyperlocal commerce space.

By optimizing delivery times and costs through strategic dark store locations and inventory management, Swiggy enhances its operational efficiency, benefiting both users and delivery partners.

Initiatives like the "Swiggy One" membership program are designed to boost user retention by offering exclusive benefits, further solidifying the company's customer base in a competitive market.

Financials

Particulars	FY22	FY23	FY24
Revenue (Rs in Mn)	57,049	82,646	1,12,474
Total Expenses (Rs in Mn)	93,560	1,25,404	1,34,554
EBITDA (Rs in Mn)	(36,511)	(42,758)	(22,080)
PAT (Rs in Mn)	(36,289)	(41,793)	(23,502)
EPS (Rs)	-18.6	-19.3	-10.7

IPO Details

Issue Open Date	06 November 2024
Issue Close Date	08 November 2024
Price Band (Rs.)	Rs.371 – Rs. 390
Issue Size*	Rs. 11,3274.3 Mn
Issue Size (Shares)	290,446,837
Market Lot	38 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 1/-

* At highest price band

Key Details

Fresh Issue*	Rs. 44,990 Mn
Issue Type	Book Building
Book Running Lead Manager	Kotak Mahindra Capital Company Ltd, Citigroup Global Markets India Pvt Ltd, Jefferies India Pvt Ltd, Avendus Capital Pvt Ltd, J.P. Morgan India Pvt Ltd, Bofa Securities India Ltd and ICICI Securities Ltd
Issue structure	QIB: 29.92% Non Institutional:14.96% Retail: 9.97% Anchor Investors: 44.88% Employee share offer: 0.26%
Credit of Shares to Demat Account	12 November 2024
Issue Listing Date	13 November 2024

* At highest price band

Key Business Highlights

- Swiggy Limited (Swiggy) is a new-age, consumer-first technology company offering users an easy-to-use convenience platform, accessible through a unified app – providing services for Food Delivery, quick commerce vertical for grocery and other items called Instamart, out of house consumption for restaurant reservations called Dineout and for events bookings called SteppinOut, product pick-up/ drop off services under the name Genie and engage in other hyperlocal commerce (Swiggy Minis, among others) activities.
- Swiggy generates revenue through multiple streams, including commissions from restaurant and merchant partners, advertising revenue, customer and delivery partner fees, and subscriptions from Swiggy One. Operating in 681 cities across India, Swiggy has streamlined its services within a single app, which helps lower customer acquisition costs and allows for rapid introduction of new offerings. The company plans to invest part of its net proceeds into technology and cloud infrastructure. However, there is a trend among Indian users favoring specialized apps for specific functionalities or features.
- Swiggy is expanding its offerings beyond traditional food delivery to include new categories such as beauty products and electronics. This diversification allows Swiggy to capture a larger share of consumer spending across multiple sectors.

Valuation

Swiggy is strategically positioned as a leader in hyperlocal commerce, bolstered by an innovation-driven culture. The company has seen a steady increase in Average Order Value (AOV) and expanded its Dark Store network from 301 in FY22 to 523 in FY24, enhancing user engagement and operational efficiency. By June 30, 2024, Swiggy reached 112.73 million users, supported by a unified app that simplifies various services. The growth of Dark Stores and the addition of non-grocery categories aim to increase basket sizes and meet rising consumer demand. Given these strengths and the anticipated growth in online food delivery and Quick Commerce, Swiggy is well-positioned for sustained success. **We are recommending SUBSCRIBE rating to the IPO of Swiggy Ltd. (Swiggy) for medium to long term perspective.**

Risk & Concern

- Cutthroat competition with few players in the market.
- The Qcom. (Instamart) business is a cash burning business with negative CFO. Co. slashed its valuations prior to the IPO from \$15 bn to \$11.3 bn.

Graphs & Charts

Figure 1: Revenue (Rs. Cr.)

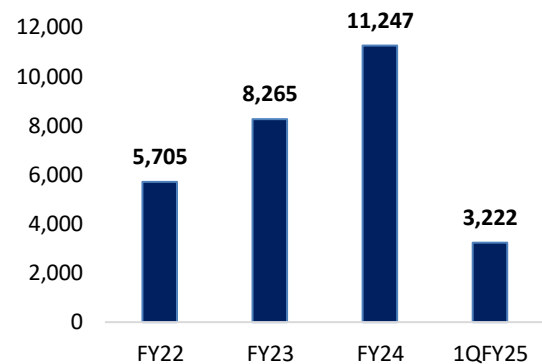


Figure 2: EBITDA (Rs. Cr.)

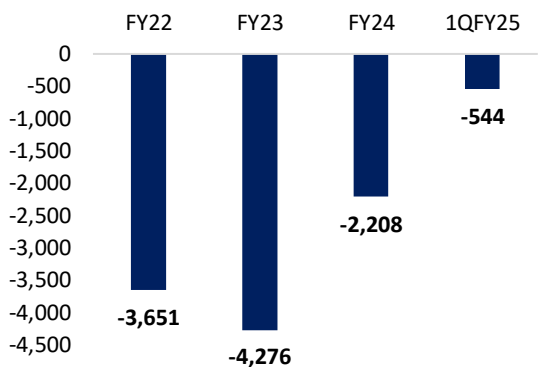


Figure 3: PAT (Rs. Cr.)

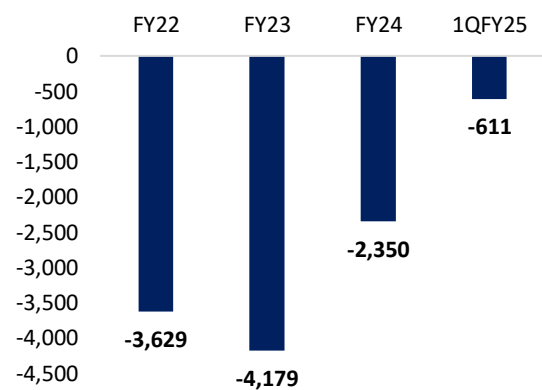
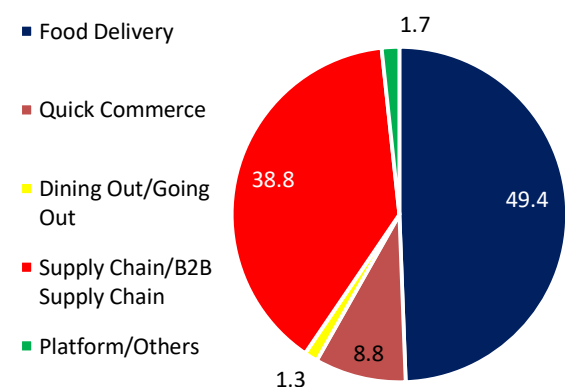


Figure 4: Segment Wise Gross Revenue %



Name
Anubhav Sangal

Designation
Sr. Research Analyst

Disclosure: M/s. Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect view point with subject to companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The Analysts engaged in preparation of this Report or his/her relative: - (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report. The Analysts engaged in preparation of this Report:- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the regulation of SEBI, the year 2014. The Regn No. INH100001666 and research analyst engaged in preparing reports is qualified as per the regulation's provision.

Disclaimer: This research report has been published by M/s. Bonanza portfolio Ltd and is meant solely for use by the recipient and is not for circulation. This document is for information purposes only and information / opinions / views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that information given at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. If this report is inadvertently send or has reached to any individual, same may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide for future performance. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Bonanza portfolio Ltd to be reliable. This report should not be taken as the only base for any market transaction; however this data is representation of one of the support document among other market risk criterion. The market participant can have an idea of risk involved to use this information as the only source for any market related activity. The distribution of this report in definite jurisdictions may be restricted by law, and persons in whose custody this report comes, should observe, any such restrictions. The revelation of interest statements integrated in this analysis are provided exclusively to improve & enhance the transparency and should not be treated as endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza portfolio Ltd or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of M/s. Bonanza portfolio Ltd shall be liable. Research report may differ between M/s. Bonanza portfolio Ltd RAs and other companies on account of differences in, personal judgment and difference in time horizons for which recommendations are made. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. Research analyst have not received any compensation/benefits from the Subject Company or third party in connection with the research report.

M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063

Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

BSE /NSE/MCX : | CASH | DERIVATIVE | CURRENCY DERIVATIVE | COMMODITY SEGMENT |

| CDSL: | 120 33500 | NSDL: | IN 301477 | | PMS: INP 000000985 | AMFI: ARN -0186