



BSE Sensex 77,580 S&P CNX 23,533

CMP: INR422 TP: INR475 (+13%) Neutral



Bloomberg	SWIGGY IN
Equity Shares (m)	2238
M.Cap.(INRb)/(USDb)	964.1 / 11.4
52-Week Range (INR)	489 / 390
1, 6, 12 Rel. Per (%)	-/-/-
12M Avg Val (INR M)	39089

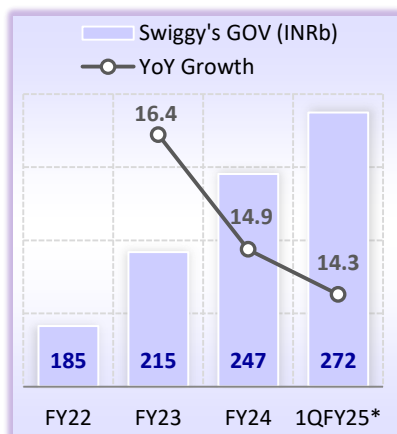
Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
GOV	303.1	387.8	463.0
Net Sales	151.6	203.2	260.1
Change (%)	34.8	34.0	28.0
EBITDA	-16.2	-3.8	10.4
EBITDA margin	-10.7	-1.9	4.0
Adj. PAT	-17.0	-6.1	5.1
PAT margin (%)	-11.2	-3.0	1.9
RoE (%)	-18.4	-5.9	4.9
RoCE (%)	-21.1	-9.1	1.9
EPS (INR)	-7.3	-2.6	2.1
EV/ Sales	6.2	4.7	3.7
Price/ Book	9.3	9.8	9.4

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



Food delivery business – GOV (INR b) and YoY growth (%)



\*on annualized basis

“Quick” commerce, delayed gratification

Swiggy’s innovator DNA crucial to its success, but it needs better execution to catch up to its rivals

- Swiggy’s unified platform has become essential for urban consumers, covering everything from food delivery to grocery needs in one app. Leveraging a unique blend of convenience, high-frequency offerings, and user stickiness, Swiggy stands out in the competitive landscape. While Zomato currently holds the lead in food delivery and quick commerce businesses, Swiggy’s all-in-one app strategy enables strong cross-utilization across services and better operational efficiency.
- We believe quick commerce is a once-in-a-lifetime opportunity to disrupt how Indian consumers shop for not just groceries but a variety of essential and non-essential goods, and Swiggy could be a top 3 player in an exponentially growing market. Current numbers, however, suggest that despite being an innovator and a category inventor across both food delivery and quick commerce, Swiggy has let its leadership slip away. Tight execution and better leveraging its platform can fix these issues, in our opinion, though.
- Overall, Swiggy is well-positioned to capitalize on this growth by expanding its customer base, increasing the order volumes and values, and improving its unit economics and profitability. We initiate coverage with a NEUTRAL rating and a TP of INR475.

A key player in the quick commerce ‘battle royale’

- We believe the quick commerce revolution could be one of the most significant innovations of the 21<sup>st</sup> century in India and will pave the way for organized retail in the country.
- Due to the peculiar characteristics of the Indian consumer and the Indian topography, Q-commerce offers the perfect balance between the highly cost-effective but impractical modern retail and the low-quality, high-priced approach of Kirana stores.
- Quick commerce is not just disrupting groceries but is also knocking at the door of e-commerce, electronics, and a whole range of other categories.
- We believe Swiggy will be one of the key players to participate in this ‘battle royale’. It may not necessarily emerge as the No. 1 player, but we expect it to be one of the top three players in this industry, and this could be quite rewarding considering the size of the Q-commerce opportunity.

Profits: Delivered in time for food; could be slower for Q-commerce

- Swiggy’s food delivery business has achieved stable unit economics, and we expect margins in this business to improve gradually.
- We expect contribution margins for the FD business to improve from 6.4% currently (vs. 7.6% for Zomato) to 9.0% in FY28 (8.7% for Zomato).
- Zomato profitability trends:** Before its IPO, Zomato’s food delivery business had a contribution margin of -11.2% in FY20, which has improved to 6.9% by FY24. This increase in profitability can be attributed to higher commission (platform fees) and reduced variable costs. Additionally, the adjusted EBITDA in FY20 was -20.5%, and it has now turned positive, reaching 2.8% in FY24.