

Initiating Coverage

Swiggy



Swiggy

Relegated to second fiddle

Swiggy—once a market leader in convenience-based use cases—has lost ground over FY22-24 in its core offerings (Food Delivery + Quick Commerce). In Food Delivery (FD), Swiggy appears to be 4-6 quarters behind Zomato. However, unless it increases MTU additions, we suspect Swiggy may continue to lag Zomato in GOV growth as other KPIs seem maxed out. An eventual convergence of fortunes with the leader is likely in the long run (courtesy of the duopoly structure). However, the jury is still out on the path to convergence in Quick Commerce (QC). We project a 26% sales CAGR (including 21%/76% gross sales CAGR for FD/QC segments, respectively), with Adj. EBITDAM improving meaningfully (from -15% to 2.5%) and RoCEs improving from -25% to 1% over FY24-27. We initiate coverage on Swiggy with an ADD rating and a SOTP-based TP of INR 430/sh (implying 4x FY27 sales).

- Density is destiny in quick commerce:** Hitherto, top-up grocery plays were stifled by low sales density, low AOVs, inefficient cost structures, and anemic cash positions for scaling. But quick commerce (QC) seems different! It has solved part of the unit economics equation—demand aggregation, ergo, GOV/sales densities (2-3x that of DMART). That said, the path to reasonable profitability (5% of GOV) remains hazy amid rising competition. Most e-grocers have launched their QC offerings. In terms of inputs to run a QC service, the challengers, seem covered: most already have (1) a sizeable captive user base, (2) 40-65 million sq. ft. of warehousing space vs. 2.5-5 million sq. ft. for Swiggy/Zomato, and (3) top-up formats that can be repurposed as dark stores. That said, the cost of admission in QC is likely to be high as incumbents are well-capitalized to defend share (the top three have a INR 400 billion cash cushion).
- What are the odds the QC momentum continues beyond FY27?** Our proprietary store map pegs the QC TAM at ~90 million households (HH) and ~INR 3,100 billion in size (best-case scenario). But what are the odds: (1) all 90 million HH use a QC service? (2) incumbents add 6,000 dark stores (at the current run-rate) out of the 7,500 required to service QC demand? (3) all stores operate at 1,500 orders per day per store (Zomato's EBITDAM break-even point)? (4) Flipkart, Amazon, Reliance Retail, and Tata Group cannot even partially execute QC by pivoting 10% of their warehousing space for QC? All of these odds would need to play out for incumbents to secure a 60% share in QC—a bit of a stretch, don't you think?
- Instamart has more ground to cover compared to Blinkit in Quick Commerce:** Instamart has fallen behind Blinkit in both growth (FY24 GOV YoY growth at 58% vs. Blinkit's 93%) and efficiency. Its GOV/order density is ~40/18% lower; AOVs are 25% lower; and average MTUs are 17% lower, resulting in sub-optimal fixed cost absorption compared to Blinkit. That said, Swiggy continues to make improvements in (1) its discretionary salience in GOV mix, which should lift AOVs, (2) the take rate differential (currently 300bps) between the two platforms, should narrow over time through higher commission and ad income (projected differential to ~165bps by FY27), and (3) fixed cost absorption with increasing order density. We suspect Instamart's path to EBITDAM breakeven is complex but plausible (note: at current scale, it needs >2,000 orders per day per store to hit EBITDAM break-even vs. Blinkit's 1,500 orders).

ADD

CMP (as on 13 Nov 2024)	INR 457
Target Price	INR 430
NIFTY	23,559

KEY STOCK DATA

Bloomberg code	SWIGGY IN
No. of Shares (mn)	2,238
MCap (INR bn) / (\$ mn)	1,020/12,096
6m avg traded value (INR mn)	-
52 Week high / low	-

SHAREHOLDING PATTERN (%)

	Nov-24
Promoters	0
FIs & Local MFs	8.11
FPIs	71.20
Public & Others	20.69
Pledged Shares	-

Source : BSE

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- **Food delivery is now a cozy duopoly; Swiggy is 4-6 quarters behind Zomato:** After an intense competitive period (FY15-18), followed by industry consolidation and USD 7 billion in investments, food delivery has finally graduated from “Cash burn” to “cash earn” phase and now appears to be a cozy duopoly. Apart from the MTU base, both platforms are broadly evenly matched on most KPIs. However, despite its smaller scale, we still expect Swiggy to lag behind Zomato by 150-200bps on GOV growth (FY24-27). For key inputs, both are likely to be evenly matched on MTUs and AOV growth, but we suspect there isn’t much room for Swiggy on ordering frequency.
- **On margins:** On profitability, given (1) better fixed-cost absorption (with scale) in core (FD+QC), and (2) improving order/GOV density, AOVs, and take rates in QC, we expect overall profitability to improve significantly (from -15% to 2.5%).
- **Valuation and outlook:** While in food delivery, the duopoly structure is likely to ensure eventual convergence of fortunes with the leader, the jury is still out on the path to convergence in quick commerce. We project a 26% sales CAGR, with Adj. EBITDAM improving significantly (from -15% to 2.5%) and RoCEs rising from -25% to 1% over FY24-27. We initiate coverage on Swiggy with an ADD rating and an SOTP-based TP of INR 430/sh (implying 4x FY27 sales).

Financial summary (INR mn)

	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	82,646	1,12,474	1,39,861	1,76,682	2,22,914
Adj. EBITDA	-39,103	-18,356	-11,433	-4,126	6,132
Pre-IND AS EBITDA	-44,443	-24,318	-21,808	-15,026	-5,268
APAT	-41,793	-23,502	-18,514	-10,903	-732
Dil. EPS (Rs/sh)	-19.3	-10.7	-8.3	-4.9	-0.3
P/E (x)	NM	NM	NM	NM	NM
EV/Revenue (x)	9.9	7.4	5.7	4.5	3.5
ROE (%)	-39.2	-27.9	-19.2	-9.5	-0.6
ROCE (%)	-36.7	-24.8	-16.4	-7.2	0.9

Source: Company, HSIE Research

Peer valuation

Company	Sales				Sales Growth				EBITDA				EBITDA Margin				EPS			
	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27
Zomato Ltd	121	198	282	375	71	63	42	33	0.4	9.9	24.7	45.9	0.3	5.0	8.8	12.2	0.4	1.1	2.6	4.3
Swiggy Ltd	112	140	177	223	36	24	26	26	-22.1	-18.7	-10.0	1.5	-19.6	-13.3	-5.6	0.7	-10.7	-8.3	-4.9	-0.3

Company	P/E				EV/EBITDA				EV/Sales				ROE			
	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27
Zomato Ltd	630	234	101	60	3431	220	89	47	11.9	11.2	7.8	5.8	1.8	4.7	9.9	14.4
Swiggy Ltd	NM	NM	NM	NM	NM	NM	NM	NM	8.7	6.7	5.3	4.2	-27.9	-19.2	-9.5	-0.6

Source: Company, HSIE Research, Note: Bloomberg consensus used for Zomato

Global peer valuation (In billions, except per share data)

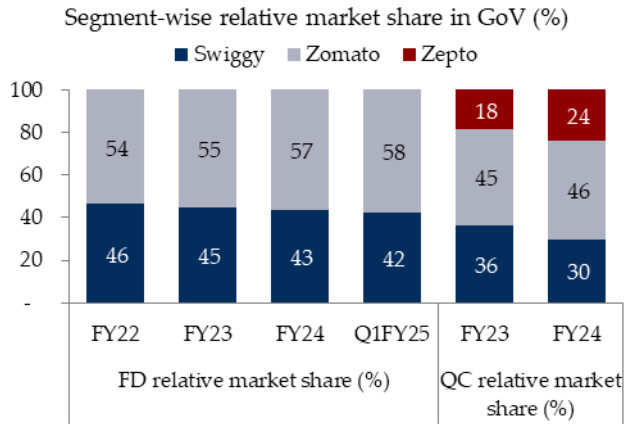
Name	Sales				Sales Growth				EBITDA				EBITDA Margin			
	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26
Meituan	277	335	388	442	25.8	20.9	16.1	13.7	21	46	59	74	7.7	13.8	15.3	16.7
Doordash Inc	9	11	13	15	31.2	23.8	18.4	16.1	0	2	3	3	0.4	17.7	20.7	23.1
Delivery Hero	10	12	13	15	15.9	17.8	12.1	11.5	-1	1	1	2	-11.9	6.4	8.9	10.5
Just Eat Takeaway	5	NA	NA	NA	-7.1	NA	NA	NA	-1	NA	NA	NA	-27.6	NA	NA	NA
Deliveroo Plc	2	2	2	3	2.8	2.6	10.1	9.9	0	0	0	0	1.5	6.2	8.1	10.1
Coupang Inc	24	30	36	40	18.5	25.1	16.8	13.5	1	1	2	3	4.9	3.9	5.9	6.9
Grab Holdings Ltd	2	3	3	4	64.6	16.6	17.3	15.5	-0	0	0	1	-15.9	9.9	13.8	18.8
Pdd Holdings Inc	248	NA	NA	NA	89.7	NA	NA	NA	61	NA	NA	NA	24.5	NA	NA	NA

	EPS				P/E				EV/EBITDA				EV/Sales				ROE			
	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26	CY23	CY24	CY25	CY26
Meituan	2.23	6.67	8.34	10.49	83	28	22	18	18	23	17	12	1	3	3	2	9.9	20.3	21.8	21.5
Doordash Inc	-1.42	2.91	3.73	4.85	-119	58	45	35	1,021	39	29	23	4	7	6	5	-8.2	8.1	15.8	16.3
Delivery Hero	NA	-1.01	0.26	1.65	NA	-38	148	23	-9	19	12	9	1	1	1	1	-85.5	-53.8	-10.5	20.5
Just Eat Takeaway	NA	NA	NA	NA	NA	NA	NA	NA	-2	NA	NA	NA	1	NA	NA	NA	-26.5	NA	NA	NA
Deliveroo Plc	-0.02	0.00	0.04	0.06	-67	446	36	22	53	13	9	6	1	1	1	1	-4.8	1.9	15.4	23.6
Coupang Inc	0.76	0.01	0.54	0.84	32	3,429	44	29	22	32	18	13	1	1	1	1	41.8	0.5	19.4	23.5
Grab Holdings Ltd	-0.11	-0.03	0.05	0.10	-38	-141	81	42	-23	49	29	17	4	5	4	3	-6.7	-2.5	2.2	4.9
Pdd Holdings Inc	NA	NA	NA	NA	NA	NA	NA	NA	19	NA	NA	NA	5	NA	NA	NA	39.4	NA	NA	NA

Source: Company, HSIE Research, Bloomberg consensus

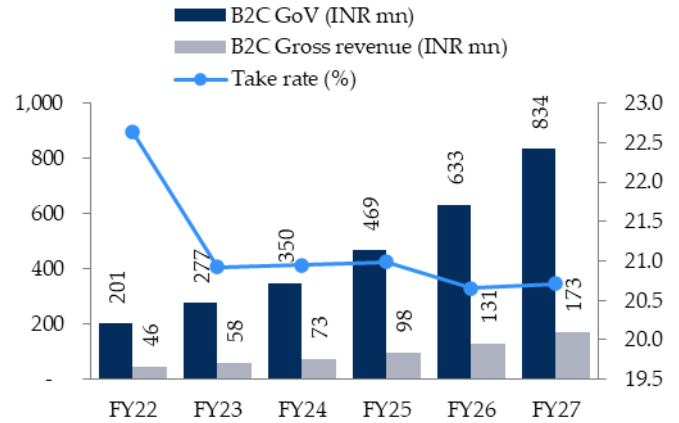
Focus Charts

Swiggy has lost GOV share across both food delivery as well as quick commerce



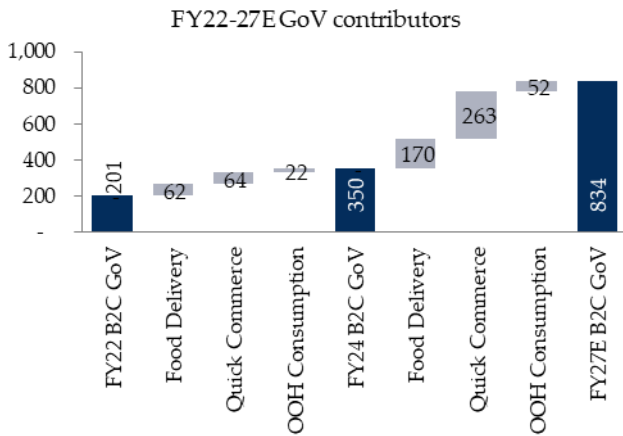
Source: Company, HSIE Research

However, IPO money could potentially provide a push especially in quick commerce



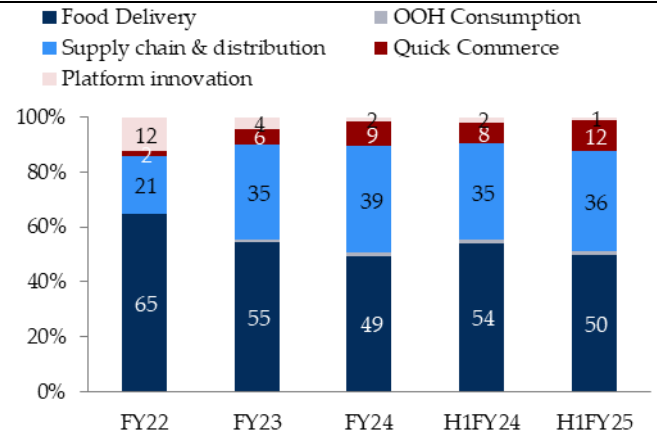
Source: Company, HSIE Research

Expect QC to do most of the heavy-lifting in GOV growth over FY24-27



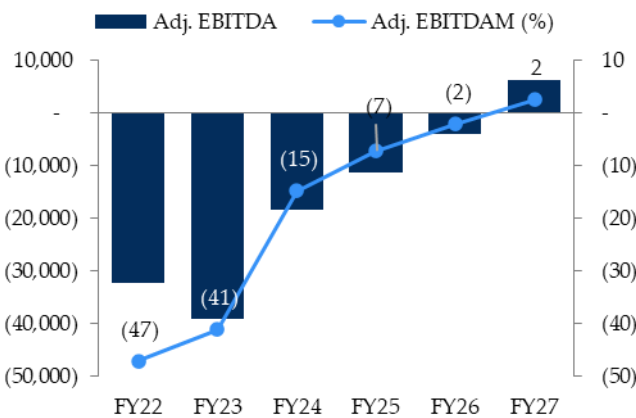
Source: Company, HSIE Research

Swiggy: Gross revenue mix (%)

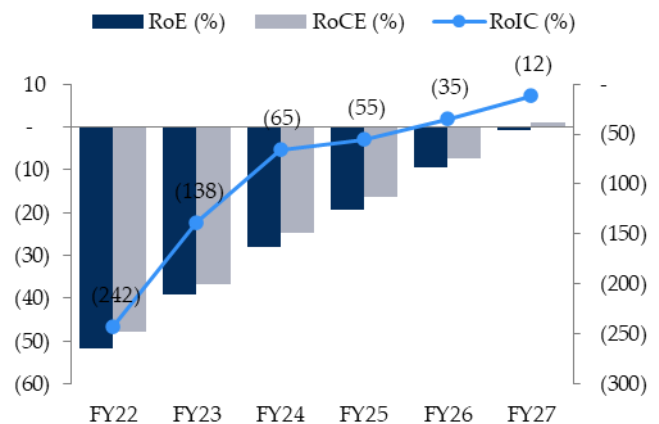


Source: Company, HSIE Research

(1) Rising take rates in core (FD & QC), (2) improving mix in QC and (3) better fixed cost absorption with scale should aid profitability and return ratios over FY24-27



Source: Company, HSIE Research



Source: Company, HSIE Research

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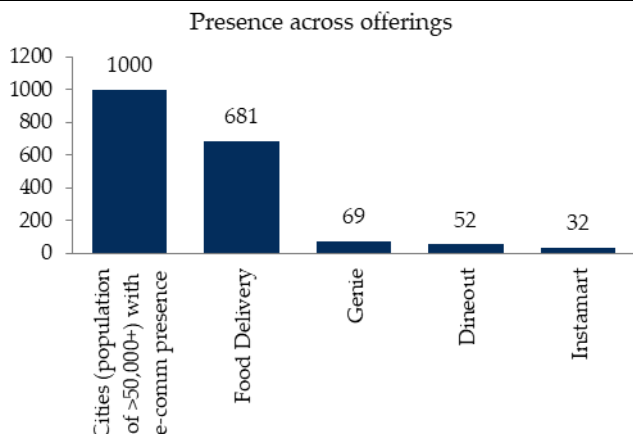
The Swiggy journey

- Swiggy is a new-age, consumer-first technology company offering users an easy-to-use convenient, unified app platform to browse, select, order, and pay for food (**Food Delivery**), groceries, and household items (via **Instamart**), with orders delivered to doorsteps through their on-demand delivery partner network. It also offers restaurant reservations (via **Dineout**) and event bookings (via **SteppinOut**). Other offerings include product pick-up/drop-off services (via **Genie**) and other hyperlocal activities (via **Swiggy minis**, among others). 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.
- Swiggy has augmented its value proposition through its membership programme called “Swiggy One”, which offers discounts and exclusive deals; in-app payment solutions like digital wallet “Swiggy Money” (a prepaid payments instrument), “Swiggy UPI” , and Swiggy-HDFC Bank credit card for additional benefits. The platform offers comprehensive business enablement solutions to restaurant partners, merchant partners (selling grocery and household items on their platform) and brand partners, including alliances that provide analytics-backed tools to enhance their online presence and user base; fulfilment services for streamlining their supply chain operations; and last-mile delivery. Due to high frequency, habit formation and recall value, these categories have the potential to unlock additional revenue through monetisation of ancillary services.

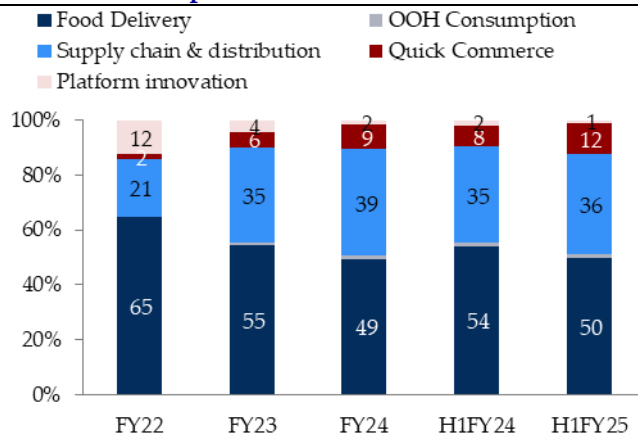
Swiggy’s offerings

Brand	Description
Food Delivery marketplace	Launched in 2014 and offer on-demand Food Delivery services through a network of restaurant partners and delivery partners. Swiggy’s Food Delivery marketplace, aids users conveniently search for and discover multiple restaurant listings, browse their menus, place food orders and pay seamlessly, and track order deliveries. Swiggy also offers services to its restaurant partners to help them scale their business and increase their visibility on our platform, such as advertising and marketing opportunities. Swiggy leads the segment in Monthly GOV per MTU in Food Delivery, driven by higher customer engagement.
Instamart	Swiggy launched Instamart in 2020 to offer on-demand grocery and a broadening array of household items to users. On Instamart, users can access and browse a large selection of grocery and household items. These orders are received by merchant partners, processed through Swiggy’s Dark Stores network, and delivered to users through delivery partners. The company expanded its Quick Commerce categories by integrating its Swiggy Mall offering (offers an expanded selection of convenience products) within Instamart in Jun-24 and its InsanelyGood offering (a curated selection of premium food and grocery products).
Dineout & SteppinOut	-Through its Dineout offering Swiggy leverages on its restaurant relationships and user base to offer eating-out experience, through which users can discover restaurants, access menus and images, make reservations, benefit from attractive promotions, and make digital payments to such restaurants on the platform. -SteppinOut is an outdoor events offering. Through this offering Swiggy covers all aspects of an event – from conceptualisation, production, collaboration with ticketing platforms, venue booking and event execution, in collaboration with 3P service providers
Swiggy Genie	Launched in 2020 as an on-demand product pick-up/ drop-off service for users. This service is availed by users for sending a product from one point to another within a city.
Swiggy Minis	Launched in 2022 as a D2C offering where local homegrown brands can establish their own mini-storefront on Swiggy’s platform, engage with a broader user base and benefit from the company’s technology-enabled logistics capabilities and back-end services such as discovery, check-out, and payment.
Private brands	Private brands were introduced to address supply gaps that restaurant partners are unable to fulfil, whether in a particular region or a category. For example, Swiggy launched “The Bowl Company” in 2016, addressing the need for a curry and rice bowl for busy office meetings.
Supply chain & distribution	Supply chain and distribution services includes (a) revenue from sale of goods to wholesalers and retailers, (b) revenue from Swiggy’s supply chain customers for rendering supply chain management services and (c) other business enablement services.

Offering-wise presence across cities



Gross revenue split (%)



Source: Company RHP, HSIE Research

Source: Company RHP, HSIE Research

Swiggy: B2C GOV retention by cohort

Cohort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
FY 2019	1.00x	1.54x	0.98x	1.99x	2.30x	2.83x
FY 2020	1.00x	0.60x	1.20x	1.37x	1.74x	
FY 2021	1.00x	1.80x	1.66x	1.98x		
FY 2022	1.00x	1.11x	1.31x			
FY 2023	1.00x	2.05x				
FY 2024	1.00x					

Source: Company RHP, HSIE Research, Note: B2C GOV Retention refers to the B2C GOV of retained users divided by the B2C GOV of all acquired users in their first year of transacting on the platform. Retained users are defined as users acquired in Year 1 for each respective cohort, who continue to transact in subsequent years.

Swiggy: B2C platform frequency retention by cohort

Cohort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
FY 2019	1.00x	1.55x	0.70x	1.30x	1.58x	1.73x
FY 2020	1.00x	0.43x	0.77x	0.92x	1.06x	
FY 2021	1.00x	1.54x	1.51x	1.65x		
FY 2022	1.00x	1.09x	1.16x			
FY 2023	1.00x	1.12x				
FY 2024	1.00x					

Source: Company RHP, HSIE Research, Note: Platform Frequency Retention refers to the completed B2C orders for the retained users in a particular year, divided by the completed B2C orders for such users from their first year of transacting on the platform.

The offer and its objects

The offer

Price band	INR 371-390/sh
Fresh Issue	Equity shares aggregating to INR44,990 mn
Offer for sale	Up to 175,087,863 shares (translates to INR68,284mn at upper end of the price band)
Employee Reservation Portion	Up to 7,50,000 shares aggregating up to INR 273.75mn at the upper end of the price band (A discount of INR25/sh offered to eligible employees)

Source: Company RHP, HSIE Research

List of Selling Shareholder (mn)

Selling shareholders			
<u>Corporate shareholders</u>	Number of Offered Shares (mn)	<u>Individual shareholders</u>	Number of Offered Shares (mn)
Accel India IV (Mauritius) Limited	10.57	Lakshmi Nandan Reddy Obul	1.75
Alpha Wave Ventures, LP	5.57	Rahul Jaimini	1.16
Apoletto Asia Ltd	1.70	Samina Hamied	0.03
Baron Emerging Markets Fund	1.24	Sriharsha Majety	1.75
Coatue PE Asia XI LLC	3.89		
DST Asia VI	1.03		
DST EuroAsia V B.V.	5.62		
Elevation Capital V Limited	7.40		
Goldman Sachs Asia Strategic Pte. Ltd.	0.13		
Harmony Partners (Mauritius) Ltd.	0.63		
HH BTPL Holdings II Ltd	2.02		
Inspired Elite Investments Limited	6.75		
Lynks Shareholders' Trust	0.14		
MIH India Food Holdings B.V.	109.10		
Norwest Venture Partners VII-A-Mauritius	6.41		
Tencent Cloud Europe B.	6.33		
Times Internet Limited	1.12		
West Street Global Growth Partners (Singapore) Pte. Ltd.	0.70		
West Street Global Growth Partners Emp (Singapore) Pte. Ltd.	0.07		
Total			175.09

Source: Company RHP, HSIE Research

Proposed schedule of implementation and deployment of net Proceeds (INR mn)

Particulars (INR mn)	Estimated amount				
	proposed to be financed from Net Proceeds	FY25	FY26	FY27	FY28
Investment in its Material Subsidiary, Scootsy, for repayment or pre-payment, in full or in part, of certain or all of its borrowings	1,648	1,648	-	-	-
Investment in its Material Subsidiary, Scootsy, for: (a) expansion of our Dark Store network for our Quick Commerce segment through setting up of Dark Stores; and (b) making lease / license payments for Dark Stores	11,787	750	3,677	4,058	3,302
(a) expansion of its Dark Store network for our Quick Commerce segment through setting up of Dark Stores	7,554	453	2,428	2,747	1,926
(b) making lease / license payments for Dark Stores	4,233	297	1,249	1,311	1,376
Investment in technology and cloud infrastructure	7,034	355	2,177	2,418	2,084
Brand marketing and business promotion expenses for enhancing the brand awareness and visibility of the platform, across segments	11,153	615	3,319	3,590	3,629
Funding inorganic growth through unidentified acquisitions and general corporate purposes	Balance				

Source: Company RHP, HSIE Research

Note: The cumulative amount to be utilised for general corporate purposes and funding inorganic growth through unidentified acquisitions shall not exceed 35% of the Gross Proceeds. The amount to be utilised for each of: (a) funding inorganic growth through unidentified acquisitions; and (b) general corporate purposes shall not exceed 25% of the Gross Proceeds.

Break-up of the total estimated costs to be incurred for setting the number of Dark Stores

Particulars (INR mn)	FY25	FY26	FY27	FY28	Total
Number of Dark Stores	51	253	265	172	741
Average built up area per Dark Store (in square feet)	3,500	3,500	3,500	3,500	3,500
Aggregate area per Fiscal (approximate) (in million square feet)	0.18	0.89	0.93	0.6	2.6
Average capital expenditure for fit-outs per Dark Store* [^] (in mn)	8.9	9.6	10.37	11.2	
Aggregate capital expenditure*[^] (in ₹ million)	453	2,428	2,747	1,926	7,554

Source: Company RHP, HSIE Research

Net proceeds to be utilized towards lease/license payments for the Dark Stores over FY25-28

INR mn	FY25	FY26	FY27	FY28	Total
Aggregate lease / license payments to be made for Dark Stores (in ₹ million)	297	1249	1311	1376	4233

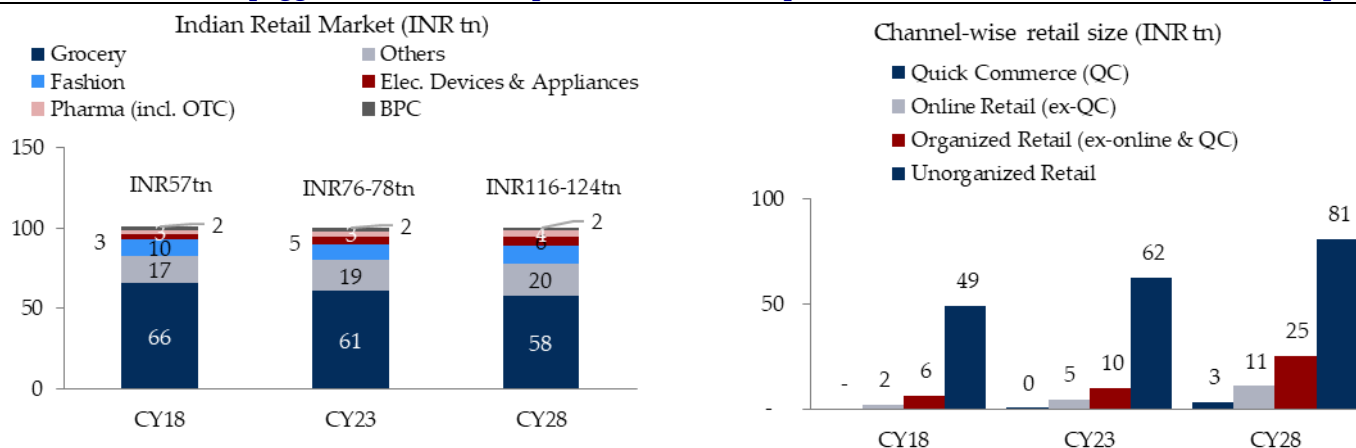
Source: Company RHP, HSIE Research, Note: Company proposes to utilize up to INR 4,233.00 million of the total estimated aggregate lease / license payments of INR 5,379.81 million till FY28

Density is destiny in Quick Commerce

- Historically, low sales densities, inefficient cost structures, anemic cash position ensured that no organised (mostly offline) top-up grocer made money.
- Density is destiny in QC; incumbents' success in demand aggregation (ergo, high GOV density) has led to investors taking notice of the space. Unlike its predecessors, incumbents have money to scale (a INR400bn cash pile).
- Alas, the path to profitability (~5% of GOV) remains hazy in the wake of rising competition. Although, theoretically, there are levers to pull to hit profitability. (Higher AOVs, take rates, ad income, better fixed cost absorption, etc).
- TAM seems huge (90mn households, ~INR3,000bn is size). However, what are the odds all 90mn are using QC. There are natural bottlenecks – (topography, value vs convenience preference, HH density drop beyond the top-8 districts).
- At current scale, Swiggy needs ~2,000 orders per day/store (1,135 now) to hit EBITDAM-breakeven and Zomato is nearly there at ~1,500 orders per day/store.

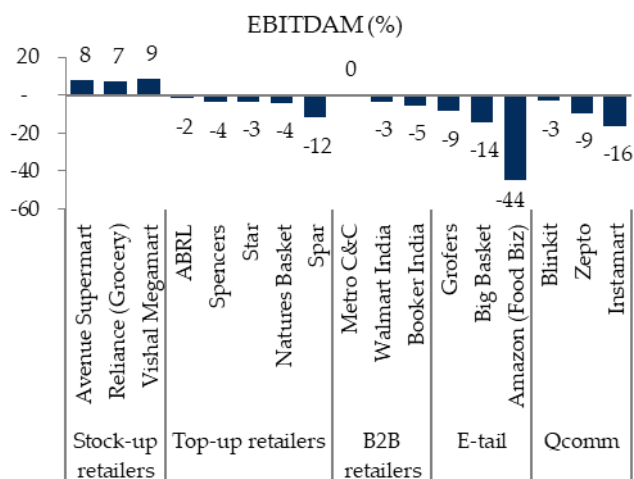
- Indian grocery remains the biggest value migration play in Retail:** Indian grocery market (INR46-48tn; >60% of total retail market, 6-16% organized) has always looked attractive top-down, given its size. However, given the low AoVs, sales densities, and wafer-thin margins, survivors are decided on exceptional execution. Players with a denser and tighter presence have gained market share.
- Top-up formats don't work in India—myth or rubric?** Historically, top-up (convenience-based) grocery formats (mostly offline or online scheduled delivery) haven't scaled well in India as the throughput per store/order has been low to make up for their high-cost structures relative to stock-up grocers like D-MART. To add insult to injury, cash position for these top-up grocers was always anemic. Hence, money to scale/grow into positive unit economics remained absent.

Indian retail market pegged at INR76-78tn; quick commerce to capture INR3tn of that demand (Per Redseer report)



Source: Company RHP, Redseer Report, averages of range used for computation of channel wise market size

History doesn't suggest offline top-up formats work in India



...their cash positions have been weak too

	CFO (INR mn)	Capex (INR mn)	FCFF (INR mn)	Cash & Eq (INR mn)
Avenue Supermart	27,458	-27,218	240	7,448
Vishal Megamart	8,297	-2,463	5,834	1,189
Metro C&C	837	-423	414	2,644
Spencers	267	-252	15	1,116
Natures Basket	14	-	14	34
Booker India	309	-593	-285	12
Spar	-739	-96	-835	18
Star	-582	-286	-868	486
ABRL	1,426	-2,294	-868	694
Walmart India	-2,734	-124	-2,858	396
Reliance Retail	3,19,510	-2,10,410	1,09,100	2,57,020

Source: Company RHP, Redseer Report, averages of range used for computation of channel wise market size

- **Could Quick Commerce bust the “top-up doesn't work in India” myth?** India was introduced to Quick Commerce (QC)—a convenience-based online top-up offering—in the throes of the pandemic (2021). The channel delivers customer orders in 10-15 minutes. Initially targeted at grocery needs of extremely dense metro catchments (with high population densities and per capita incomes), QC platforms (Blinkit, Instamart and Zepto) are now increasingly diversifying into all immediate commerce needs like everyday essentials and impulse purchases.
- **For now, QC has only solved one part of the unit economics equation—GoV/sales density:** What quick commerce solved for is demand aggregation across dense micro-markets which could pay a premium for convenience. These are catered to by a network of dark stores (avg. store size: 2,500-4,000 sq ft) strategically located usually within a 1-3km radius of population-dense neighborhoods. This ensures extremely high sales densities (GoV per dark store/day ranges from INR 400k-1mn; translates to ~3x revenue per sq. ft of the most efficient offline grocer DMART).
- While a part of the unit economics puzzle is solved for with high GoV per store/day, platforms are yet to hit positive unit economics despite such high throughput per store as contribution margins are anemic currently (-3% to 4% of GoV) and insufficient to cover the high fixed costs (dark store rents, utilities, manpower, last and middle costs) in this business model (at current scale forming 4-8% of GoV).
- While there are theoretical levers to improve contribution margins and fixed cost absorption:
 1. Increase in AoVs by (a) increasing discretionary, premium and customized assortments in mix, (b) high value, high margin utility products, (c) incentivizing stock-up behaviour
 2. Increase take rates by (a) increasing high commission categories like fresh fruits, vegetables, meat, etc., and private labels in mix, (b) Higher ad income, (c) Charging higher fees for delivery and packaging and (d) increasing platform fee.
 3. Optimizing delivery routes and hence last mile delivery costs.

However, the current competitive landscape may keep certain levers restrained (esp. take rates). The existing incumbents have recently spruced up their cash positions (between Zomato, Instamart & Zepto the cash pile stands at ~INR400bn) to (1) aggressively add dark stores over the next 2-3 years and (2) defend market

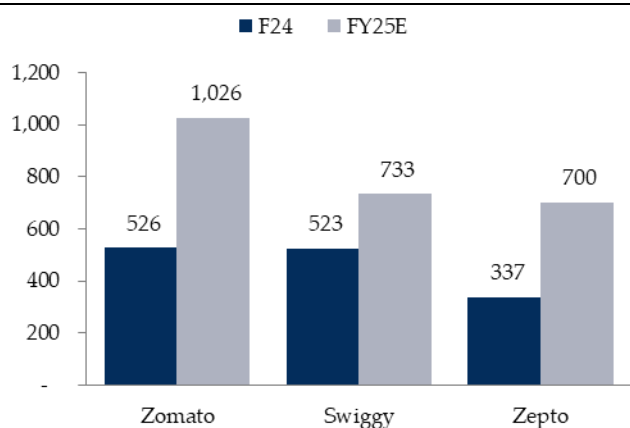
share against the entry of deep-pocketed offline/scheduled delivery retailers who have recently launched their quick commerce offering. Note: (a) Reliance Retail launched via Jiomart, (b) Flipkart launched Flipkart Minutes (currently free delivery > INR99/order, 24x7), (c) Tata group launched Tata Neu Flash, (e) Amazon too launched its QC offering.

Indian Grocery (Incl. FMCG) Market Split (INR tn)

	CY18	CY23	CY28
Total Grocery (INR tn)	38	46-48	68-70
Total (USD bn)	471	580-600	850-880
Of which (in INR bn)			
Quick Commerce (QC)	-	188	2,001
Online Retail (ex-QC)	76	423	1,139
Organized Retail (ex-online & QC)	1,786	2,068	4,416
Unorganized Retail	36,138	44,321	61,410

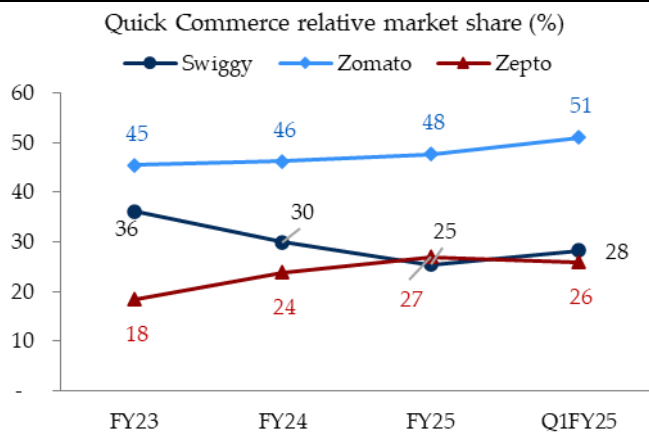
Source: Company RHP, averages of range used for computation of channel-wise market size

FY24/25 Player-wise estimated/guided dark store count



Source: Company, HSIE Research, FY25 are estimates or targets aimed by management

While Instamart has lost ground since launch; Blinkit continues to better its relative market share



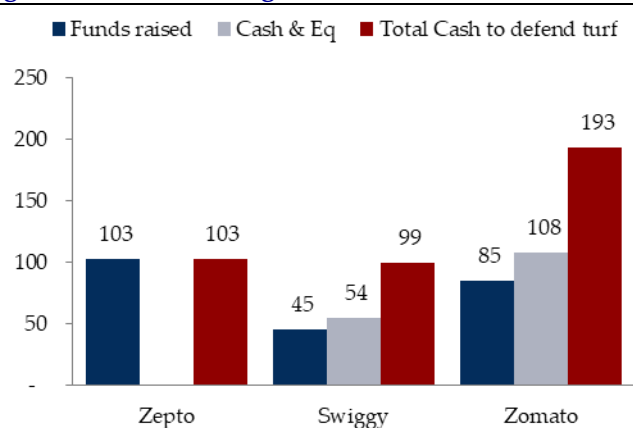
Source: Company RHP, Zomato, HSIE Research

The Quick Commerce incumbents

	Swiggy	Zomato	Zepto
Year launched	2021	2014	2021
FY24 GoV (INR bn)	81	125	64
FY24 GoV per dark store/day	487	793	419
No. of dark stores (FY24)	523	526	337
Cities (#) - FY24	32	33	10
SKUs offered (#)	19,200	25,000	10,000
Contribution margin (%)	(6)	2	6
Adj. EBITDAM (%)	(16)	(3)	(9)

Source: Company RHP, Zomato, HSIE Research. Note: Zepto figures are estimates

Total cash available or raised/in process of raising for growth and defending market share (INR bn)



Source: Company, HSIE Research, Note: For Zepto, funds raised since Aug-23 till date considered as cash & equivalents

Estimated warehousing capacity across key retailers in India

Player	Warehousing/FFC (mn sq. ft)
Amazon	43-50
Flipkart	50-60
Reliance Retail	55-65
Blinkit (incl. dark stores)	4.8
Swiggy (incl dark stores)	2.7

Source: Industry articles, Companies, Company RHP, HSIE Research

What are the odds the QC momentum continues?

- **What are the odds quick commerce continues to grow at 60-80% GoV CAGR over CY23-28?** Let's paint a picture here. The table below maps the 600 districts of India across per capita income and population density. The data excludes districts with per capita income of <INR150k per annum and with population density of <500 people/km²; what we are left with is a pool of 63 Indian districts which have ~90mn households. Based on potential orders per year (assuming 4x monthly ordering frequency x 12 x 1.5 people on avg per household x AoV: INR550) and if each of the 90mn households use the QC service, we arrive at a potential TAM of ~INR3tn. For the number of dark stores required, we've used a benchmark of INR1,500 orders per day per store (EBITDA-break-even point for current leader).
 1. What are the odds all 90mn use a quick commerce service by FY28? Wouldn't some get excluded by virtue of (1) topography or (2) preference for value?
 2. What are the odds ~6,000 (current run-rate basis) out the ~7,500 dark stores required to service 90mn households would be put up by three incumbents? Wouldn't the new entrants attempt to claim their fair share?
 3. What are the odds all stores fire at 1,500 order/INR1mn per day per store? Note: At this throughput level, the leader nearly hits Adj. EBITDA-breakeven). Doesn't household density bottleneck this throughput level?
 4. What are the odds that Flipkart, Amazon, Reliance Retail, Tata group who boast of 40-65mn sq ft of warehousing space will not park 10% of their space for QC (current warehousing space of QC incumbents) to protect their business?

Best case scenario suggests a ~INR3tn potential TAM; but there are clear bottlenecks for top 3 to realize full potential

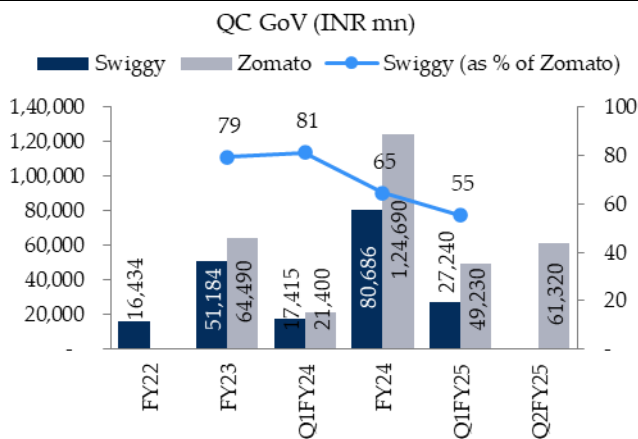
Particulars	Area (sq. km)	Households (mn)	HH/sq. km	FY28 Potential orders/yr (mn)	FY28 Potential dark stores (#)	FY28E QC market size (INR bn)	Total Org retailer stores in district (#)
Top 8 districts	5,286	15	2,906	1,106	2,020	663	620
Next 20 districts	56,723	27	481	1,386	2,571	831	299
Next 35 districts	1,28,429	49	380	2,668	3,071	1,600	362
Total	1,90,438	91	480	5,160	7,663	3,093	1,281
Incumbents share (%) – FY24						255	8
Incumbents share (%) - FY25E						494	16
Incumbents share (%) - FY28E						1,816	59

Source: HSIE Research

Quick Commerce—Swiggy vs Zomato

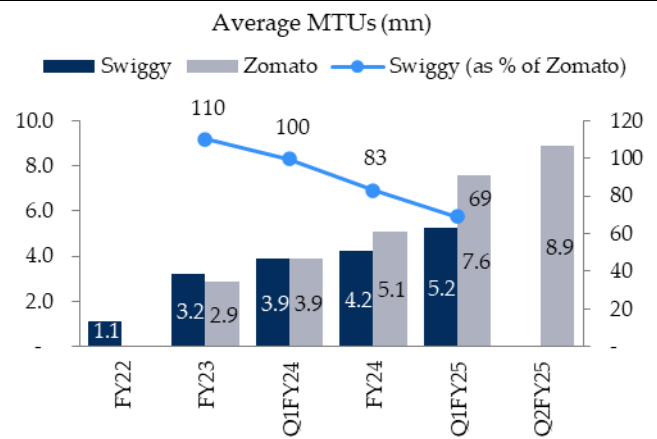
- While Swiggy was among the first to venture into quick commerce with its erstwhile 30-45 min delivery model, it has lost considerable market share to the other two (Blinkit & Zepto) from FY22 until now.
- While Swiggy and Zepto have been building their QC vertical organically, Zomato benefitted from the Grofers (Blinkit now) acquisition in FY23 as (1) Blinkit in its earlier avatar was a stock-up online grocer (High AoVs) and (2) the extreme concentration (~43% of GoV in Q4FY24; 40% now) of Blinkit in Delhi-NCR region ensured a higher GoV/day per store to begin with.

Swiggy's Instamart lost relative GoV share over FY22-24 in QC...



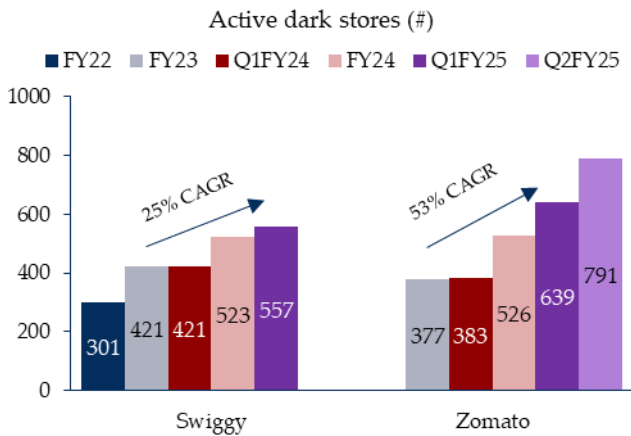
Source: Company RHP, Zomato, HSIE Research

...as Blinkit continues to remain aggressive on MTU additions even post-acquisition...



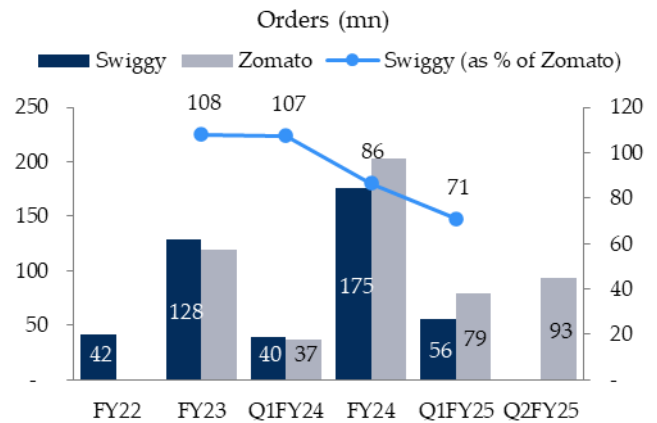
Source: Company RHP, Zomato, HSIE Research

...and pace of dark store addition



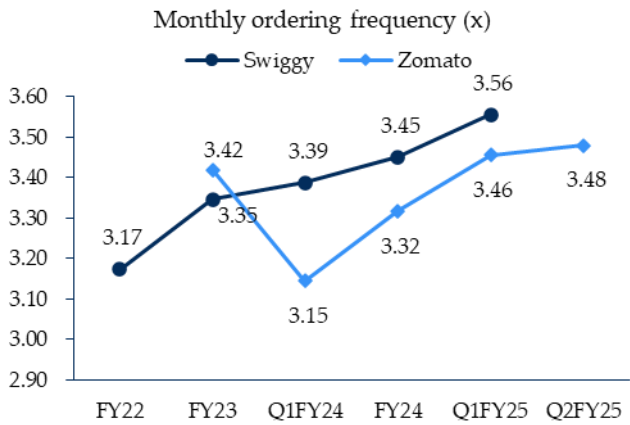
Source: Company RHP, Zomato, HSIE Research

...ergo, Instamart's order growth has lagged the leader by a mile (37% YoY vs Blinkit's >70% in FY24)



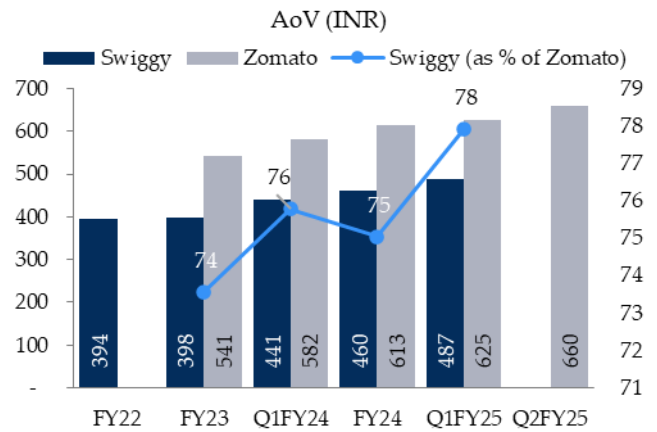
Source: Company RHP, Zomato, HSIE Research

Swiggy leads on monthly ordering frequency...but Blinkit catching up



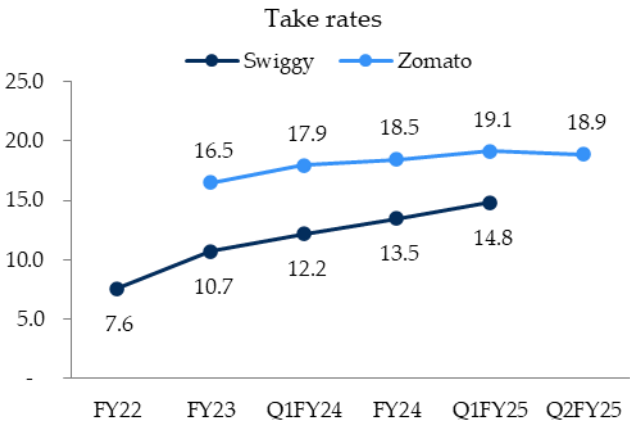
Source: Company RHP, Zomato, HSIE Research

Swiggy is on its way to catch up to Blinkit's AoV (currently ~22% lower) as it continues to increase the discretionary salience in its GoV mix



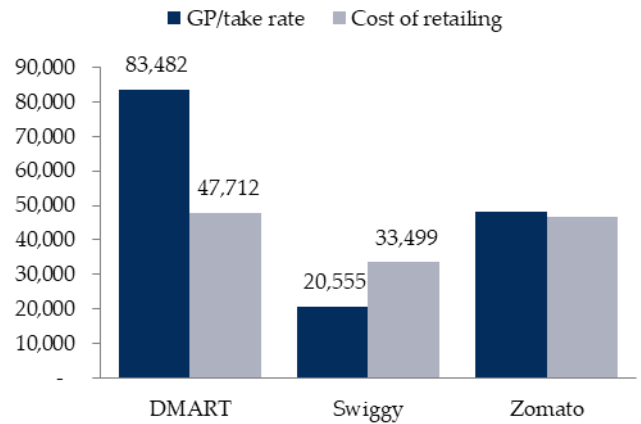
Source: Company RHP, Zomato, HSIE Research

...as Swiggy's discretionary salience increases in mix alongwith rising ad income, take rates should converge



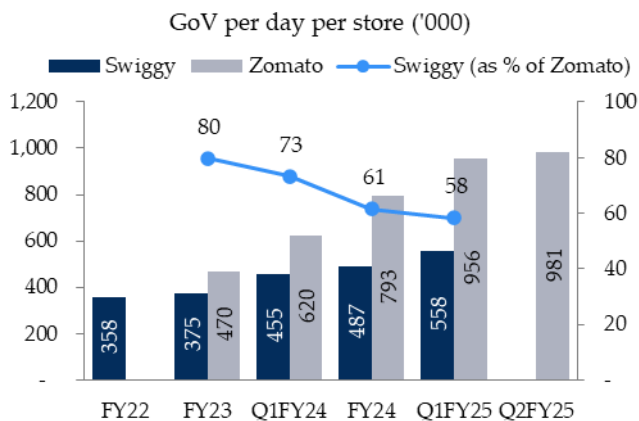
Source: Company RHP, Zomato, HSIE Research

Stock up vs Quick commerce: Current Gross profit/take rate to cover cost of retailing

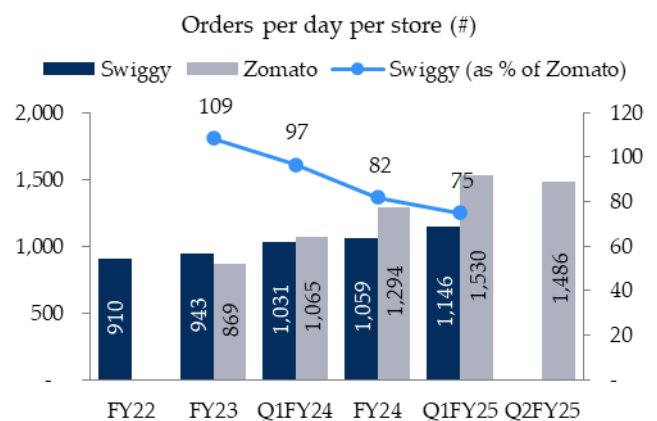


Source: Company RHP, Zomato, HSIE Research

While Swiggy has been improving its order/GoV/sales densities, Blinkit has zoomed passed it on efficiency



Source: Company RHP, Zomato, HSIE Research



Source: Company RHP, Zomato, HSIE Research

For Instamart (Swiggy), there are certain low-hanging fruits to pluck in terms of unit economics: It could (1) reduce the AOV gap with Blinkit with higher discretionary sales in mix, (2) take rates could inch up as ad income/margin-accretive categories are added. However, the tougher one is matching GoV/order density of Blinkit as this is key for better fixed cost absorption

	Instamart						Blinkit		Instamart	Blinkit
	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY23	FY24	Q1FY25	Q1FY25
Quick Commerce										
Gross order value (GoV) - INR mn	16,434	51,184	80,686	1,37,209	2,24,533	3,43,649	64,490	1,24,690	27,240	49,230
Avg. MTUs	1	3	4	7	11	16	3	5	5.2	7.6
Ordering frequency/month	3.2	3.3	3.5	3.3	3.4	3.4	3.4	3.3	3.6	3.5
Orders (mn)	42	128	175	285	449	661	119	203	56	79
AoV (INR)	394	398	460	481	500	520	541	613	487	625
Dark stores (#)	301	421	523	733	1,183	1,583	377	526	557	639
GoV per day per store ('000)	358	375	487	599	642	681	470	793	558	956
Orders per day per store (#)	910	943	1,059	1,245	1,284	1,309	869	1,294	1,146	1,530
Adjusted/Gross revenue	1,242	5,473	10,877	20,555	36,331	59,729	10,630	23,020	4,034	9,420
YoY (%)	-	341	99	89	77	64	-	117	0	0
Take rate (As % of GoV)	7.6	10.7	13.5	15.0	16.2	17.4	16.5	18.5	14.8	19.1
-Commission & ad income	-	8.2	11.4	12.5	13.5	14.5	13.9	15.5	12.9	-
-Cust. Delivery charge/user fee	-	2.5	2.1	2.5	2.7	2.9	3.0	3.0	1.9	-
Variable cost (as % of GoV)		34	19	18	17	17	23	16	18	15
Contribution profit/(loss)	(5,302)	(12,058)	(4,841)	(3,868)	(2,176)	1,996	(4,460)	2,660	(866)	1,990
Contribution margin (%)	(32.3)	(23.6)	(6.0)	(2.8)	(1.0)	0.6	(6.9)	2.1	(3.2)	4.0
Fixed Cost (FC)	-	8,210	8,250	9,075	9,983	10,981	5,690	6,500	2,313	2,020
YoY (%)	-		0	10	10	10	-	14	27.4	69.7
FC (As % of GoV)	-	16.0	10.2	6.6	4.4	3.2	8.8	5.2	8.5	4.1
Adjusted EBITDA	(8,833)	(20,268)	(13,091)	(12,944)	(12,159)	(8,986)	(10,150)	(3,840)	(3,179)	(30)
Adj. EBITDAM (as % of GoV)	(53.7)	(39.6)	(16.2)	(9.4)	(5.4)	(2.6)	(15.7)	(3.1)	(11.7)	-0.1

Source: Company RHP, Zomato, HSIE Research; Note FY23/24 take rate break-up for Zomato are estimates

Instamart vs Blinkit: Quick Commerce unit economics (per order basis)

Quick Commerce Unit Economics (per order)	Instamart							Blinkit		
	FY23	FY24	FY25E	FY26E	FY27E	Q1FY24	Q1FY25	FY24	Q1FY24	Q1FY25
AoV	398	460	481	500	520	441	487	613	582	625
Revenue	43	62	72	81	90	54	72	113	104	120
-Commission & ad income	33	52	60	67	75		63	95		
-Cust. Delivery charge/user fee	10	10	12	14	15		9	18		
Variable Costs	136	90	86	86	87	87	88	100	108	94
-Dark store/replenishment/ other variable costs	52	45	46	46	47		40	43		
-Delivery/Last mile/other variable costs	14	3	1	1	2		47	55		
-Platform-funded discounts/customer incentives	70	41	38	38	39		1	2		
Contribution profit/(loss)	(94)	(28)	(14)	(5)	3	(33)	(15)	13	(4)	25
Fixed Cost (FC)	64	47	32	23	17	46	41	32	32	26
Adjusted EBITDA	(158)	(75)	(45)	(28)	(14)	(79)	(57)	(19)	(36)	(0)

Source: Company RHP, Zomato, HSIE Research

- **Path to reasonable profitability in quick commerce is still hazy:** While Blinkit has managed to hit near EBITDAM breakeven it has been on the back of higher AoVs, which could potentially normalize downwards as it (1) contends with more players in the space and (2) household density drops precipitously beyond top cities. Let's say, AoVs hold up; even then at current scale, take rates need to inch up by ~400bps (via a combination of higher commission and ad income) to 22-24% and orders per day per store need to inch up to ~1,900 (from currently 1,429) to hit a 5% EBITDAM (as % of GoV) – long-term target for QC players.
- For Instamart, at current scale, getting to CM-breakeven seems a foregone conclusion. Take rates are likely to improve and converge towards that of Blinkit's as the discretionary salience in GoV mix begins to converge and ad income inches up. The former could potentially earn 300bps additional take rate from these changes.
- However, the ask to hit EBITDAM breakeven and 5% EBITDAM is steeper for Instamart vis-à-vis Blinkit. At current scale and fixed costs,
 - Swiggy Instamart needs to achieve (1) ~2,000 orders per day per store, (2) take rates of 19% (14.8% in Q1FY25) and (3) AoV of INR585 (Q1FY25: INR487) to hit EBITDAM breakeven.
 - Swiggy Instamart needs to achieve (1) ~2,650 orders per day per store, (2) take rates of 23% (14.8% in Q1FY25), and (3) AoV of INR585 (Q1FY25: INR487) to hit 5% EBITDAM (as % of GOV).
- The odds of Instamart hitting >2,500 orders per day per store seem low in the wake of rising competition. Hence, in our view, the path to reasonable profitability over the next 2-3 years seems hazy not just for Instamart but for most QC players.

At current scale and fixed costs, Instamart needs ~2,000 orders per day per store to hit EBITDA-breakeven while Blinkit is nearly there at ~1,500 orders per day per store

Quick Commerce	Instamart				Blinkit			
	Q1FY25	CM break-even	EBITDAM break-even	To hit 5% EBITDAM	H1FY25	CM break-even	EBITDAM break-even	To hit 5% EBITDAM
GoV (INR mn)	27,240	1,70,611	2,71,126	3,50,481	1,10,550	1,95,552	2,72,376	3,45,010
GoV per day per store ('000)	553	755	1,199	1,550	920	700	975	1,235
Orders per day per store (#)	1,135	1,300	2,050	2,650	1,429	1,085	1,500	1,900
Orders (mn)	56	294	463	599	172	303	419	531
AoV (INR)	487	581	585	585	644	645	650	650
Adj. revenue	4,034	30,710	51,454	80,611	20,980	35,199	51,691	79,352
Take rate (%)	14.8	18.0	19.0	23.0	19.0	18.0	19.0	23.0
Variable cost (INR mn)	4,900	29,857	40,835	52,572	16,650	34,222	41,023	51,751
As % of GoV	18.0	17.5	15.1	15	15.1	17.5	15.1	15
Contribution	(866)	853	10,619	28,038	4,330	978	10,668	27,601
Contribution margin (%)	(3.2)	0.5	3.9	8.0	3.9	0.5	3.9	8.0
Fixed Costs	2,313	9,714	10,639	10,639	4,440	9,000	10,212	10,212
Fixed costs (as % of GoV)	8.5	5.7	3.9	3.0	4.0	4.6	3.7	3.0
Adj EBITDAM	(3,179)	(8,861)	(20)	17,399	(110)	(8,022)	456	17,389
Adj EBITDAM (%)	(11.7)	(5.2)	(0.0)	5.0	(0.1)	(4.1)	0.2	5.0

Source: Company RHP, Zomato, HSIE Research

Food Delivery now a cozy duopoly

- In food delivery, players have settled into a cozy duopoly. The scale difference (Zomato is 30% bigger than Swiggy) can be explained largely due to the MTU and city presence.
- Swiggy has lost its lead over FY22-24 in terms of market share as well as efficiency. However, it seems ~4-6 quarters away on most KPIs.
- Despite the smaller scale, we still expect Swiggy to lag Zomato by 150-200bps on GOV growth (FY24-27), as within key inputs, both are likely to be evenly matched on MTUs and AoVs, but there isn't much room on ordering frequency for Swiggy.
- Swiggy hit EBITDAM breakeven in Q1FY25, however, it needs to catch up on platform funded-discounts and fixed cost absorption.

Survivors have nestled into a cozy duopoly

- Post an intense competitive period (FY15-18) during which multiple food delivery offerings (Zomato, Swiggy, Faasos, Foodpanda, Uber Eats) contended to stay afloat; the Indian online food delivery market has effectively settled into a comfortable duopoly as most were either bought out or shut shop. Note: It took both Swiggy and Zomato USD3-3.5bn each to reach this phase.
- The survivors have inherited a sizeable market to milk (organized food services are pegged at INR5,600bn in CY23, which is expected to grow at 12-13% over CY23-28E). Underpinnings for this growth are (1) rising online commerce user base, (2) increasing ATU to MTU conversion as disposable income increases.
- Within food services, online food delivery is estimated to be ~INR640bn in CY23 (as per Redseer) and is likely to compound at ~20% over CY23-28 (HSIE). However, post the CY23-28 period, the pace of growth could potentially see a steep moderation as the restaurant supply is quite thin beyond top cities.

FY17-20 marked a phase of consolidation in the Indian food delivery space

Zomato	Survivor
Swiggy	Survivor
Tinyowl	Acquired Roadrunnr - a company formed from the merger of RoadRunnr (Hyperlocal logistics start-up) and food delivery platform Tinyowl in Sep-17
Foodpanda	Ola had announced the acquisition of Foodpanda from Delivery Hero (Germany) for ~USD 200mn in In Dec-17 and shut it down in 2019
Scootsy	Swiggy acquired the on-demand delivery startup Scootsy for USD 7.3mn in Aug-18 and merged it in 2020
UberEats India	In Jan-2020, Zomato acquired Uber Eats' India operations in a non-cash deal for INR 13.76 bn, excluding an amount of INR 2.48 bn payable towards GST. Uber Eats got 9.99% stake in Zomato post-acquisition.
Google Areo	Marketplace app launched by Google in 2017, did not gain traction
FAASOS	Operational; mainly a cloud kitchen brand (Rebel Foods); available on Zomato/Swiggy
TastyKhana & Just East	Acquired by Foodpanda

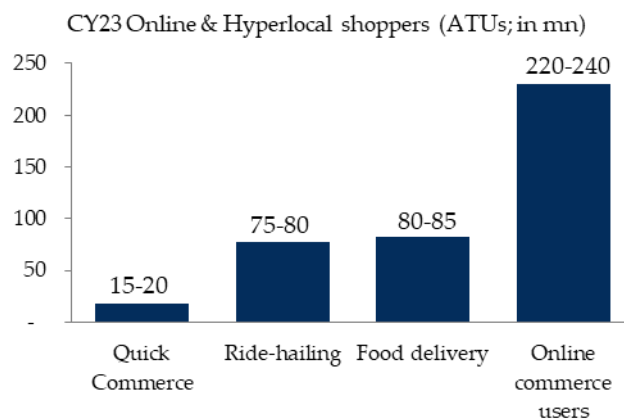
Source: Industry reports, news articles, HSIE Research

Healthy user growth headroom left to milk in India

	India		China
	CY23	CY28	CY23
Population (mn)	144		1,419
Access to internet (a)	800-830	1040-1080	1,070
Smartphone users (b)	670-680	950-990	1,040
Online commerce users (c)	220-240	320-350	850
(a) as % of sales	58	70-73	75
(b) as % of sales	47	64-67	73
(c) as % of sales	17	21-23	60

Source: Company RHP, HSIE Research

Annual transacting users across online use-cases



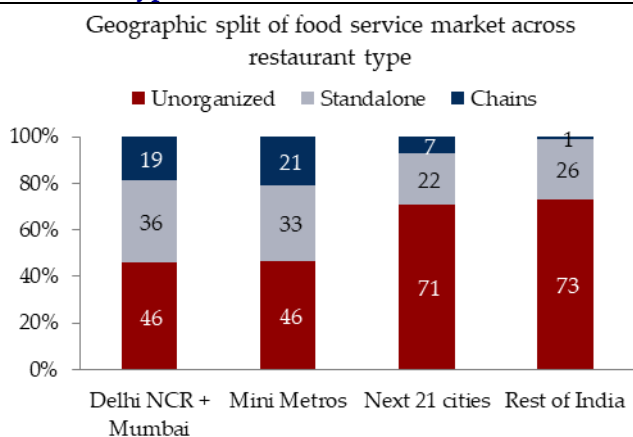
Source: Company RHP, HSIE Research

Indian food service market sizeable at INR5,600bn but there are supply side bottlenecks to overcome; online food delivery already enjoys a sizeable share

	FY15	FY16	FY17	FY18	FY19	FY20	CY23	CY28E
Organized	915	1,014	1,151	1,325	1,561	1,717	2,380	4,308
Standalone Licensed Restaurants	660	722	820	935	1,096	1,203	1,646	2,835
Chain Restaurants	175	204	236	285	350	398	610	1,301
Restaurants in Hotels	80	88	95	105	115	116	123	173
Unorganized	1,950	2,076	2,225	2,381	2,535	2,519	3,220	4,308
Total	2,865	3,090	3,376	3,706	4,096	4,236	5,600	8,616
Contribution (%)								
Organized	32	33	34	36	38	41	43	50
Standalone Licensed Restaurants	23	23	24	25	27	28	29	33
Chain Restaurants	6	7	7	8	9	9	11	15
Restaurants in Hotels	3	3	3	3	3	3	2	2
Unorganized	68	67	66	64	62	59	58	50
Online food delivery (INR bn)				112			640	1,372
Online food delivery (As % of org. Food services)				8.5			27.5	34.7

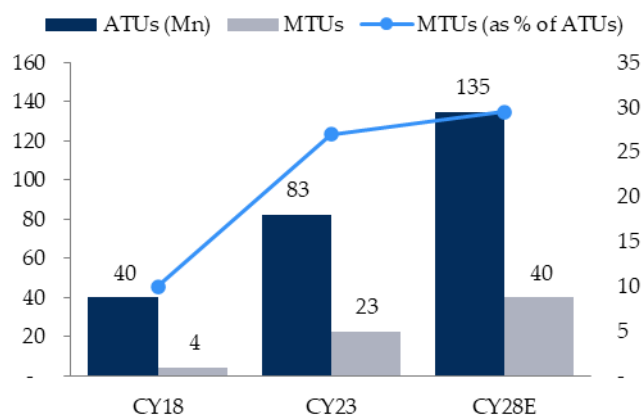
Source: Company RHP, Barbeque Nation RHP, HSIE Research

Geographic split of food service market across restaurant type



Source: Company RHP, HSIE Research

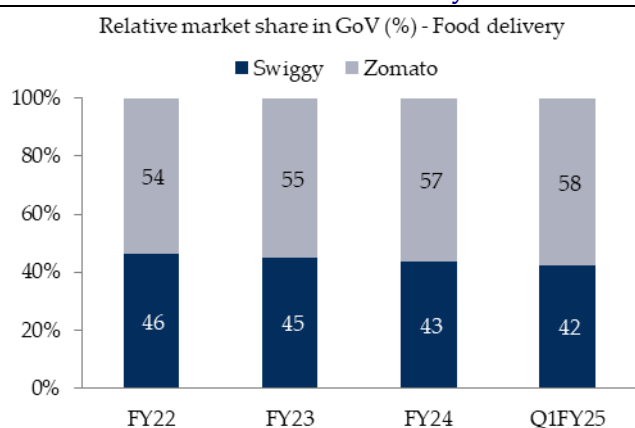
ATU-to-MTU conversion meaningfully improved over CY18-23; trend to continue, albeit at a slower pace



Source: Company RHP, HSIE Research

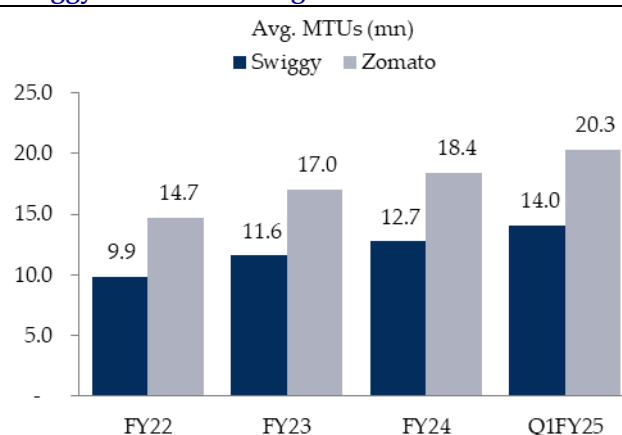
- Food delivery (FD) finally graduating from “cash burn” to “cash earn” phase:**
 Over a decade (encompassing multiple business model iterations and market consolidation) and >USD7bn cash burn later, FD is finally earning cash. Over FY22-H2FY25, all FD KPIs improved (avg, MTUs, ordering frequencies and AoVs) for both platforms (Swiggy and Zomato). However, Zomato did a better job at that (potentially given public market expectations). Swiggy seems to be 4-6 quarters away from Zomato on most KPIs and has already hit Adj. EBITDAM breakeven in Q1FY25. We suspect both platforms will continue to improve on FD KPIs via improving (1) ATU-to-MTU conversions), (2) average order values (AoVs) and (3) fixed cost absorption (via lower marketing spends) to achieve their targeted 5% adj. EBITDAM over the medium term (Note: Zomato has already achieved >7% contribution margin and 3.5% adj. EBITDAM in H2FY25).
- The sustenance/improvement of FD profitability has become even more imperative now as it is likely to act as a lever to balance company level operational cash burn in the event competition in the quick commerce (QC) segment gets intense. Note: Tata Group (via Tata Neu Flash), Reliance Retail, Flipkart (via Flipkart minutes), Amazon have either launched/expected to launch their QC service and the incumbents (Zomato, Swiggy, and Zepto) have all raised capital to defend share.

Relative market share in food delivery



Source: Company RHP, Zomato, HSIE Research

Swiggy vs Zomato – Avg. MTUs



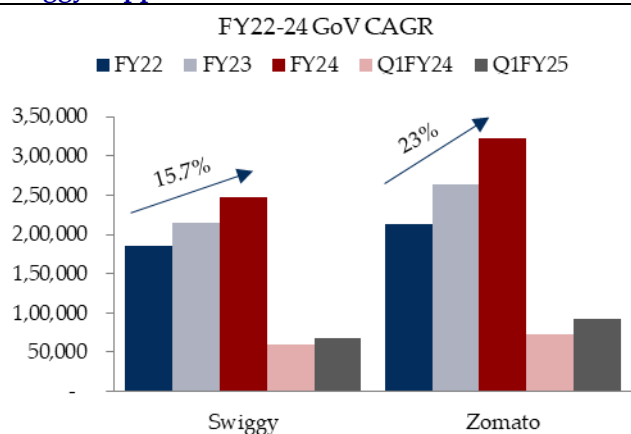
Source: Company RHP, Zomato, HSIE Research

Food Delivery – Swiggy vs Zomato

Swiggy four to six quarters behind Zomato on KPIs in food delivery:

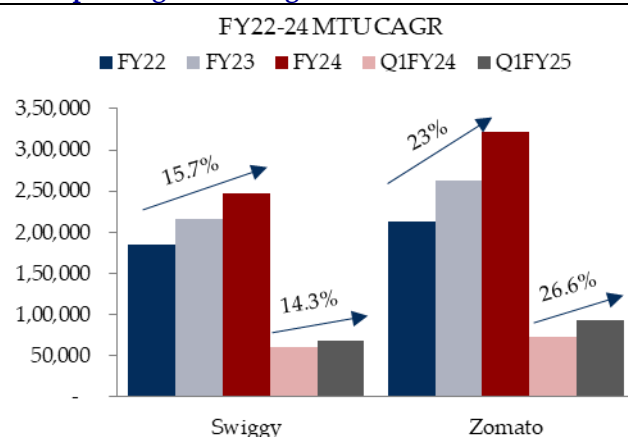
- Zomato edged Swiggy out on efficiency over FY22-24; but Swiggy may be 4-6 quarters away on most KPIs:** Post an aggressive expansion (in presence) of its food delivery operations in FY22 (from 455 to 1,000+ cities), FY22-24 marked a phase of driving efficiency for Zomato wherein (1) operations were withdrawn from low user-density cities), (2) restaurant, delivery partner, order densities, and ATU-to-MTU conversions were improved upon, and (3) consequently, monthly ordering frequency (MoF) and AoV improved.
- Across most efficiency KPIs, Swiggy started as better off (AoVs, MoF, AoVs, ATU-to-MTU conversions, order, restaurant partner, and delivery partner densities). However, over FY22-24, Zomato has not only caught on but outdone Swiggy in terms of most KPIs. This has led to better fixed cost absorption and lower platform-funded discounts for the leader vs Swiggy. Note: Swiggy's FD take rate was ~40bps higher than Zomato in FY24 (~100bps higher in Q1FY25) which partially makes up for the higher discounts Swiggy offers.
- In food delivery, we suspect, over FY24-27, Swiggy will likely follow the Zomato playbook and focus on efficiency. If Q1FY25 performance is anything to go by, Swiggy has already managed to improve fixed cost absorption meaningfully (fixed costs down to 5.6% of GoV vs Zomato's 3.9% in Q1FY25 vs 6% of GoV in Q1FY24). However, it seems Swiggy has stepped off the growth pedal to achieve this, whereas Zomato managed to achieve efficiency whilst growing at a fast clip. Note: Swiggy FD GoV grew a mere 14% YoY vs Zomato's 27% YoY in Q1FY25.
- On GoV growth over FY24-27, despite the smaller scale, we still expect Swiggy to lag Zomato by 150-200bps, as within key inputs, both are likely to be evenly matched on MTUs and AoVs. However, we don't see room to improve on ordering frequency for Swiggy (unlike Zomato, which has room to catch up).

Swiggy slipped in GoV share over FY22-24...



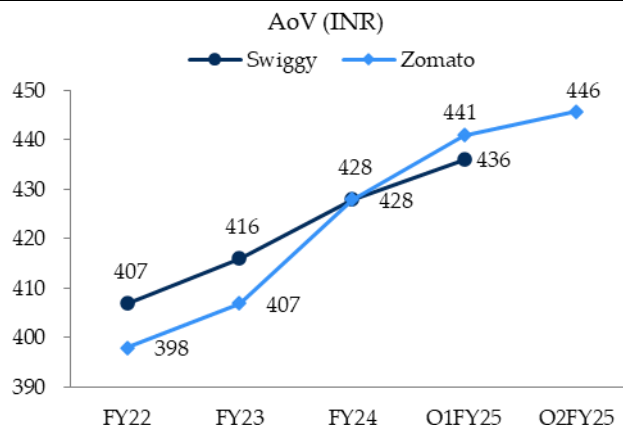
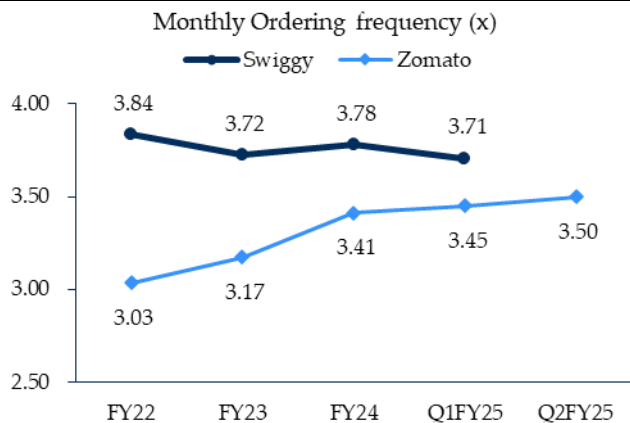
Source: Company RHP, Zomato, HSIE Research

...despite higher MTU growth



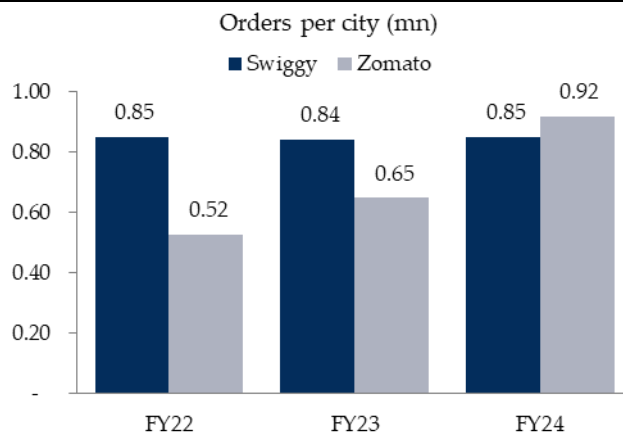
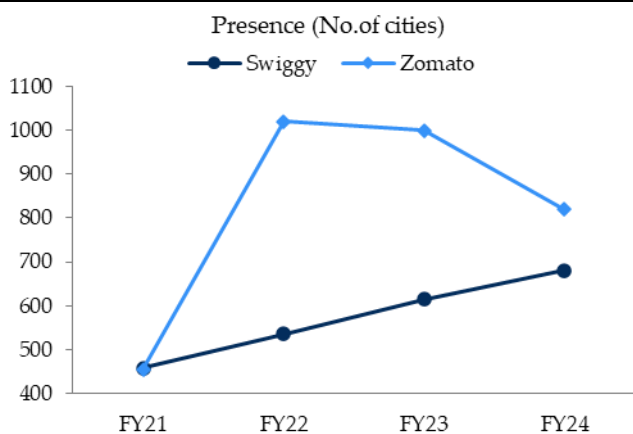
Source: Company RHP, Zomato, HSIE Research

...as Zomato continued to catch up on ordering frequency and AoV



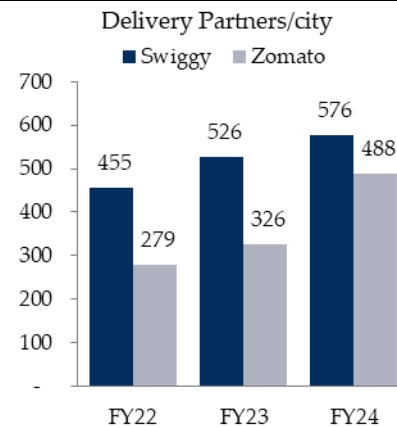
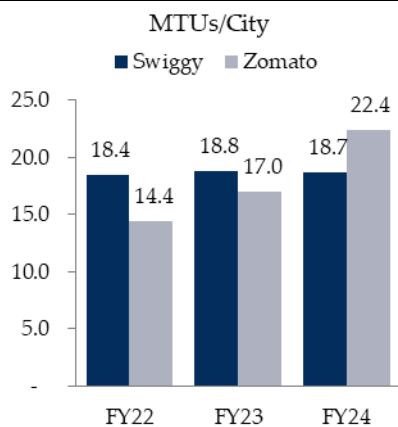
Source: Company RHP, Zomato, HSIE Research, Note: Q1 & Q2FY25 figures are estimates for Zomato

Across all input variables, Swiggy has let Zomato catch up on efficiency...be it order density...



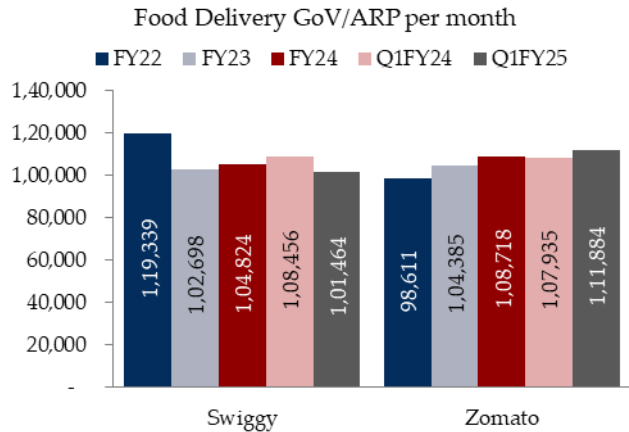
Source: Company RHP, Zomato, HSIE Research, Note: Q1 & Q2FY25 figures are estimates for Zomato

...Or MTU, Restaurant, Delivery densities (per city)

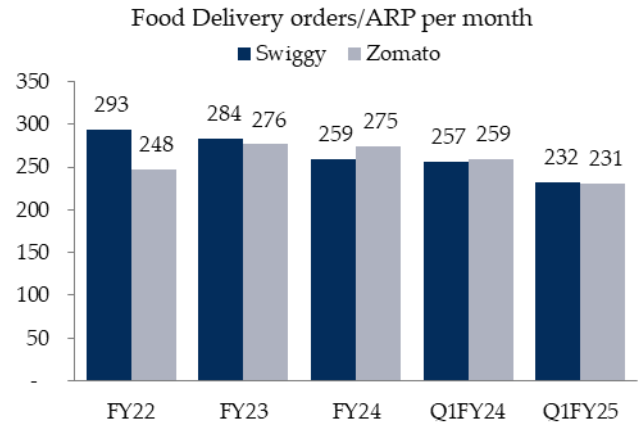


Source: Company RHP, Zomato, HSIE Research

Swiggy vs Zomato – Food delivery GoV/ARP per month

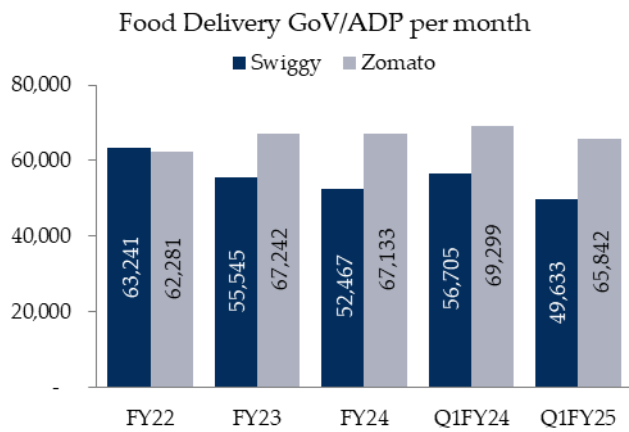


...Food delivery orders/ARP per month

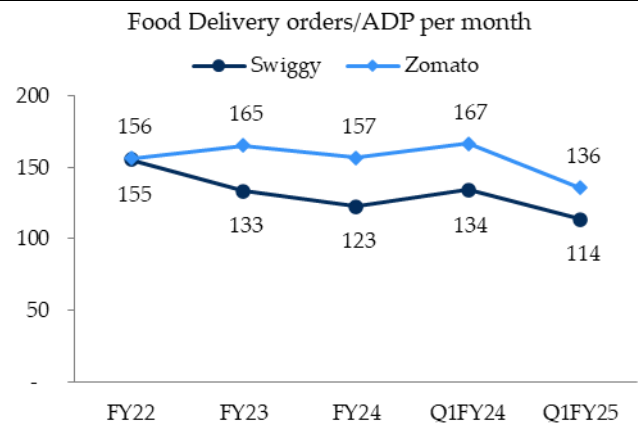


Source: Company RHP, Zomato, HSIE Research, Note: ARP stands for Avg. monthly restaurant partners

Swiggy vs Zomato – Food delivery GoV/ADP per month

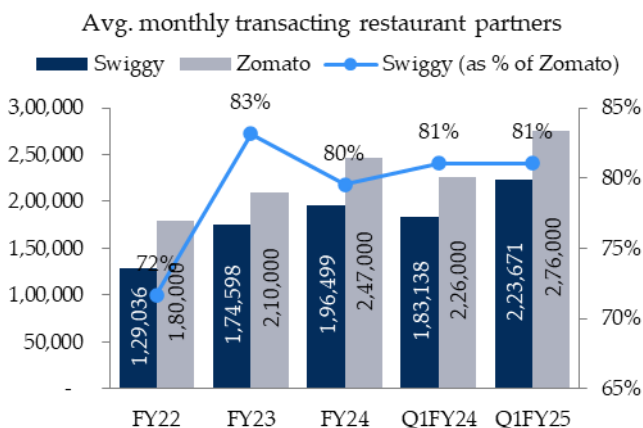


.....Food delivery orders/ADP per month

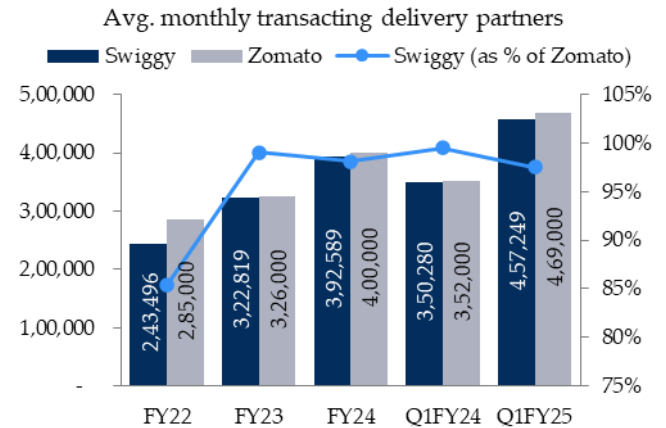


Source: Company RHP, Zomato, HSIE Research, Note: ADP stands for Avg. monthly delivery partners

While the delivery partner gap isn't much between the two platforms, Swiggy's restaurant partner base is ~80% of Zomato



Source: Company RHP, Zomato, HSIE Research



Source: Company RHP, Zomato, HSIE Research

Fixed cost absorption and platform funded discounts is where Swiggy needs to catch up vis-à-vis Zomato; seems 4-6 quarters away

	Swiggy						Zomato			Swiggy	Zomato
	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY22	FY23	FY24	Q1FY25	Q1FY25
Food Delivery											
Gross order value (GoV) - INR mn	1,84,788	2,15,171	2,47,174	2,94,505	3,51,875	4,16,796	2,13,000	2,63,050	3,22,240	68,083	92,640
Avg. MTUs	10	12	13	15	17	20	15	17	18	14.0	20.3
Ordering frequency/month	3.8	3.7	3.8	3.7	3.7	3.7	3.0	3.2	3.4	3.7	3.5
Orders (mn)	454	517	578	655	760	874	535	647	753	156	210
AoV (INR)	407	416	428	449	463	477	398	407	428	436	441
Adjusted/Gross revenue	44,298	51,792	60,816	74,876	89,813	1,06,801	47,600	61,470	77,920	17,296	22,560
YoY (%)		17	17	23	20	19		29	27	19	30
Take rate (As % of GoV)	24.0	24.1	24.6	25.4	25.5	25.6	22.3	23.4	24.2	25.4	24.4
-1 Commission & ad income	-	18.1	19.3	20.0	20.1	20.2	16.0	17.2	19.7	20.4	
-2 Cust. Delivery charge/user fee	5.6	6.0	5.3	5.4	5.4	5.4	6.3	6.1	4.4	5.0	
Variable cost (as % of GoV)	22.38	21.14	18.89	18.63	18.28	17.93	20.69	18.82	17.28	19.0	17.1
-Delivery Costs	-	14.6	13.9	14.0	13.9	13.7	14.9	14.4	13.9	14.3	
-Platform-funded discounts	-	3.6	3.3	3.0	2.9	2.7	2.8	2.0	1.8	3.1	
-Other variable costs	-	3.0	1.7	1.6	1.6	1.5	3.0	2.5	1.6	1.6	
Contribution profit/(loss)	2,938	6,305	14,124	20,009	25,491	32,069	3,523	11,962	22,235	4,357	6,730
Contribution margin (%)	1.6	2.9	5.7	6.8	7.2	7.7	1.7	4.5	6.9	6.4	7.3
Fixed Cost (FC)	17,033	16,655	14,596	15,326	16,092	16,897	11,223	12,062	13,115	3,779	3,600
YoY (%)	-	(2)	(12)	5	5	5	66	7	9	6.3	26.3
FC (As % of GoV)	9.2	7.7	5.9	5.2	4.6	4.1	5.3	4.6	4.1	5.6	3.9
Adjusted EBITDA	(14,095)	(10,350)	(472)	4,684	9,399	15,173	(7,700)	(100)	9,120	578	3,130
Adj. EBITDAM (as % of GoV)	(7.6)	(4.8)	(0.2)	1.6	2.7	3.6	(3.6)	(0.0)	2.8	0.8	3.4

Source: Company RHP, Zomato, Note: Variable costs for Zomato are estimates

Zomato vs Swiggy: Food delivery unit economics (per order basis)

Food Delivery	Swiggy								Zomato				
	FY22	FY23	FY24	FY25E	FY26E	FY27E	Q1FY24	Q1FY25	FY22	FY23	FY24	Q1FY24	Q1FY25
Unit Economics (per order)													
AoV	407	416	428	449	463	477	423	436	398	407	428	416	441
Revenue	98	100	105	114	118	122	103	111	89	95	103	99	107
-Commission & ad income		75	82	90	93	96		89	64	70	84		
-Cust. Delivery charge/user fee		25	23	24	25	26		22	25	25	19		
Variable Costs	91	88	81	84	85	85	81	83	82	77	74	73	75
-Delivery Costs		61	59	63	64	65		62	59	59	59		
-Platform-funded discounts		15	14	13	13	13		14	11	8	8		
-Other variable costs		12	7	7	7	7		7	12	10	7		
Contribution profit/(loss)	6	12	24	31	34	37	22	28	7	18	30	26	32
Fixed Cost (FC)	38	32	25	23	21	19	25	24	21	19	17	16	17
Adjusted EBITDA	(31)	(20)	(1)	7	12	17	(3)	4	(14)	(0)	12	10	15

Source: Company RHP, Zomato, HSIE Research, Note: Variable costs for Zomato are estimates

Other segments

Swiggy's other revenue segments include:

- (1) **OOH Consumption** offerings include restaurant dining solutions (via Dineout) and access to curated outdoor events (via SteppinOut). Despite rapid food delivery growth, delivery market forms only a portion of India's larger, organized food services market. Swiggy effectively leverages its restaurant relationships in food delivery to offer yet another convenience based use-case for dining out such as table reservations, deals & offers, etc. **This vertical accounted for >6% of total B2C GOV.** The online dining out market in India was valued at approximately INR50bn (USD0.6bn) in 2023 and is expected to grow at a CAGR of 46-53% CAGR over CY23-28 (Redseer report).
- (2) **Supply chain & distribution** vertical offers comprehensive supply chain services to wholesalers and retailers encompassing warehouse management to streamline operations. The vertical managed 2.66 mn sq. ft. of warehousing space across 13 cities and had ~680 authorized brand distribution partnerships and served approximately 87,000 retailers and wholesalers.
- (3) **Platform innovations** segment is effectively an incubator for addressing unsolved use cases for convenience-based problems. The company actively invests in unlocking adjacent convenience-based offerings, which could be new offerings, category additions in existing services, or targeted solutions for specific user segments. For instance, Instamart – Swiggy's quick-commerce platform, was developed through its Platform Innovations segment.

Snapshot (INR mn)

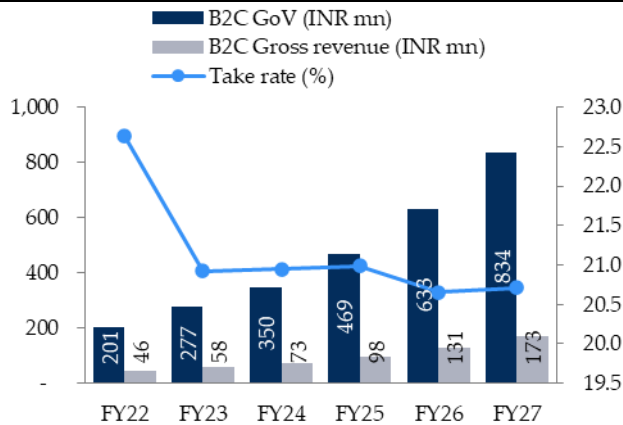
INR mn	FY22	FY23	FY24	FY25	FY26	FY27
GoV (B2C)	2,01,223	2,77,405	3,49,691	4,71,039	6,32,305	8,35,366
Food Delivery	1,84,788	2,15,171	2,47,174	2,96,640	3,59,052	4,30,777
Quick Commerce	16,434	51,184	80,686	1,37,209	2,17,290	3,32,564
OOH Consumption	-	11,051	21,831	37,190	55,963	72,025
Growth - YoY (%)			26.1	34.7	34.2	32.1
Food Delivery			14.9	20.0	21.0	20.0
Quick Commerce			57.6	70.1	58.4	53.1
OOH Consumption			97.5	70.4	50.5	28.7
Gross Revenue	68,604	94,797	1,23,203	1,56,378	1,96,697	2,47,920
Food Delivery	44,298	51,792	60,816	75,418	92,004	1,11,245
Quick Commerce	1,242	5,473	10,877	20,555	35,159	57,802
OOH Consumption	-	777	1,572	2,975	4,589	6,050
Supply chain & distribution	14,653	32,863	47,796	54,965	62,111	69,564
Platform innovations	8,411	3,892	2,143	2,464	2,834	3,259
B2C Take rate (%)	22.6	20.9	21.0	21.0	20.8	21.0
Food Delivery	24.0	24.1	24.6	25.4	25.6	25.8
Quick Commerce	7.6	10.7	13.5	15.0	16.2	17.4
OOH Consumption		7.0	7.2	8.0	8.2	8.4
Gross Revenue mix (%)						
Food Delivery	64.6	54.6	49.4	48.2	46.8	44.9
Quick Commerce	1.8	5.8	8.8	13.1	17.9	23.3
OOH Consumption	-	0.8	1.3	1.9	2.3	2.4
Supply chain & distribution	21.4	34.7	38.8	35.1	31.6	28.1
Platform innovations	12.3	4.1	1.7	1.6	1.4	1.3
Adjusted EBITDA	(32,338)	(39,103)	(18,356)	(11,288)	(3,188)	7,984
Food Delivery	(14,095)	(10,350)	(472)	4,829	10,278	17,110
Quick Commerce	(8,833)	(20,268)	(13,091)	(12,944)	(12,089)	(9,050)
OOH Consumption	(65)	(1,372)	(1,736)	(576)	532	1,044
Supply chain & distribution	(3,015)	(2,955)	(1,867)	(1,598)	(1,184)	(631)
Platform innovations	(6,329)	(4,159)	(1,190)	(999)	(723)	(490)
Adjusted EBITDAM (%)	(47.1)	(41.2)	(14.9)	(7.2)	(1.6)	3.2
Food Delivery	(7.6)	(4.8)	(0.2)	1.6	2.9	4.0
Quick Commerce	(53.7)	(39.6)	(16.2)	(9.4)	(5.6)	(2.7)
OOH Consumption		(12.4)	(8.0)	(1.6)	1.0	1.5
Supply chain & distribution	(20.6)	(9.0)	(3.9)	(2.9)	(1.9)	(0.9)
Platform innovations	(75.2)	(106.9)	(55.5)	(40.5)	(25.5)	(15.0)

Source: Company RHP, HSIE Research

Financial analysis

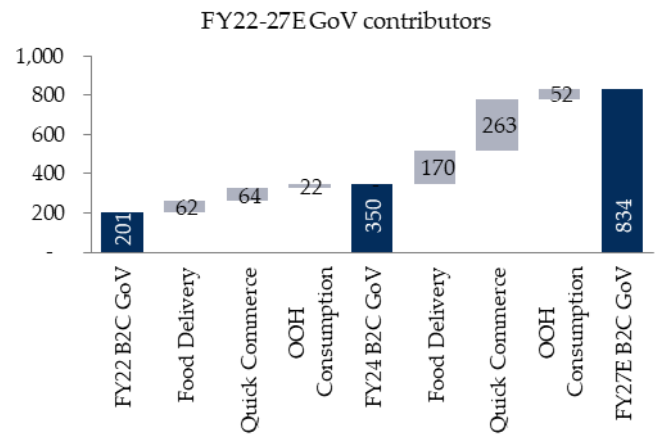
- We build in a B2C GOV CAGR of 33.6% for Swiggy (~INR834bn) with the biggest needle-mover being quick commerce (QC) as Swiggy utilizes its IPO proceeds (INR449.9bn) on (1) aggressively expanding its QC footprint (dark store network) and brand/marketing investments (INR 111.53bn earmarked) over FY24-27E. Note: investments earmarked for dark store addition/lease payments are INR11.79bn. We expect QC to contribute ~54% of the incremental GOV growth (62% CAGR) over FY24-27.

We build in a 34% B2C GOV CAGR over FY24-27...



Source: Companies RHP, HSIE Research

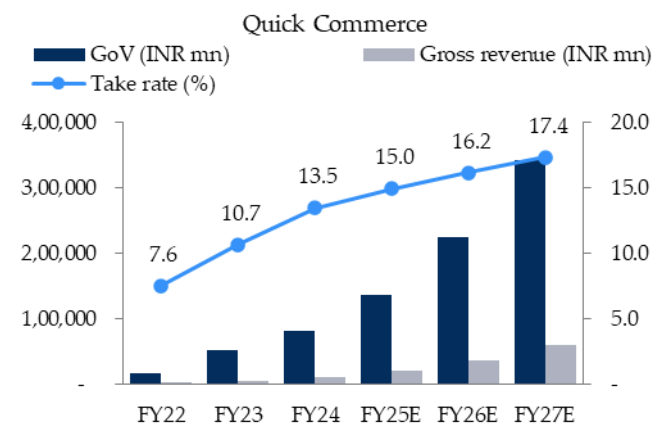
...fueled by the quick commerce vertical (~62% CAGR)



Source: Companies RHP, HSIE Research

- QC growth is likely to be dictated by avg MTU additions, with order growth broadly mimicking avg. MTU growth at 56% CAGR over FY24-27E. We build in broadly stable monthly ordering frequencies and ~4% AoV CAGR over FY24-27E as discretionary salience increases in GOV mix.

We build 62% QC GOV CAGR over FY24-27 and 390bps improvement in take rates as (1) rising discretionary mix aids commissions; (2) ad income rises



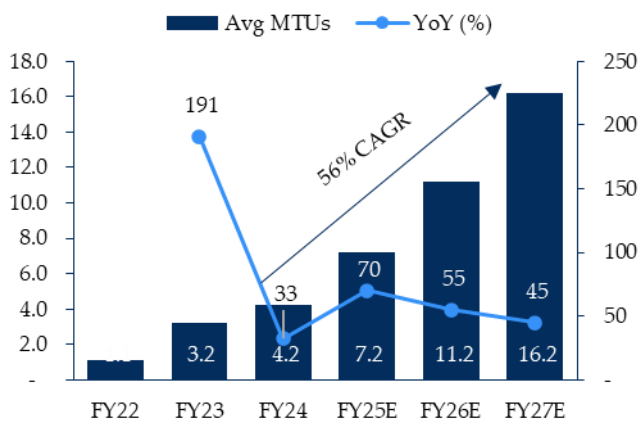
Source: Company RHP, HSIE Research

Building in ~56% order CAGR over FY24-27...



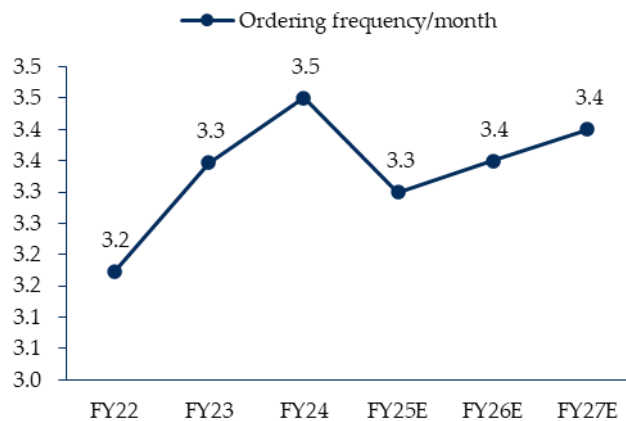
Source: Company RHP, HSIE Research

...broadly mimicking avg. MTU growth



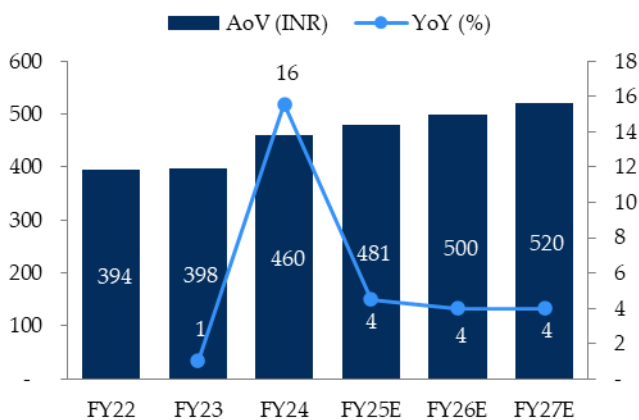
Source: Company RHP, HSIE Research

...with broadly stable monthly ordering frequency



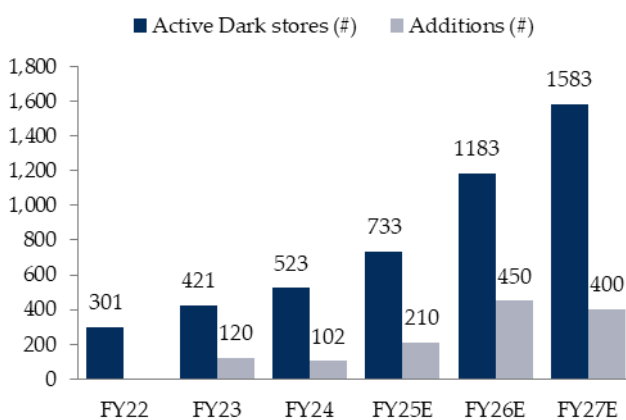
Source: Company RHP, HSIE Research

We build in a 4% CAGR in AOVs underpinned by 1. Inflation, 2. Rising discretionary salience partly negated by new users recruited at lower AOVs



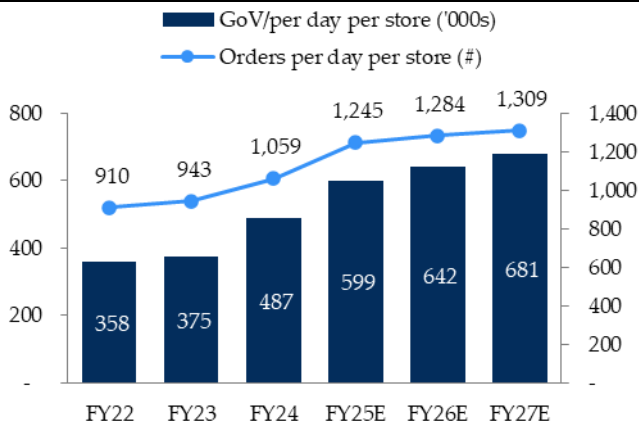
Source: Company RHP, HSIE Research

Baking in 1,060 store additions (of which 741 come from IPO proceeds) over FY24-27



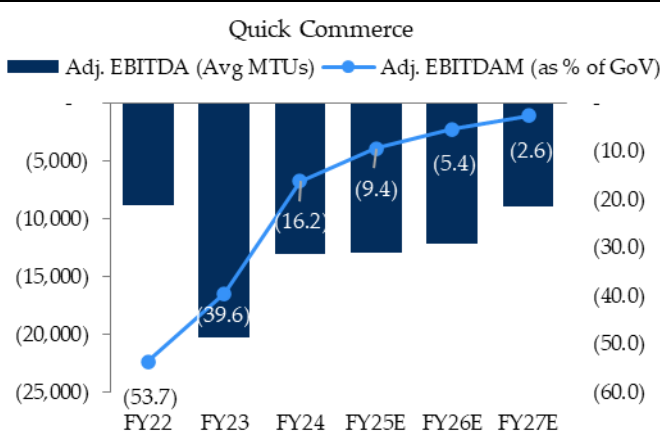
Source: Company RHP, HSIE Research

On a low base, GoV and order density pegged to grow at 12/7% CAGR respectively over FY24-27



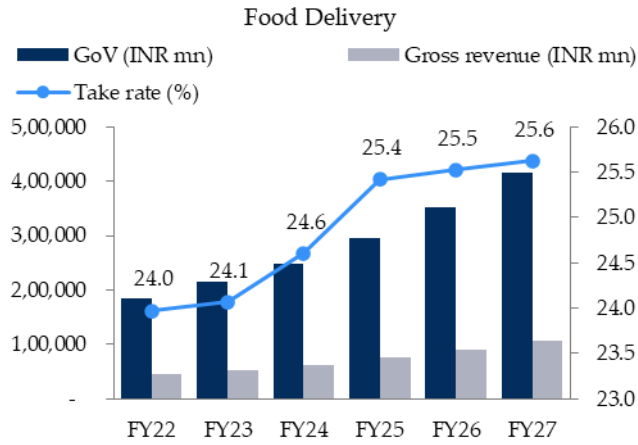
Source: Company RHP, HSIE Research

...QC margins to meaningfully improve underpinned by rising take rates and improving order/GOV density



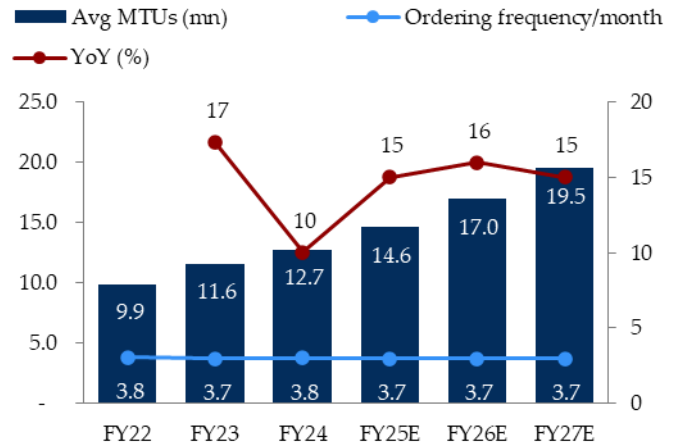
Source: Company RHP, HSIE Research

Food delivery (FD) GOV expected to grow at 19% CAGR over FY24-27...



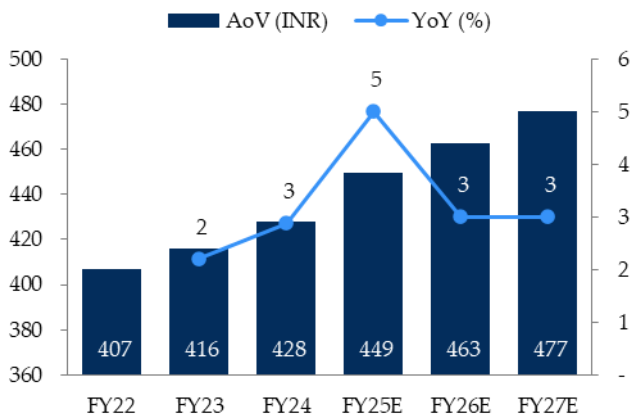
Source: Company RHP, HSIE Research

...backed by 15% MTU growth (at stable monthly ordering frequency)...



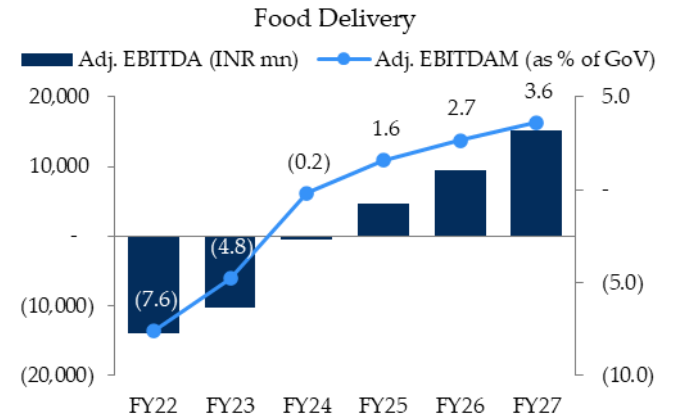
Source: Company RHP, HSIE Research

...and 4% CAGR in AOVs



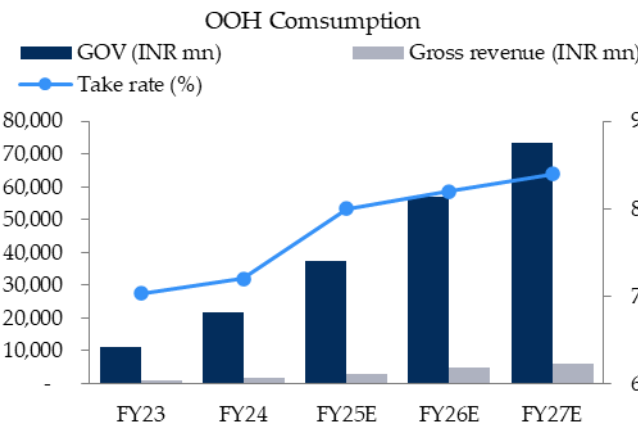
Source: Company RHP, HSIE Research

...FD adj margins to expand by ~380bps as (1) take rates and (2) fixed cost absorption improves

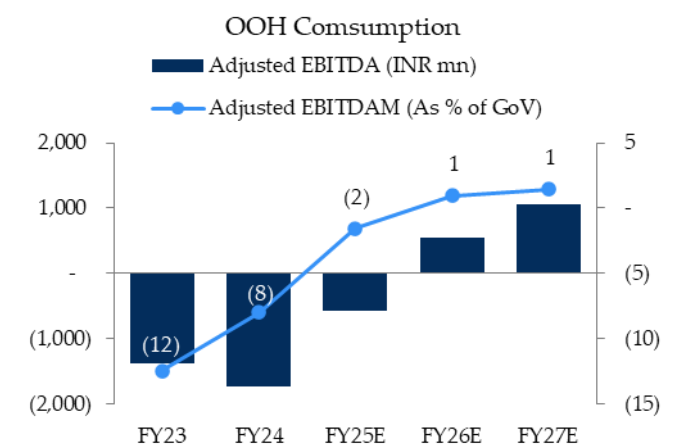


Source: Company RHP, HSIE Research

We expect OOH consumption GOV to grow at 50% CAGR at near EBITDA-breakeven over FY24-27

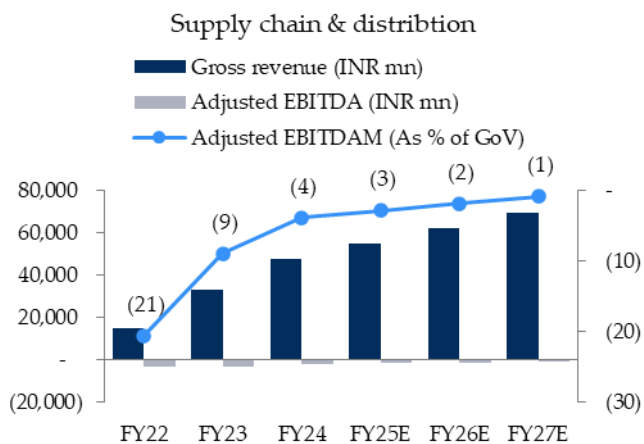


Source: Company RHP, HSIE Research

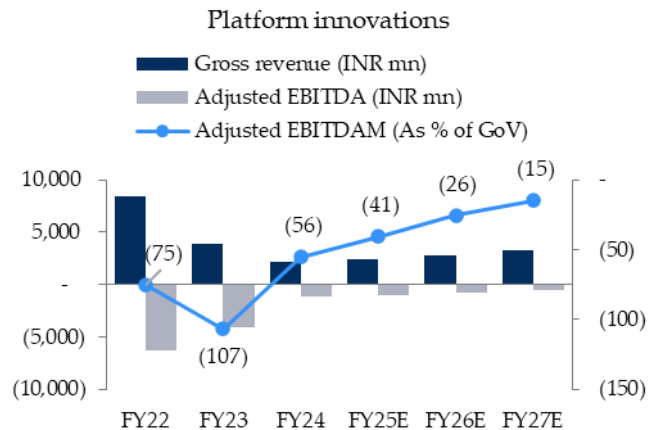


Source: Company RHP, HSIE Research

While non-need-movers, Supply chain & distribution and platform innovations are expected to grow at 13/15% resp; but likely to remain loss-making

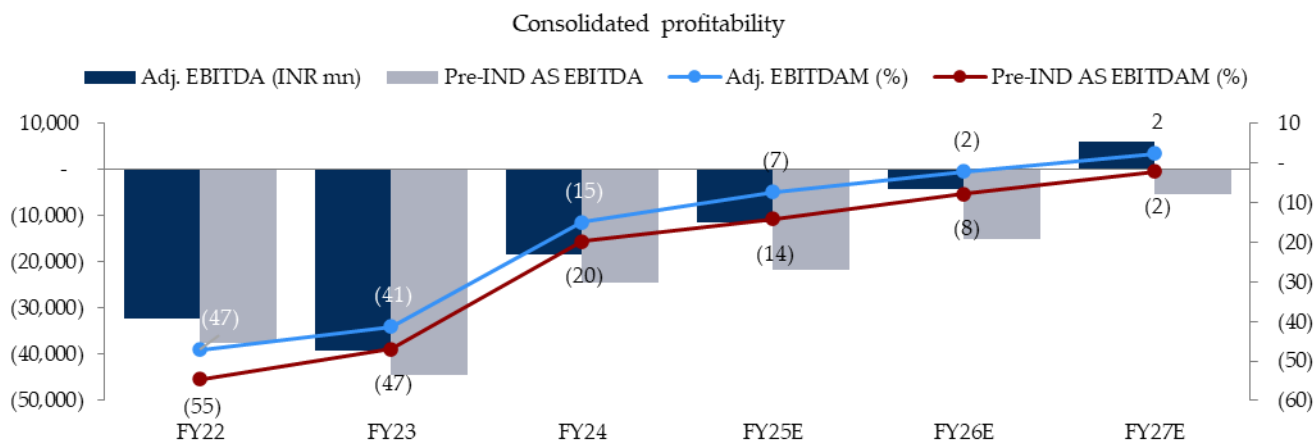


Source: Company RHP, HSIE Research



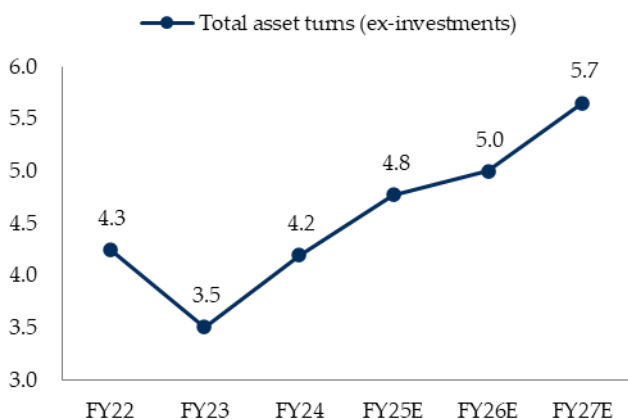
Source: Company RHP, HSIE Research

With (1) rising take rates in core (FD & QC), (2) improving mix in QC and (3) better fixed cost absorption with scale, we expect consolidated operations to squeeze out 2% Adj. EBITDAM (-2% including ESOP charge)



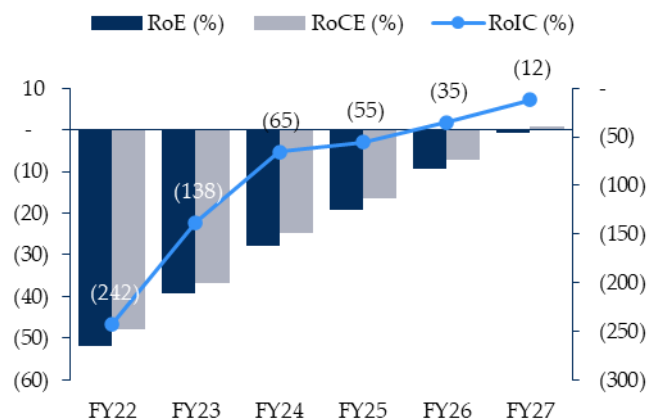
Source: Company RHP, HSIE Research

Total asset turns likely to inch up as QC earns higher take rates and manages fixed costs better with scale



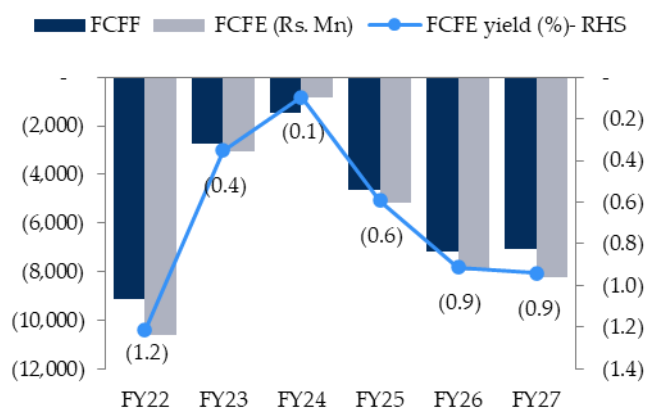
Source: Company RHP, HSIE Research

Swiggy: Return Ratios (%)

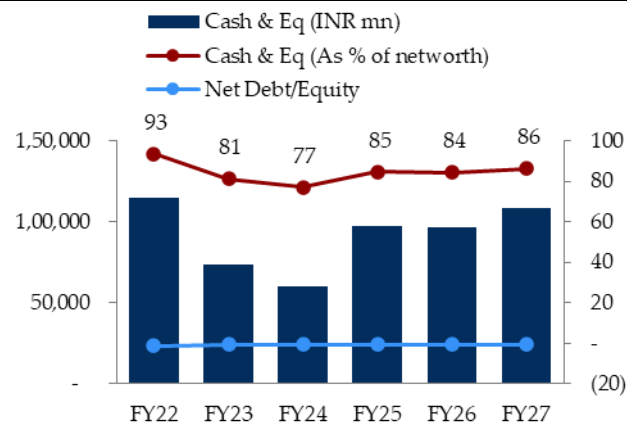


Source: Company RHP, HSIE Research

Free cash generation likely to be missing even in FY27; however, cash on books remains healthy to fund the gap



Source: Company RHP, HSIE Research



Source: Company RHP, HSIE Research

Peer-wise core cash conversion cycle

	FY22	FY23	FY24	FY25	FY26	FY27
Swiggy						
Inventory days	1	0	2	2	2	2
Receivables days	71	47	31	30	29	28
Other Current Assets (days)	57	49	39	38	38	37
Payables days	61	39	29	29	29	29
Other Current Liab & Provns (days)	42	32	31	31	31	31
Core CC Cycle	11	9	4	3	2	1
CC Cycle	26	26	12	10	9	7
Zomato						
Inventory days	3	4	3			
Receivables days	14	24	24			
Other Current Assets (days)	360	247	77			
Payables days	37	35	27			
Other Current Liab & Provns (days)	29	36	34			
Core CC Cycle	(20)	(7)	(0)			
CC Cycle	312	203	43			
Zepto						
Inventory days	177	28				
Receivables days	38	13				
Other Current Assets (days)	333	33				
Payables days	353	64				
Other Current Liab & Provns (days)		97				
Core CC Cycle	(138)	(23)				
CC Cycle	98	(28)				

Source: Company RHP, HSIE Research

Valuation

We value Swiggy on an SOTP basis and assign (1) 38x FY27 EV/EBITDA to the mature food delivery business, (2) 1.2x FY27 EV/GOV to the fast-growing quick commerce segment, (3) 0.5x FY27 GOV for the OOH consumption segment and (4) 1x FY27 sales each for the supply chain & distribution and the platform innovations verticals. This translates to 4x FY27 sales for the consolidated operations.

Note: For Food delivery (FD), our benchmarks are listed QSR companies. Depending on the quality of the franchise, HSIE values the QSR pack between 25-35x. Since Swiggy is a demand aggregator/platform (1) the scope/pace of growth is by definition higher (2) Ability to earn non-linear income (ad income, etc) is higher. Hence, we suspect one could afford to pay a marginal premium to the top-end of the QSR range.

FY27E SOTP

Swiggy	Methodology	Multiple	GoV/Gross sales/EBITDA	EV (Rs mn)	Per share	
Food Delivery	EV/EBITDA	38.0	9,473	3,59,956	161	
Quick Commerce	EV/GoV	1.2	3,43,649	4,12,379	184	
OOH Consumption	EV/GoV	0.5	73,446	36,723	16	
Supply chain & distribution	EV/Sales	1.0	69,564	69,564	31	
Platform Innovations	EV/Gross sales	1.0	3,259	3,259	1	
Consol Enterprise Value				8,81,882	394	
Net Debt				(5,268)	(81,099)	-36
Consol Equity Value				9,62,981	430	
No. of shares (#)					2,238	
CMP					457	
Upside (%)					(5.9)	

Source: HSIE Research

Valuations for QSR pack ranges between 25-35x FY27 EV/EBITDA

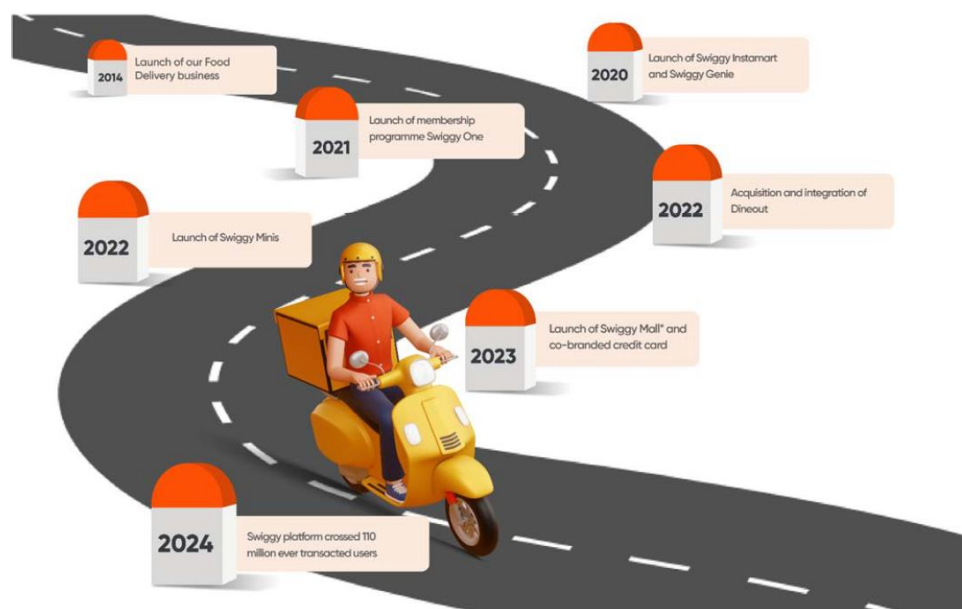
Name	Mcap (INR bn)	CMP	Rating	TP	TP X	P/E (x)			EV/EBITDA (x)			% Cagr FY24-FY27E			ROE		
						FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	Revenue	EBITDA	PAT	FY25E	FY26E	FY27E
QSR*																	
Jubilant	427	602	ADD	650	35	135	85	67	55	41	34	12	20	23	13	18	20
Westlife	117	741	RED.	725	30	169	88	57	52	39	30	11	14	23	12	27	51
Devyani	209	175	RED.	150	25	209	126	76	41	35	28	23	26	34	9	12	17
Sapphire	101	315	ADD	325	25	102	78	65	40	30	23	13	14	4	8	9	10

Source: Company, HSIE Research

Company profile

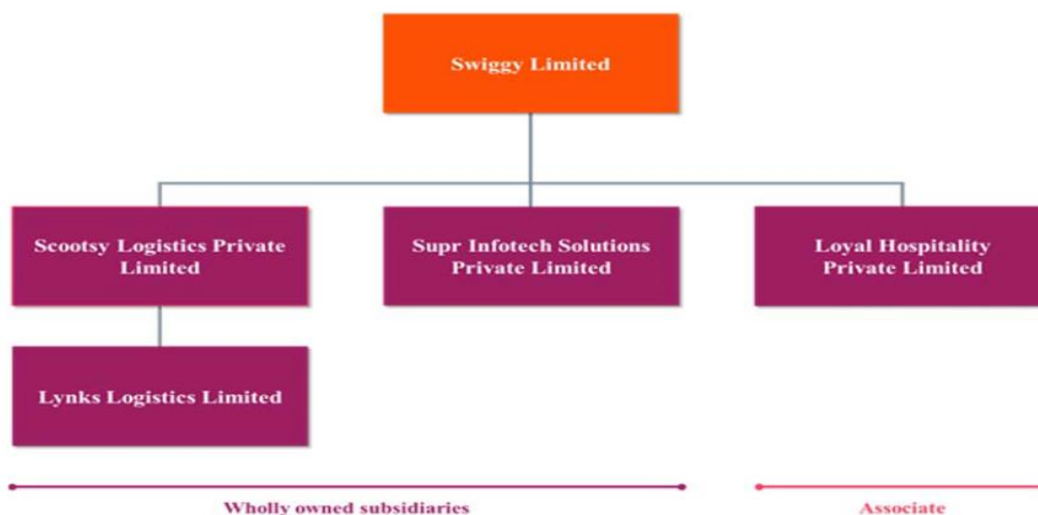
- Swiggy is a new-age, consumer-first technology company offering users an easy-to-use convenience platform, accessible through a unified app - to browse, select, order and pay for food (**Food Delivery**), grocery and household items (via **Instamart**), and have their orders delivered to their doorstep through our on-demand delivery partner network. It also offers restaurant reservations (via **Dineout**) and events bookings (via **SteppinOut**). Other offerings include product pick-up/drop-off services (via Genie) and other hyperlocal activities (via Swiggy minis, among others).
- As one of the first hyperlocal commerce platforms in India, Swiggy has successfully pioneered the industry by launching food delivery in 2014 and quick commerce in 2020.
- Swiggy has augmented 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. The platform offers comprehensive business enablement solutions to restaurant partners, merchant partners (that sell grocery and household items on our platform) and brand partners (including its 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.
- Due to high frequency, habit formation and recall value, these categories have the potential to unlock additional revenue through monetisation of ancillary services.

Key Milestones



Source: Company RHP, HSIE Research

Swiggy's organizational structure



Source: Company RHP, HSIE Research, (as on 30th June 2024)

Key personnel

Name	Designation	Description
Sriharsha Majety	Managing Director and Group Chief Executive Officer	He holds a bachelor's degree in engineering in electrical and electronics engineering from Birla Institute of Technology and Science, Pilani and a post graduate diploma in management from Indian Institute of Management, Calcutta. He has more than 10 years of experience in the Company. He was awarded the 'Entrepreneur of the Year 2019' at 'The Economic Times Awards for Corporate Excellence' by The Economic Times in November, 2019
Lakshmi Nandan Reddy Obul	Whole-time Director - Head of Innovation	He has more than 10 years of experience in the Company. He holds a master's degree in science (honours) in physics from Birla Institute of Technology and Science, Pilani. He has previously worked with Intellectual Capital Advisory Services Pvt. Ltd. (Intellecap) as an associate, business consulting
Rahul Bothra	Chief Financial Officer	He has been associated with the company since September 1, 2017. He is a qualified chartered accountant and is an associate member of the Institute of Chartered Accountants of India. He holds a bachelor's degree in commerce from Bangalore University. He has domestic and international experience in various fields including accounting, business finance, treasury, taxation, mergers and acquisitions, and assurance. Prior to joining the Company, he was associated with Wipro Limited, Britannia Industries Limited and Olam International Limited
M. Sridhar	Company Secretary and Compliance Officer	He has been associated with the company since February 5, 2024 and has been appointed as the Company Secretary and Compliance Officer from April 1, 2024. He is a fellow member of the Institute of Company Secretaries of India. He holds a bachelor's degree in commerce from Calcutta University and bachelor's in general law from Annamalai University. Prior to joining the Company, he was associated with Himatsingka Seide Limited, Prestige Estates Projects Limited, Shyammaraju & Company (India) Private Limited, GMR Energy Limited, S&S Power Switchgear Limited, Teledata Marine Solutions Limited and Peerless Securities Limited.
Phani Kishan Addepalli	Chief Growth Officer	He has been associated with the Company since March 10, 2015. He holds a bachelor's degree in technology in computer science and engineering from Indian Institute of Technology, Madras and a post graduate diploma in management from Indian Institute of Management, Calcutta. Prior to joining the Company, he was associated with Boston Consulting Group (India) Private Limited as a senior associate.
Rohit Kapoor	Chief Executive Officer – Food Marketplace	He has been associated with our Company since August 16, 2022. He holds a bachelor's degree in commerce from the University of Calcutta and has completed the post graduate programme in management from Indian School of Business. He has cleared level 3 of the Chartered Financial Analyst examination. Prior to joining the Company, he was associated with Oravel Stays Limited (OYO) as the Global CMO and Max Healthcare Institute Ltd. as a senior director and chief growth officer in growth department, McKinsey & Company Inc – India branch as an engagement manager
Girish Menon	Chief Human Resources Officer	He has been associated with the Company since April 19, 2016. He holds a bachelor's degree in mechanical engineering from Annamalai University, a bachelor's degree in law from Karnataka State Law University Navanagar, Hubli and a post graduate diploma in business management from Xavier's Institute of Management & Entrepreneurship, Bangalore. Prior to joining the Company, he was associated with Flipkart Internet Private Limited as an associate director – HRBP, Indus Mobile Distribution Private Limited as a VP - HR, HSBC as a VP – regional HR, Vistaar Livelihood Financial Services Private Limited as a VP – human resources and Fullerton India Credit Company Limited as an assistant VP

Key Risks

Risks	Description
Macro challenges:	Macro slowdown, higher inflation, higher interest rates, and lower liquidity could hurt consumer spending patterns.
Rising in competitive intensity (in quick Commerce)	The Quick commerce market is characterised by few entry barriers and low switching costs for customers/delivery partners/store partners. This means there is the threat of new competition entering the market and disrupting the market shares of established players by incentivising various stakeholders to switch to its own platform.
Inability to retain existing user base or acquire new user	User base may decline for various reasons led by -Change in user behaviour or preferences and unavailability of food and products options they may be seeking -Restaurant partners and merchant partners on competitor platforms offering more attractive prices, incentives, discounts or lower fees -Competitors offering more user-friendly features on mobile apps or websites; among others
ONDC:	ONDC may pose a long-term threat to Swiggy by allowing customers to order from restaurants and choose alternative delivery agents. With ONDC's lower commission rates, restaurants might prefer it over the existing duopoly, affecting incumbent food aggregators' discoverability advantage.
Stakeholder conflicts	Food delivery aggregators off late have had to face several allegations of unfair trade practices from food services industry bodies such as NRAI, amongst others. As a consequence few branded/chain restaurants have gravitated towards the 'Direct Ordering' channel either through third-party service enablers or their own platforms, in order to reduce their dependence on aggregators for online orders/discovery. Such lingering issues can lead to more restaurants diversifying their order channel and in turn harming the growth prospects for food delivery aggregators.
Pricing and Profitability	Swiggy employs promotional offers and discounts to capture customer loyalty and maintain competitive pricing. Effective pricing management is essential for sustaining profit margins. Quality Control and Customer Experience
Market Share Risks	Swiggy has lost market share in quick commerce to competitors like Zomato and Zepto, who have been more aggressive in pursuing growth strategies. Along with them, deep-pocketed players like Flipkart, Tata group, Reliance Retail also intend to enter the quick commerce space.
Macro challenges:	Macro slowdown, higher inflation, higher interest rates, and lower liquidity could hurt consumer spending patterns.

Source: Company, HSIE Research

Financials

Income Statement

Year End (March)	FY22	FY23	FY24	FY25	FY26	FY27
Net Revenues	57,049	82,646	1,12,474	1,39,861	1,76,682	2,22,914
Growth (%)	124.0	44.9	36.1	24.3	26.3	26.2
Material Expenses	22,680	33,809	46,042	53,316	59,937	66,782
Employee Expense	17,085	21,298	20,122	25,242	26,510	27,791
A&P Expense	20,051	25,012	18,508	19,518	23,773	28,879
Delivery Expenses	20,688	28,349	33,511	41,958	52,121	64,645
Other Expenses	13,056	16,936	16,372	18,497	24,304	33,311
EBITDA	(36,511)	(42,758)	(22,080)	(18,671)	(9,963)	1,506
EBITDA Growth (%)	181.1	17.1	(48.4)	(15.4)	(46.6)	(115.1)
EBITDA Margin (%)	(64.0)	(51.7)	(19.6)	(13.3)	(5.6)	0.7
Depreciation	1,701	2,858	4,206	4,538	6,198	7,473
EBIT	(38,212)	(45,616)	(26,286)	(23,208)	(16,161)	(5,967)
Other Income (Including EO Items)	4,149	4,499	3,870	5,753	6,836	7,276
Interest	484	582	714	1,029	1,548	2,010
PBT (before exceptional items)	(34,547)	(41,699)	(23,130)	(18,484)	(10,873)	(702)
Total Tax	-	-	-	-	-	-
PAT before share of associate earnings	(34,547)	(41,699)	(23,130)	(18,484)	(10,873)	(702)
Share of associate earnings	(10)	(1)	(66)	(30)	(30)	(30)
RPAT	(34,557)	(41,700)	(23,196)	(18,514)	(10,903)	(732)
Exceptional Gain/(loss)	(1,732)	(93)	(306)	-	-	-
Adjusted PAT	(36,289)	(41,793)	(23,502)	(18,514)	(10,903)	(732)
APAT Growth (%)	124.4	15.2	(43.8)	(21.2)	(41.1)	(93.3)
Adjusted EPS (Rs)	(18.6)	(19.3)	(10.7)	(8.3)	(4.9)	(0.3)
EPS Growth (%)	(100.0)	3.7	(44.6)	(22.7)	(41.1)	(93.3)

Balance Sheet

Year End (March)	FY22	FY23	FY24	FY25	FY26	FY27
SOURCES OF FUNDS						
Share Capital - Equity	1,55,634	1,55,652	1,55,763	1,55,878	1,55,878	1,55,878
Reserves	(32,965)	(65,086)	(77,848)	(41,113)	(41,116)	(30,447)
Total Shareholders Funds	1,22,669	90,566	77,915	1,14,765	1,14,762	1,25,431
Minority interest	-	-	-	-	-	-
Long Term Debt	-	-	960	960	960	960
Short Term Debt	-	-	1,152	1,152	1,152	1,152
Total Debt	-	-	2,112	2,112	2,112	2,112
Net Deferred Taxes	-	-	-	-	-	-
Lease Liabilities	5,082	5,996	6,530	9,152	14,771	19,765
Other Non-current Liabilities & Provns	186	374	290	290	290	290
TOTAL SOURCES OF FUNDS	1,27,937	96,936	86,847	1,26,319	1,31,935	1,47,598
APPLICATION OF FUNDS						
Net Block	3,116	3,137	4,528	4,303	4,965	4,341
CWIP	-	-	-	-	-	-
Net Intangible Assets	272	6,455	10,008	10,008	10,008	10,008
RoU Assets	4,622	5,458	5,878	8,238	13,296	17,791
Other Non-current Assets	1,338	1,889	2,139	2,139	2,139	2,139
Investments	1,03,480	65,405	51,711	51,711	51,711	51,711
Total Non-current Assets	1,12,828	82,346	74,264	76,399	82,119	85,990
Inventories	177	106	487	605	765	965
Debtors	11,119	10,623	9,639	11,602	14,173	17,271
Other Current Assets	8,894	11,092	11,997	14,726	18,361	22,860
Cash & Equivalents	11,039	8,639	8,909	45,926	45,496	57,073
Total Current Assets	31,229	30,461	31,030	72,860	78,795	98,169
Creditors	9,561	8,732	8,809	10,954	13,838	17,459
Other Current Liabilities & Provns	6,559	7,138	9,639	11,986	15,141	19,103
Total Current Liabilities	16,120	15,870	18,448	22,939	28,979	36,562
Net Current Assets	15,109	14,591	12,583	49,920	49,816	61,607
TOTAL APPLICATION OF FUNDS	1,27,937	96,937	86,847	1,26,319	1,31,935	1,47,598

Source: Company, HSIE Research

Cash Flow Statement

Year ending March	FY22	FY23	FY24	FY25	FY26	FY27
Reported PBT	(36,289)	(41,793)	(23,502)	(18,514)	(10,903)	(732)
Non-operating & EO Items	2,582	(641)	3,493	4,622	4,064	4,124
Interest Expenses	469	565	651	1,029	1,548	2,010
Depreciation	1,701	2,858	4,206	4,538	6,198	7,473
Working Capital Change	(6,876)	(1,139)	1,988	(320)	(325)	(214)
Tax Paid	(590)	(449)	38	-	-	-
OPERATING CASH FLOW (a)	(39,004)	(40,599)	(13,127)	(8,646)	581	12,662
Capex	(2,274)	(1,573)	(3,459)	(4,313)	(6,860)	(6,849)
Free Cash Flow (FCF)	(41,278)	(42,172)	(16,586)	(12,959)	(6,279)	5,813
Investments	(90,148)	40,523	17,677	-	-	-
Non-operating Income	821	728	366	3,393	1,778	2,780
INVESTING CASH FLOW (b)	(91,601)	39,678	14,585	(920)	(5,081)	(4,069)
Debt Issuance/(Repaid)	(918)	-	1,076	-	-	-
FCFE	(1,31,523)	(921)	2,533	(9,566)	(4,500)	8,593
Share Capital Issuance	1,39,058	-	-	44,990	-	-
Dividend	-	-	-	-	-	-
Others	(1,799)	(1,715)	(2,304)	1,593	4,070	2,984
FINANCING CASH FLOW (c)	1,36,341	(1,715)	(1,228)	46,583	4,070	2,984
NET CASH FLOW (a+b+c)	5,736	(2,636)	229	37,018	(430)	11,577
Beginning cash	5,225	10,961	8,325	8,909	45,926	45,496
Closing Cash & Equivalents	11,039	8,639	8,909	45,926	45,496	57,073

Key Ratios

	FY22	FY23	FY24	FY25	FY26	FY27
PROFITABILITY (%)						
GPM	60.2	59.1	59.1	61.9	66.1	70.0
EBITDA Margin	(64.0)	(51.7)	(19.6)	(13.3)	(5.6)	0.7
Pre-IND-AS EBITDA Margin (%)	(37,472)	(44,443)	(24,318)	(21,808)	(15,026)	(5,268)
EBIT Margin	(38,212)	(45,616)	(26,286)	(23,208)	(16,161)	(5,967)
APAT Margin	(63.6)	(50.6)	(20.9)	(13.2)	(6.2)	(0.3)
RoE	(51.8)	(39.2)	(27.9)	(19.2)	(9.5)	(0.6)
RoIC (or Core RoCE)	(242.4)	(138.3)	(65.4)	(55.4)	(35.0)	(11.7)
RoCE	(47.7)	(36.7)	(24.8)	(16.4)	(7.2)	0.9
EFFICIENCY						
Tax Rate (%)	-	-	-	-	-	-
Fixed Asset Turnover (x)	8.7	11.5	13.9	11.3	9.2	8.5
Inventory (days)	1.1	0.5	1.6	1.6	1.6	1.6
Debtors (days)	71.1	46.9	31.3	30.3	29.3	28.3
Other Current Assets (days)	56.9	49.0	38.9	38.4	37.9	37.4
Payables (days)	61.2	38.6	28.6	28.6	28.6	28.6
Other Current Liab & Provns (days)	42.0	31.5	31.3	31.3	31.3	31.3
Cash Conversion Cycle (days)	26.0	26.3	11.9	10.4	8.9	7.4
Net D/E (x)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	(79.0)	(78.4)	(36.8)	(22.6)	(10.4)	(3.0)
PER SHARE DATA (Rs)						
EPS	(18.6)	(19.3)	(10.7)	(8.3)	(4.9)	(0.3)
CEPS	(17.7)	(18.0)	(8.8)	(6.2)	(2.1)	3.0
Dividend						
Book Value	62.9	41.8	35.5	51.3	51.3	56.0
VALUATION						
P/E (x)	NM	NM	NM	NM	NM	NM
P/BV (x)	7.2	10.9	12.9	8.9	8.9	8.1
EV/EBITDA (x)	NM	NM	NM	NM	NM	NM
EV/Revenues (x)	16.1	11.7	8.7	6.7	5.3	4.2
OCF/EV (%)	(4.2)	(4.2)	(1.3)	(0.9)	0.1	1.4
FCF/EV (%)	(4.5)	(4.4)	(1.7)	(1.4)	(0.7)	0.6
FCFE/Mkt Cap (%)	(12.9)	(0.1)	0.2	(0.9)	(0.4)	0.8

Source: Company, HSIE Research

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

Disclosure:

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