

Swiggy Evaluation

Overview: Swiggy (NSE:Swiggy), founded in 2014 & headquartered in Bengaluru, is India's second-largest food delivery platform and a key player in the hyper-competitive quick-commerce segment. The company went public in Nov2'4 and currently trades at ~₹440/share (as of Feb '25), reflecting a market cap of ~\$12 Billion.

Key Offerings:

- **Food Delivery:** 40% market share (GMV: ₹12,000 crore in Q2 FY25).
- **Quick Commerce (Instamart):** 32% market share (GMV: ₹6,500 crore in Q2 FY25).
- **Dineout:** Restaurant reservations and dining experiences (acquired in 2022).

Financial Snapshot (Q2 FY25):

- **Revenue:** ₹3,200 crore (+38% YoY).
- **Gross Margin:** 42% (up from 35% in FY24 due to Instamart scale).
- **Adjusted EBITDA Loss:** ₹208 crore (-6.5% margin, improved from -15% in FY24).
- **Cash Reserves:** ₹8,200 crore (post-IPO).

Strategic Differentiators:

- **Swiggy One:** 12M subscribers contributing 35% of food-delivery orders.
- **Instamart Dark Stores:** 450+ warehouses enabling 15-minute deliveries.
- **AI-Powered Logistics:** 95% on-time delivery rate (vs. Zomato's 90%).

Business Drivers:

1. **Quick Commerce Momentum:**
 - Instamart's GMV grew 65% YoY (vs. food delivery's 25%), contributing 45% of total GMV.
 - Margins improved to 25% (from 15% in FY24) due to automation in dark stores.
2. **Premium User Monetization:**
 - Swiggy One subscribers (12M) spend ₹1,800/month vs. ₹600 for non-subscribers.
 - Subscription revenue hit ₹480 crore in Q2 (+50% YoY).
3. **Tier-2/3 Expansion:**
 - 40% of new users from Tier-2/3 cities (e.g., Jaipur, Coimbatore).
 - Reduced delivery costs in these cities by 20% via bike-only fleets.
4. **B2B Vertical (Swiggy Max):**
 - Corporate meal plans contributed ₹200 crore GMV in Q2 (+200% YoY).

Challenges:

1. **Profitability Concerns:**
 - Adj. EBITDA loss of ₹208 crore persists despite scale (Zomato turned EBITDA-positive in Q1 FY25).
 - Food delivery contribution margin: 5% (vs. Zomato's 8%) due to higher rider costs.
2. **Market Share Erosion:**
 - Food delivery share fell from 45% to 40% in 18 months (Zomato: 55%+).
 - Blinkit (Zomato) leads quick commerce with 40% share (Swiggy: 32%, Zepto: 28%).
3. **Regulatory Pressures & Competitive Pressures:**
 - New gig-worker insurance rules (2024) increased costs by ₹50 crore/quarter.
 - Zomato's **aggressive expansion and cost efficiencies** give it an advantage in the food delivery space.

- In quick commerce, **Zepto has rapidly gained market share**, while Zomato-backed Blinkit remains the leader.

Risks:

1. Discount Dependency:

- 30% of orders use cashback offers; reducing discounts risks user churn.
- Blinkit's "10-minute delivery" and Zepto's pricing undercut Instamart.

2. Commodity Inflation:

- Staples inflation (8% YoY) squeezes Instamart margins by 3-5%.

3. Overconcentration:

- Tier-1 cities (Mumbai, Delhi, Bengaluru) drive 70% of revenue.
- Rural demand slowdown could impact Tier-3 growth.

3. Key Financial Ratios vs. Peers

Ratio	Swiggy	Zomato
Gross Margin	42%	45%
EBITDA Margin (Adj.)	-6.50%	2.10%
CAC/User (₹)	1,200	950
GMV Growth (YoY)	42%	38%

Analysis:

- Swiggy's higher CAC reflects aggressive Instamart marketing spend.
- Zomato's EBITDA positivity (2.1%) gives it a cost-of-capital edge.

4. Financial Model (FY25–FY27E)

Assumptions:

Metric (₹ crore)	FY25E	FY26E	FY27E
GMV	85,000	115,000	150,000
Revenue	14,000	19,600	26,500
EBITDA	-680	-120	1,590
EBITDA Margin	-4.80%	-0.60%	6.00%

- Revenue Growth: 35% CAGR (Instamart adoption, Swiggy Max).
- EBITDA Margin: Breakeven by Q4 FY26 (operating leverage).

5. Relative Valuation

Comparables: Zomato (India), DoorDash (US)

Benchmarking:

Company	EV/Revenue	EV/EBITDA (FY26E)	Share Price
Swiggy	5.2x	120x	Rs 440
Zomato	6.0x	90x	Rs 231
DoorDash	7.5x	45x	190 USD

- Swiggy trades at a **13% discount to Zomato** on EV/Revenue due to profitability lag.

- Upside Case:** If Swiggy matches Zomato's EV/Revenue (6.0x), shares could reach ₹510 (+16%).

6. DCF Valuation (WACC = 10%)

Year	FCF (₹ cr)	PV (@10%)
FY25	-800	-727
FY26	-300	-248
FY27	200	150
FY28	800	546
FY29	1,500	931
Terminal	40,000	24,860
NPV		₹25,512 cr

Assumptions:

FCF (FY25–FY30): -₹800cr, -₹300cr, ₹200cr, ₹800cr, ₹1,500cr.

- Terminal Growth:** 4% (aligned with India's GDP).

Sensitivities:

- WACC ±2%:** ₹22,000–₹29,000 crore.
- Terminal Growth ±1%:** ₹23,500–₹27,500 crore.

Analysis/Conclusion:

Swiggy's positioning as a dominant player in the duopoly of the Indian food delivery business and headways offered from its Instamart in the quick commerce segment make it a prime acquisition target, with an optimizations on the supply chain side and customer acquisition side allowing for a pathway to profitability. **Recommended Offer Price: ₹550–600/share** (25–36% premium to ₹440), valuing Swiggy at **₹1.56–1.70 lakh crore**.