India

Neutral *(Initiating coverage)*

Highlighted Companies

Zomato Ltd

ADD, TP Rs270, Rs215 close

Leadership in the food delivery business with better control over unit economics and potential EBITDA breakeven in Blinkit could help offset the rising competitive intensity and capture share of the incremental profit pool.

Swiggy Ltd

ADD, TP Rs540, Rs440 close

Early success of the Bolt platform, improvement in food delivery execution and doubling of the number of dark stores could help capture market share of the incremental growth in quick commerce.

E-Commerce

One plus one equals eleven!

- Imagining the blue-sky scenario suggests a long runway for MTU.
- Large opportunity & FD profitability to support expansion in quick commerce.
- Initiate Swiggy & Zomato with ADD rating, given favourable industry dynamics.

Imagining the blue-sky opportunity for MTU

A pertinent question for investors would be '**Where are we in the cycle**', given the demanding valuation and concerns relating to the market size of monthly transacting users (MTU). In this context, analyzing the demat accounts in India could be a good analogy to gauge the MTU target market. The number of demat accounts saw an inflexion point post 2018 and grew at ~33% CAGR over FY19-24 to 178m vs. a 9% CAGR over FY13-FY19. Interestingly, the absolute demat fee pool (market-linked revenue) earned by CDSL and NDSL grew at 14.7%/22.4% during FY13-19/FY19-24, respectively, despite a reduction in unit charges from Rs90 to Rs68. We believe that demat holders could be the potential MTU target market opportunity vs. ~31/9m currently in FD/QC, respectively. With that backdrop, we initiate coverage on the e-commerce food tech industry with a positive view and ADD ratings on Zomato (Zomato IN) and Swiggy (Swiggy IN). Impulsive corrections are likely, given steep valuations, but those could be opportunities to accumulate the weather beaters.

Scale and platform play with structural growth drivers in place

The US$8bn/US$2.8bn India food delivery and quick commerce (QC) industry, which has grown at 42%/148-169% CAGR, respectively, over the past five years, is expected to report 17-22%/60-80% CAGR over the next four years. The early-mover advantage, control over unit economics and adequate funding suggests both Zomato & Swiggy are better placed to capture a share of incremental growth in the food delivery business. As for (QC), the potential market opportunity is large enough to accommodate rising competitive intensity.

QC opportunity is large enough to accommodate several players

The Indian quick commerce (QC) market, which is expected to grow at a 60-80% CAGR over CY23-28F, could accommodate the rising competitive intensity as companies solving for convenience and experience, coupled with speed of delivery, creates hyperlocal and high-frequency demand. Notably, FMCG brands are increasing their supply chain spending targeted towards QC platforms to leverage this trend. This includes smaller packaging for quicker deliveries, partnering for targeted marketing and product assortment strategies. Platform plays capturing a growing share (~50-65%) of online sales for select FMCG brands is not just an early marker of success but represents a shift in consumer behaviour.

Cash cow food delivery could support QC business growth

Companies are enhancing QC capabilities/format by diversifying into high-margin non-grocery categories and employing a unified app approach to boost customer engagement and profitability in order to strategically capitalize on India's rapid urbanization and rising demand for convenience. Meanwhile, the food delivery business could be a cash cow given 1) rising consumer adoption of online ordering, and 2) control over unit economics.

Advertising revenue monetization could aid the take rate

Platform plays provide an attractive opportunity for advertisers given the growing MTU. Further, enhancement of advertising tools could help run unique & customized campaigns backed by data and analytics. This, coupled with an increasing number of advertisers on the platform, could lead to better ad monetization and, in turn, support the take rate. The ad revenue of Amazon/Google/Affle could be a good way to size the available opportunity.

Differentiating factors

Analyzing the current listed competitive landscape suggests Swiggy trails behind Zomato across several operating and financial metrics and hence warrants a discount on the valuation metric. We prefer Zomato as it has better control over unit economics which could be a winning formula to capture incremental market share amid favourable industry dynamics.

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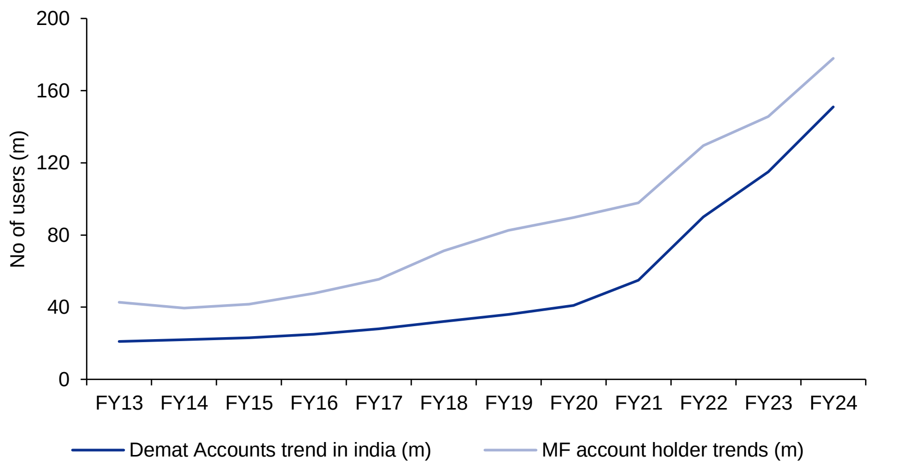
Investment Arguments

Food delivery MTU comprise ~23% of demat account holders

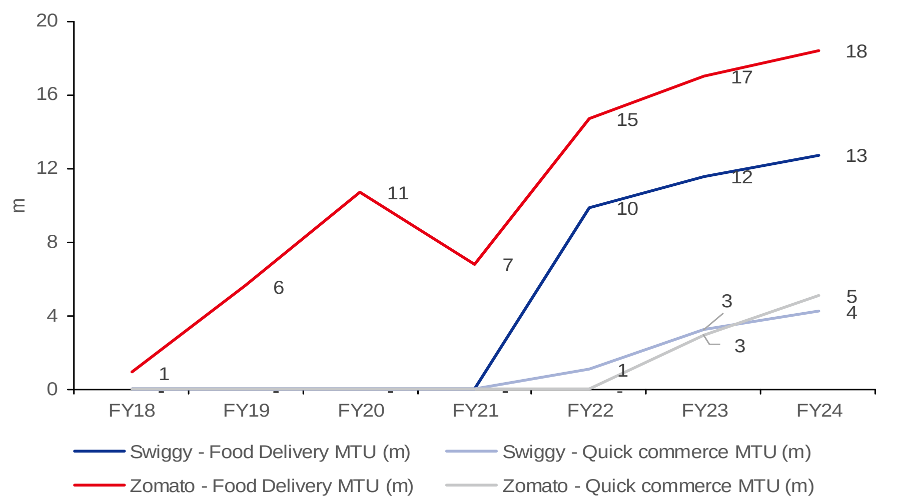
The demat accounts in India saw an inflexion point post 2018 and grew at ~33% CAGR over FY19-24 vs. a 9% CAGR over FY13-FY19. The substantial rise in the number accounts and the growth acceleration could be a good analogy to gauge the MTU target market. Drawing parallels, MTU could mirror exponential growth and suggests a long growth runway. Interestingly, the absolute demat fee pool (market-linked revenue) earned by Central Depository Services or CDSL and National Securities Depository or NDSL grew at 14.7%/22.4% during FY13-19/FY19-24, respectively, despite a reduction in unit charges from Rs90 to Rs68.

Figure 1: Demat holders could be potential MTU target opportunity



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 2: Average MTU trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Market evolution across key global markets suggests structural growth drivers are in place

Analyzing the evolution of the food delivery industry across key global markets suggests that Indian platform plays are early into the cycle with a long growth runway underscored by several structural trends including 1) the convenience of delivery, 2) smart phone and internet penetration (mobile applications have become the primary platform for food orders given their user-friendly interfaces and real-time tracking features), and 3) shift in consumer preferences towards contactless services. Finally, quick delivery (10 minutes)-related market opportunity is a unique proposition in India vs. global players.

The US food delivery market grew at ~24% CAGR over CY17-23

Although the CY23-29F CAGR could moderate to ~5%, the US online food delivery market at US$86.9bn could reach US$114.4bn by CY29F, an incremental ~US$27bn and 2x the current size of Indian market. The food delivery transactions (industry) grew at 85% between Jan 2018 to Feb 2020 while the Covid-19 pandemic served as a catalyst, leading to growth acceleration (96% during Feb to Dec 2020). DoorDash commands ~66% of the US market while Uber Eats accounts for 23%.

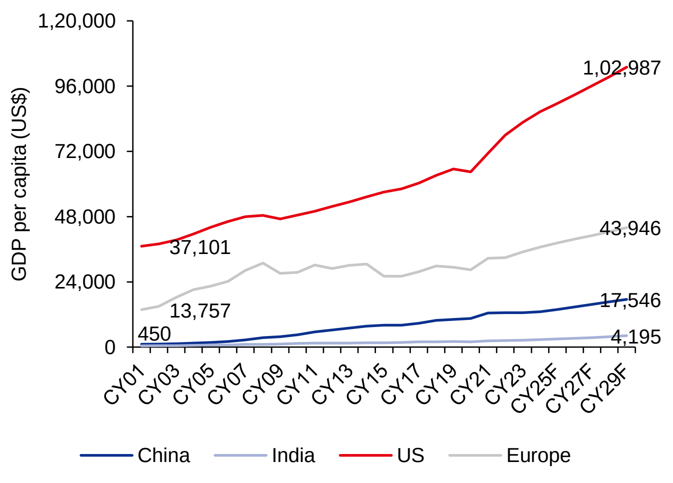
China's food delivery market has undergone remarkable transformation

Over the past decade, the Chinese food delivery market underwent a remarkable transformation, emerging as a global leader in this sector, driven by a variety of factors, including a rising urban population, increased smartphone penetration, and a cultural shift towards convenience, which was particularly noticeable post Covid-19 pandemic. The user base expanded from ~113.6m in CY15 to over 534m by mid-CY23, with typical consumer demographics skewed towards young professionals, as 85% of the users were between 18-40 years of age.

The market is primarily dominated by two players: Meituan and Ele.me. Launched in 2013, Meituan controls ~70% of the market and generates significant revenue from its food delivery operations. In contrast, Ele.me, owned by the Alibaba group, maintains a strong but smaller presence in the marketplace. The market size has increased from around US$3.31bn in CY11 to ~US$101bn in CY20, reflecting the changing consumer preferences supported by advancements in mobile technology and an expanding middle class. The platforms have not only concentrated on the core food delivery business but have also expanded their services to include on-demand grocery deliveries and restaurant partnerships, creating a robust ecosystem for users.

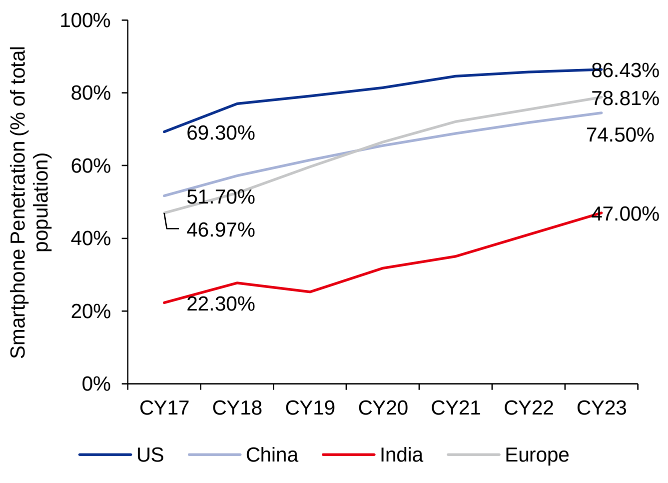
Story in charts – analysis of key metrics across markets

Figure 3: Per capita income…



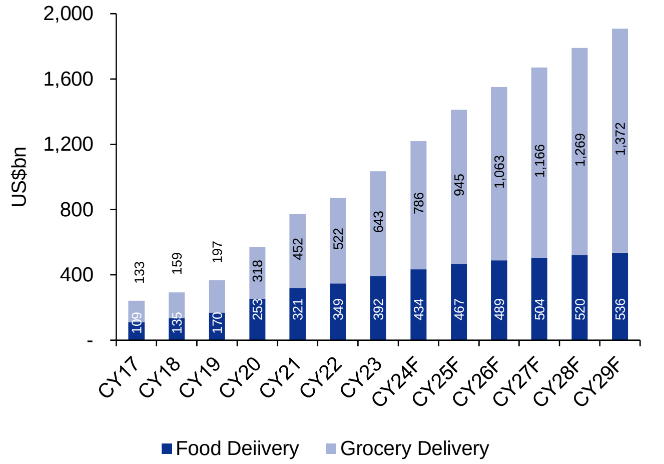
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 4: … and mobile phone penetration continue to be key drivers



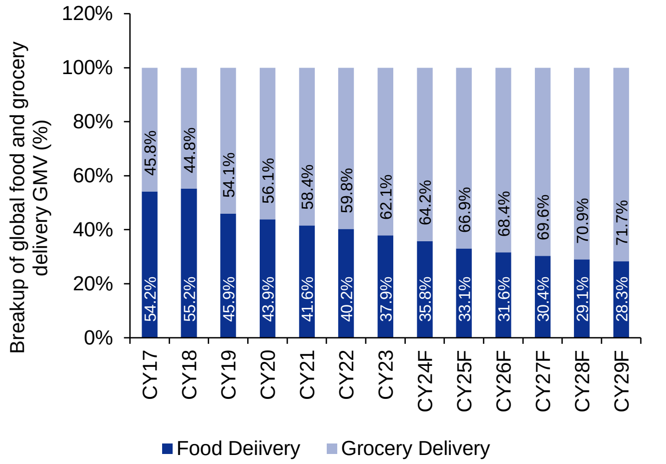
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 5: Global online food & grocery delivery market could grow at 5.4%/13.5% CAGR, respectively, over CY23/29F…



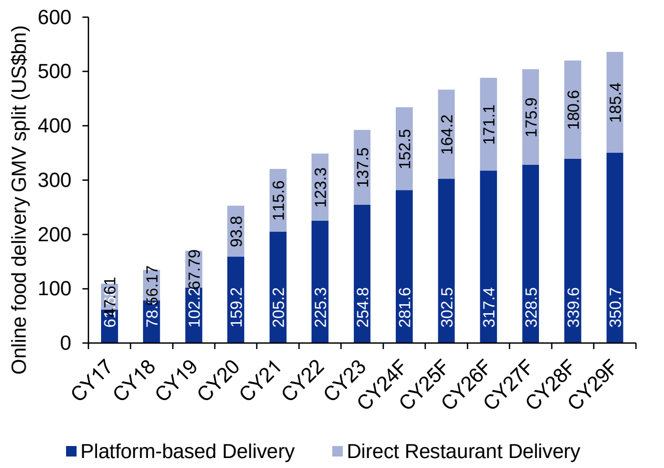
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 6: …with grocery delivery to witness an increase in market share during the same period



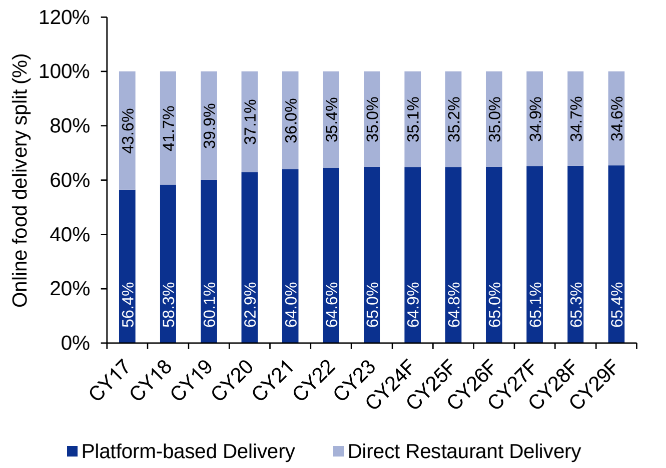
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 7: Platform-based delivery may dominate…



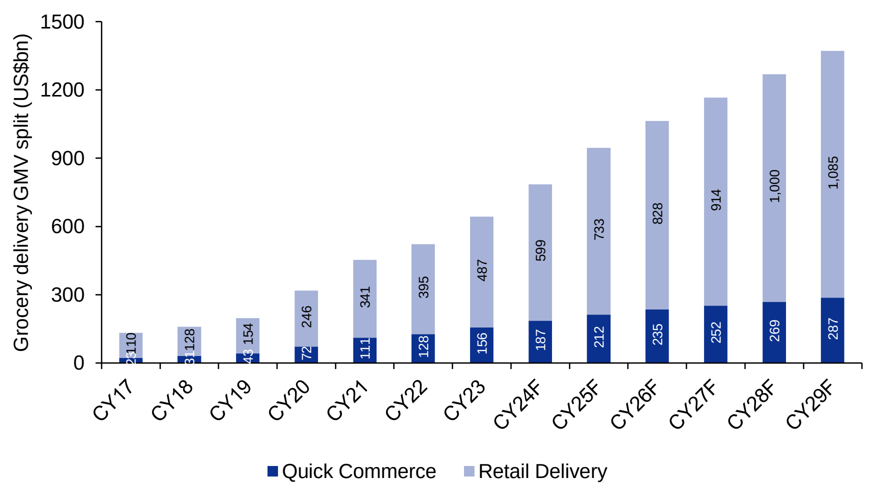
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 8: …in the food delivery market



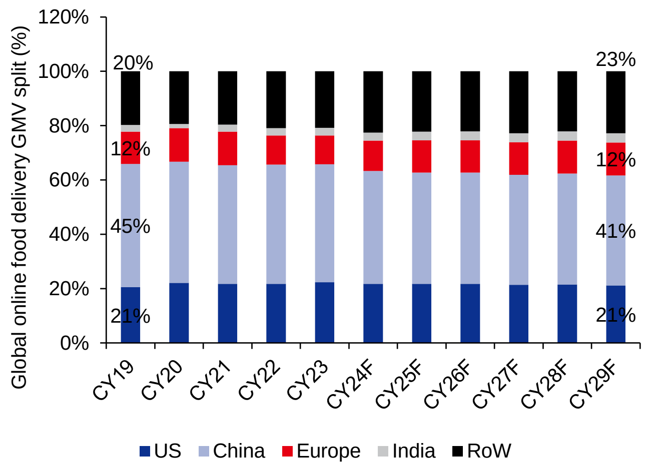
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 9: Grocery delivery market is likely to post a 13.5% CAGR over CY23-29F…



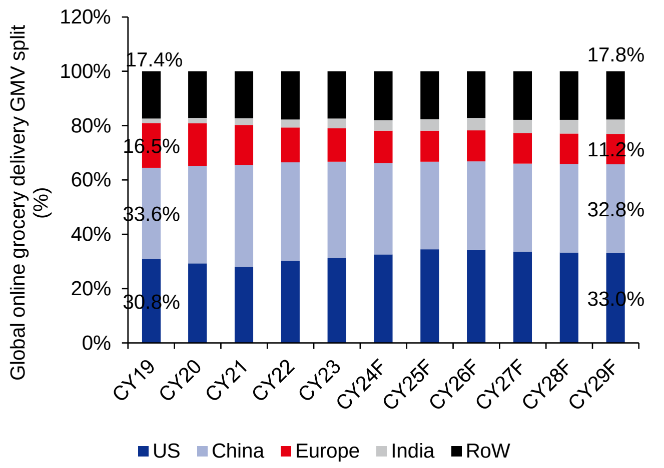
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Global online food delivery and…



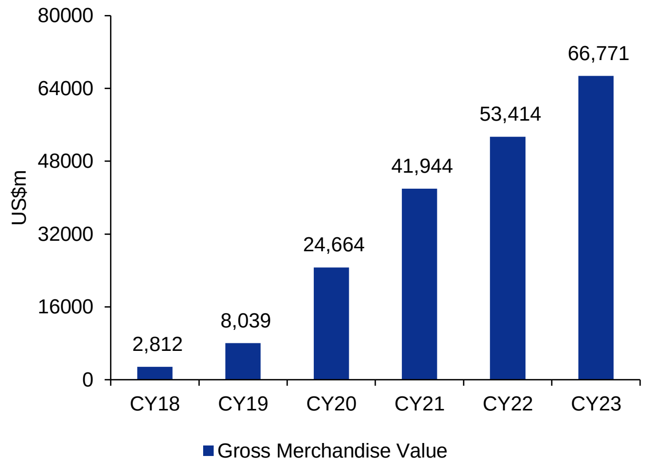
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 11: …grocery delivery GMV market share by geography



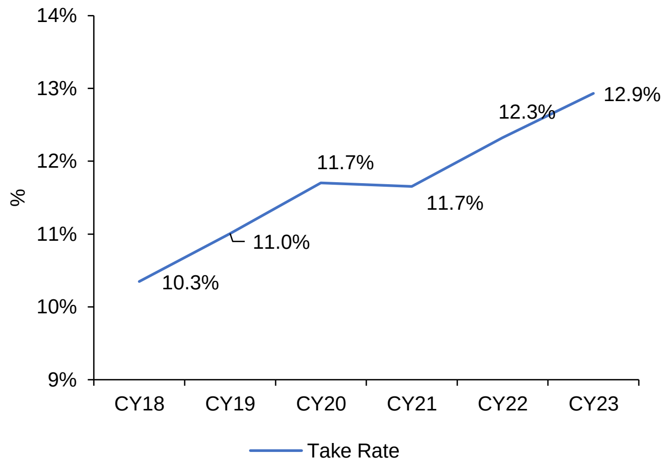
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 12: DoorDash's GMV movement…



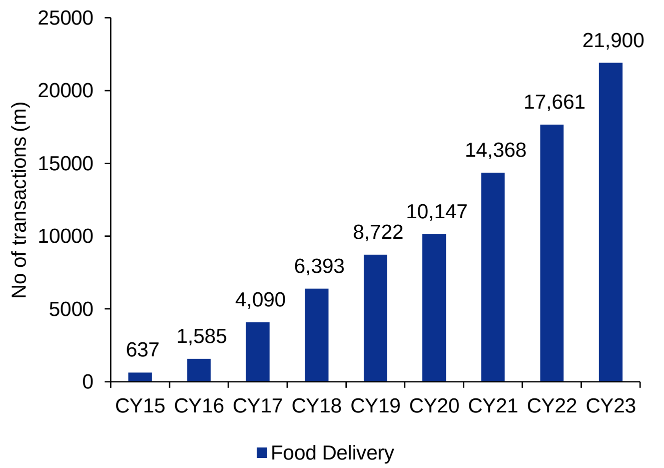
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 13: …and take rate trend



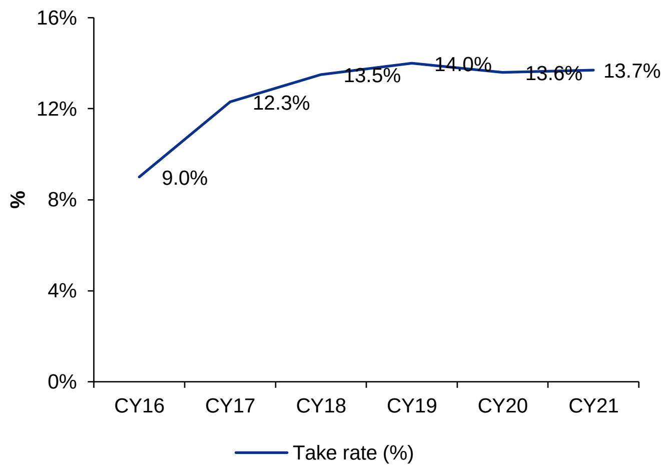
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 14: Meituan's food delivery transactions...



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 15: …and the take rate trend



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 16: Operating metric - comparison

DoorDash	CY18	CY19	CY20	CY21	CY22	CY23	CAGR
Gross Merchandise Value (US$m)	2,812	8,039	24,664	41,944	53,414	66,771	88%
Number of Orders (m)	83	263	816	1,390	1,736	2,161	92%
No of Active Users (m)	NA	NA	NA	25	32	37	NA
Justeat Takeaway.com	**CY18**	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**	**CAGR**
Gross Transaction Value (US$m)	7,559	16,021	24,488	33,354	29,724	28,602	30%
Number of Orders (m)	310	593	816	1,086	984	891	24%
Active Customers (m)	14	71	91	99	90	84	43%
Meituan (food delivery)	**CY18**	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**	**CAGR**
Gross Transaction Value (US$m)	42,785	56,859	70,923	108,856	NA	NA	NA
Number of Transactions (m)	6,393	8,722	10,147	14,368	NA	NA	NA
Annual Transacting Users (m)	400	451	511	691	678	NA	NA
Deliveroo	**CY18**	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**	**CAGR**
Gross Transaction Value (US$m)	2,096	3,192	5,108	8,674	8,467	8,785	33%
Number of Orders (m)	NA	119	174	284	299	290	NA
Monthly Active Users (m)	NA	NA	5	8	7	7	NA

SOURCE: COMPANY REPORTS, INCRED RESEARCH, BLOOMBERG

Figure 17: Key financials

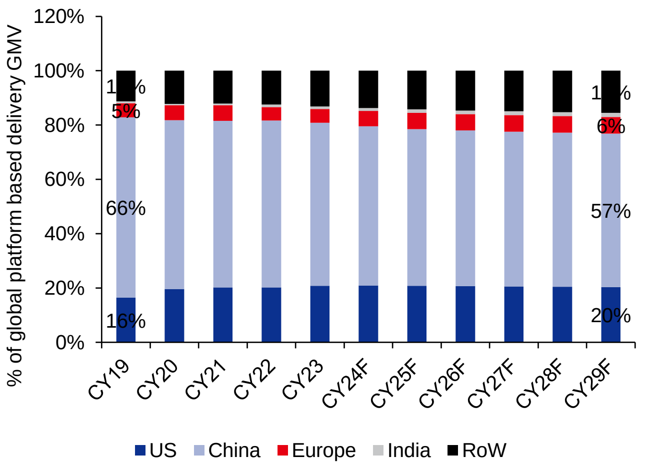
DoorDash (US$m)	CY18	CY19	CY20	CY21	CY22	CY23	CAGR
Revenue	291	885	2,886	4,888	6,583	8,635	97.0%
Gross Profit	63	362	1,518	2,550	2,995	4,046	129.9%
Selling & Marketing Expenses	129	581	905	1,552	1,565	1,736	68.2%
Capital Expenditure	16	92	159	237	346	324	82.5%
Adjusted EBITDA	-158	-475	189	289	361	1,190	NA
EBITDA	-201	-565	-281	-247	-678	35	NA
EBIT	-210	-616	-436	-452	-1,124	-579	NA
Net Income	-204	-667	-461	-468	-1,365	-558	NA
Justeat Takeaway.com (US$m)	**CY18**	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**	**CAGR**
Revenue	274	466	2,331	5,317	5,857	5,588	82.7%
Gross Profit	223	341	NA	NA	NA	NA	NA
Selling & Marketing Expenses	142	172	421	809	774	636	35.0%
Capital Expenditure	-4	-9	-31	-116	-114	-49	62.8%
Adjusted EBITDA	-13	14	292	-414	20	350	-292.3%
EBITDA	-31	-45	74	-651	-5,084	-1,544	119.0%
EBIT	-40	-87	-122	-1,111	-5,701	-2,198	122.8%
Net Income	-17	-129	-172	-1,219	-5,969	-1,997	160.8%
Meituan (US$m)	**CY18**	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**	**CAGR**
Revenue	9,868	14,121	16,654	27,774	32,709	39,081	31.7%
Gross Profit	2,285	4,680	4,940	6,586	9,183	13,725	43.1%
Selling & Marketing Expenses	2,401	2,725	3,030	6,308	5,910	8,278	28.1%
Capital Expenditure	-334	-432	-2,292	-1,397	-852	-972	23.8%
Adjusted EBITDA	-716	1,050	687	-1,503	1,446	3,372	-236.3%
EBITDA	-899	975	1,350	-2,217	529	3,013	-227.4%
EBIT	-11,310	1,885	4,114	-23,225	-6,175	13,340	-203.4%
Net Income	-17,471	324	683	-3,650	-994	1,957	-164.5%
Deliveroo (US$m)	**CY18**	**CY19**	**CY20**	**CY21**	**CY22**	**CY23**	**CAGR**
Revenue	636	985	1,493	2,387	2,441	2,525	31.8%
Gross Profit	122	241	446	681	795	904	49.3%
Selling & Marketing Expenses	118	205	173	387	279	231	14.4%
Capital Expenditure	-24	-6	-7	-29	-37	-9	-16.8%
Adjusted EBITDA	-323	-370	-218	-286	-138	25	-159.9%
EBITDA	-322	-371	-223	-340	-227	38	-165.1%
EBIT	-343	-408	-268	-399	-304	-54	-30.8%
Net Income	-310	-405	-291	-455	-364	-40	-33.7%
InstaCart (US$ m)	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**CAGR**
Revenue	NA	214	1,477	1,834	2,551	3,042	NA
Gross Profit	NA	-18	879	1,226	1,831	2,278	NA
Selling & Marketing Expenses	NA	89	157	392	655	953	NA
Capital Expenditure	NA	-	-7	-13	-24	-54	NA
Adjusted EBITDA	NA	-549	-64	-47	114	-2,080	NA
EBITDA	NA	-549	-65	-57	110	-2,083	NA
EBIT	NA	-556	-75	-86	62	-2,142	NA
Net Income	NA	-531	-70	-73	428	-1,622	NA

SOURCE: COMPANY REPORTS, INCRED RESEARCH, BLOOMBERG

Parallels for Indian food delivery players

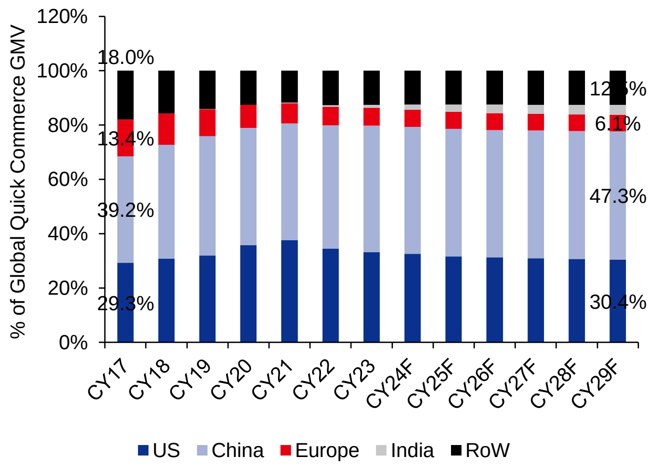
The online food delivery market in India presents a significant growth opportunity [expected to post 17-22% CAGR to reach Rs1.4-1.7tr (US$17-21bn) by CY28F from Rs640bn (US$8bn) in CY23] driven by an expanding urban population with demanding lifestyles and higher demand for convenience coupled with the rise of organized restaurants, particularly cloud kitchens (designed specifically for online delivery). Interestingly, user ordering frequency in India remains relatively low (at 3-5 orders per month in CY23), compared to more mature markets, and suggests a significant growth runway driven by consumer adoption and maturing organized restaurant sector. India's transition from traditional dining to app-based meal ordering is facilitated by a burgeoning smartphone user base and rising access to the internet. Moreover, as India gears towards a more integrated digital economy, the food delivery market is expected to evolve in tandem with consumer preferences, aligning closely with the patterns established in more mature markets like the US and China. The focus on nutritious and ready-to-eat options, as well as the potential for growth in independent and smaller cities, suggests that the Indian food delivery sector will not only expand but also diversify its offerings, thereby increasing the overall market potential. Put together, the Indian food delivery industry is primed for both growth and innovation in the coming years.

Figure 18: India remains highly underpenetrated and…



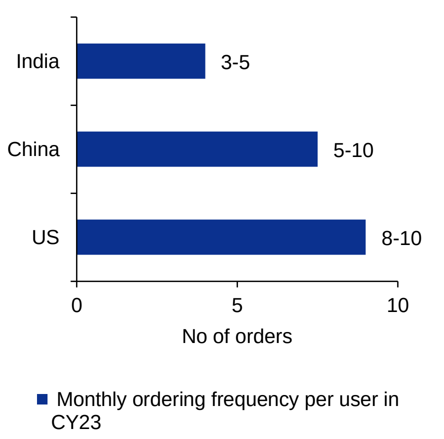
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 19: …accounts for just 1/10th of the Chinese market



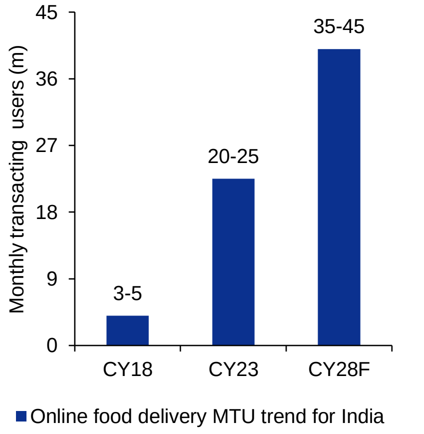
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 20: Ordering frequency has legs to grow



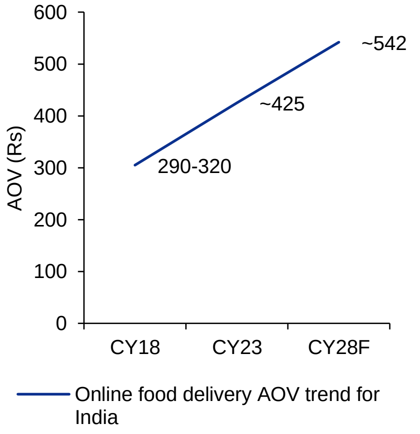
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 21: MTU in India could multiply over time…



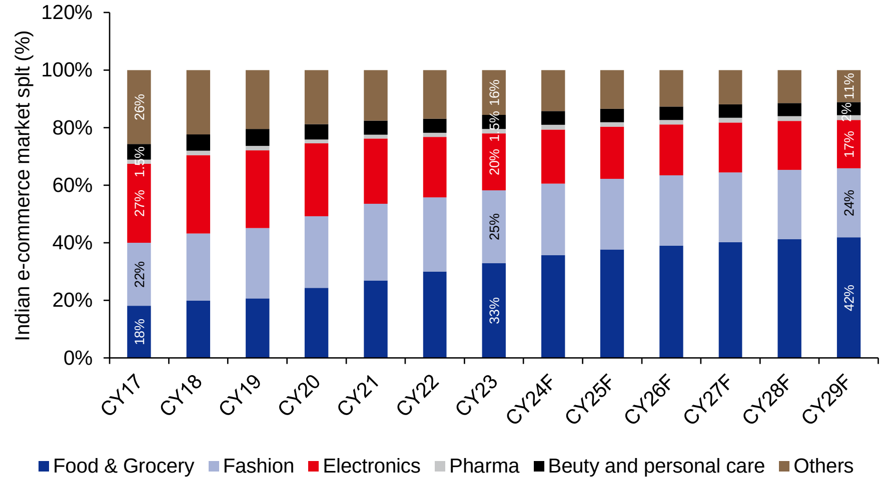
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 22: …while rising AOV could aid profitability



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 23: Food & grocery online delivery market share could double between CY17-29F



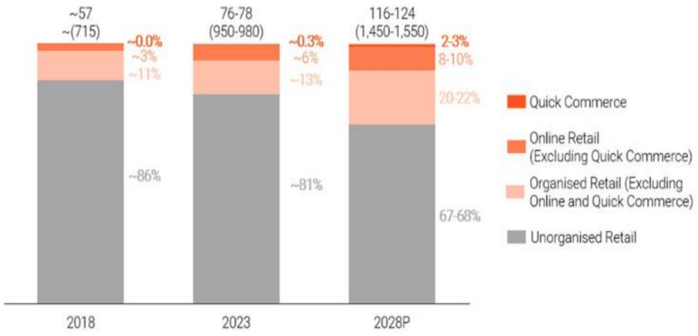
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Quick commerce remains a large market opportunity in India

Quick commerce (QC), with its emphasis on speed, convenience, and efficient and transparent supply chain, is emerging as a major disruptor and is expected to post a CAGR of 60-80% over CY23-CY28F to reach Rs2.3-4.2tr (US$29-53bn) by CY28F from Rs224bn (US$2.8bn) in CY23. The QC market growth is not just driven by evolving urban consumer behaviour, including paucity of time and convenience, but also by the rising penetration of smartphones and digital consumers, expansion of the gig economy, and the growth in digital payment infrastructure.

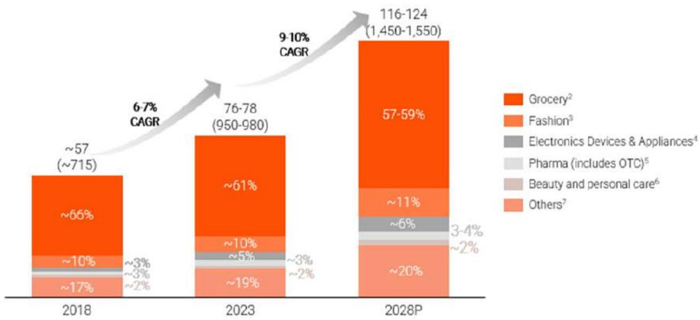
India's retail market is expected to grow to **Rs116-124tr (US$1,450-1,550bn) by CY28F, growing at a 9-10% CAGR**. Interestingly, **the market is dominated by the unorganized retail (general trade) segment with an 81% market share in CY23**. This unorganized sector suffers from a convoluted supply chain, leading to inefficiencies like higher costs, sluggish procurement, and lack of price transparency. **Grocery items, encompassing fresh foods, staples, and FMCG products, hold the largest share of this market, representing around 61% in CY23**. This presents a significant opportunity for organized retail models, particularly those leveraging technology, to streamline processes and capture a greater portion of this expanding market.

Figure 24: Indian retail market split across categories…



SOURCE: COMPANY REPORTS, INCRED RESEARCH

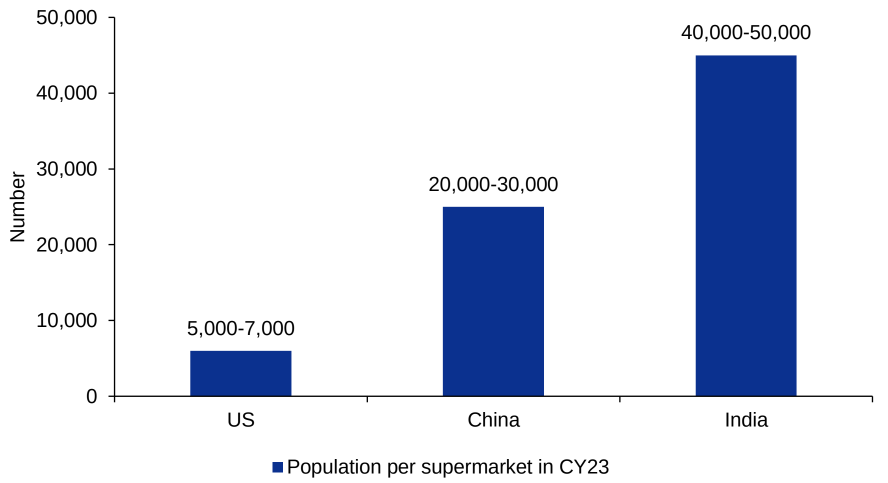
Figure 25: …and channels



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Conversely, organized retail market share is expected to significantly increase over the next few years, reaching 32-35% by CY28F, compared to 18-20% in CY23, driven by superior shopping experience. Within organized retail, online retail and quick commerce combined market share could expand from 6% in CY23 to 11-13% in CY28F (8-10% for online retail and 3% for quick commerce) driven by consumer demand for convenience, better product assortment and accessibility.

Figure 26: Population per supermarket trend



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 27: Online retail penetration

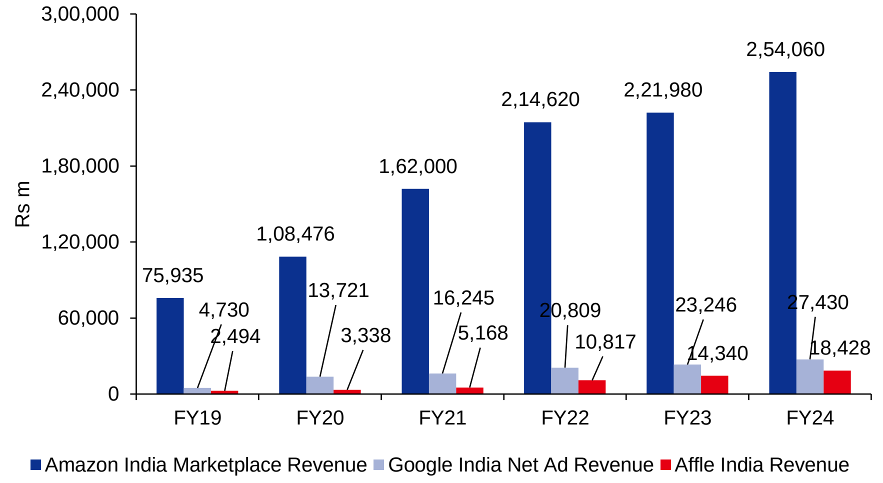
Categories	2023			2028P	
	Retail Market ₹ trillion (US$ billion)	Organized Share (% of Retail)	Online Penetration (% of Retail)	Retail Market ₹ trillion (US$ billion)	Online Penetration (% of Retail)
Grocery	46-48 (580-600)	6-16%	1-2%	68-70 (850-880)	4-5%
Fashion	7-8 (95-100)	50-60%	17-19%	12-14 (160-170)	23-28%
Electronics Devices & Appliances	3-4 (43-47)	60-70%	22-24%	6-7 (80-90)	30-35%
Pharma (includes OTC)	2-3 (25-40)	10-20%	2-4%	3-5 (40-60)	5-10%
Beauty and Personal care	1-2 (19-22)	45-55%	18-20%	2-3 (30-35)	35-40%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Advertising revenue monetization across platforms could support the take rate

Rising MTU and the ability to run customized advertising campaigns generating better value per advertising dollar spent may lead to higher allocation of budgets by restaurants towards food delivery platforms. As competition grows restaurants could improve their visibility across targeted audience and reach a broader customer base. Further, the platforms plan to enhance advertising tools to allow restaurant partners run unique and customized advertising campaigns backed by data and analytics. This, combined with an increasing number of restaurants participating on the platform, could drive advertising monetization higher and consequently, allow the platform to increase its take rate without relying solely on commission fees.

Figure 28: Ad revenue trend for Google, Amazon and Affle is a good analogy to gauge the available opportunity

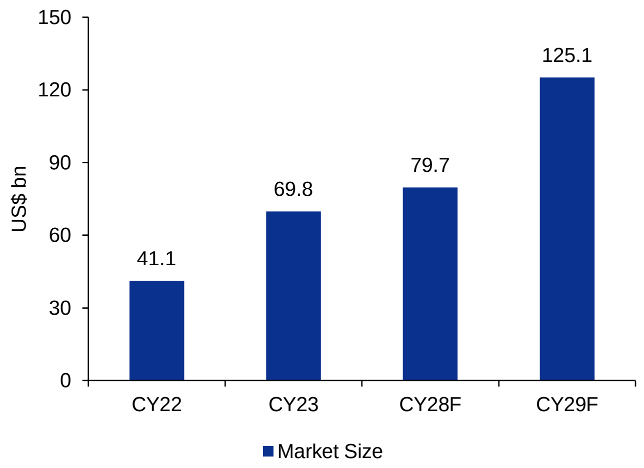


SOURCE: COMPANY REPORTS, INCRED RESEARCH

B2B supplies to support captive demand in food delivery and quick commerce

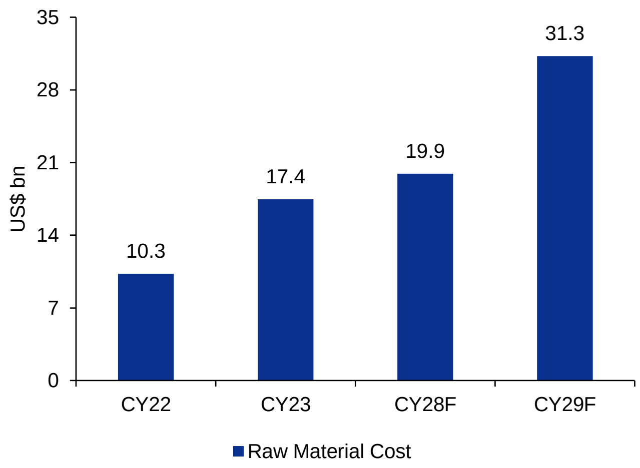
The B2B food supply market is vast, with significant potential for growth as more restaurants seek reliable supply chain solutions. The Indian food service market is expanding rapidly, with projections indicating a reach of US$125bn by CY29F from US$69.8bn in CY23. This growth is driven by rising urbanization, rising disposable incomes, and a burgeoning middle class with evolving dining preferences. Raw material costs, which usually account for ~20-30% of a restaurant's revenue, are estimated to grow to US$31.2bn by CY29F from US$17.45bn in CY23, providing a substantial market opportunity for Hyperpure.

Figure 29: Global food service market is expected to post a CAGR of 10.2% over CY23-CY29F…



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 30: …with raw material costs accounting for roughly ~25% of the market size



SOURCE: COMPANY REPORTS, INCRED RESEARCH

The food tech landscape presents a significant growth opportunity for the B2B supply arms of Swiggy (supply chain and distribution) and Zomato (Hyperpure). **As the number of dark stores of quick commerce and restaurant partners in food delivery continues to rise, the demand for a consistent and reliable supply of ingredients and products will intensify**. Swiggy's supply chain and the distribution segment, and Zomato's Hyperpure are uniquely positioned to capitalize on this trend, given its existing infrastructure and expertise in warehouse management, logistics, and distribution. The company's focus on expanding its dark store network and introducing new product categories, as highlighted in its plan to double the dark store count and increase the assortment of non-grocery and high-margin items, will further boost demand for its B2B services. Similarly, Zomato's commitment to rapid delivery and a diverse restaurant selection presents an opportunity for Hyperpure to solidify its position as a key supplier to its network of restaurant partners. Zomato gave guidance of ~2,000 dark stores by the end of CY26F, which is likely to propel growth in its Hyperpure segment. **Overall, the expansion of quick commerce and food delivery businesses creates a captive market for B2B supply arms, enabling them to leverage existing platforms, logistics networks, and technology for efficient distribution while benefiting from economies of scale as their parent companies scale operations.**

Figure 31: Hyperpure's global peers operate at a steady-state EBITDA margin of 4-10%, in line with Zomato management's long-term guidance

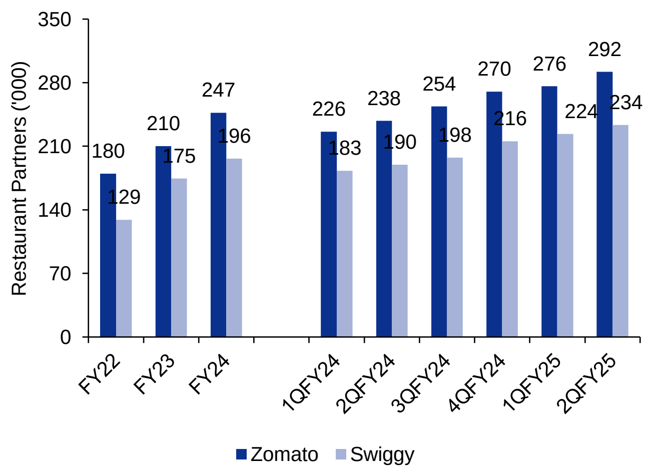
Sysco (US$m)	FY18	FY19	FY20	FY21	FY22	FY23	CAGR
Revenue	58,727	60,114	52,893	51,298	68,636	76,325	5.4%
Gross Profit	11,085	11,409	9,902	9,357	12,321	13,955	4.7%
Gross Margin	18.9%	19.0%	18.7%	18.2%	18.0%	18.3%	-59 bps
EBITDA	3,079.60	3,094.10	1,678.50	2,306.70	3,246.10	3,953.60	5.1%
EBITDA Margin	5.2%	5.1%	3.2%	4.5%	4.7%	5.2%	-6 bps
EBIT	2,314.10	2,330.20	749.50	1,437.20	2,346.50	3,038.50	5.6%
EBIT Margin	3.9%	3.9%	1.4%	2.8%	3.4%	4.0%	4 bps
Cash From Operations	2,155	2,411	1,619	1,904	1,791	2,868	5.9%

US Foods (US$m)	CY18	CY19	CY20	CY21	CY22	CY23	CAGR
Revenue	24,175	25,939	22,885	29,487	34,057	35,597	8.0%
Gross Profit	4,306	4,587	3,719	4,655	5,492	6,148	7.4%
Gross Margin	17.8%	17.7%	16.3%	15.8%	16.1%	17.3%	-54 bps
EBITDA	998	1,090	397	860	1,035	1,471	8.1%
EBITDA Margin	4.1%	4.2%	1.7%	2.9%	3.0%	4.1%	0 bps
EBIT	658	699	-77	424	594	1,017	9.1%
EBIT Margin	2.7%	2.7%	-0.3%	1.4%	1.7%	2.9%	14 bps
Cash From Operations	609	760	413	419	765	1,140	13.4%

Bunzl PLC (GBPm)	CY18	CY19	CY20	CY21	CY22	CY23	CAGR
Revenue	9,079	9,327	10,111	10,285	12,040	11,797	5.4%
Gross Profit	2,228	2,294	2,585	2,523	3,025	3,188	7.4%
Gross Margin	24.5%	24.6%	25.6%	24.5%	25.1%	27.0%	249 bps
EBITDA	610	668	756	766	868	1132	13.2%
EBITDA Margin	6.7%	7.2%	7.5%	7.4%	7.2%	9.6%	288 bps
EBIT	466	528	619	623	702	789	11.1%
EBIT Margin	5.1%	5.7%	6.1%	6.1%	5.8%	6.7%	155 bps
Cash From Operations	431	595	726	678	884	822	13.8%

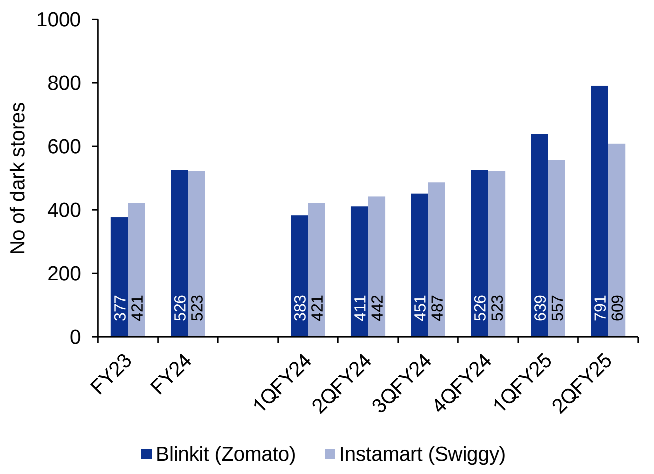
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 32: Zomato/Swiggy restaurant partner…



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 33: …and dark store trend

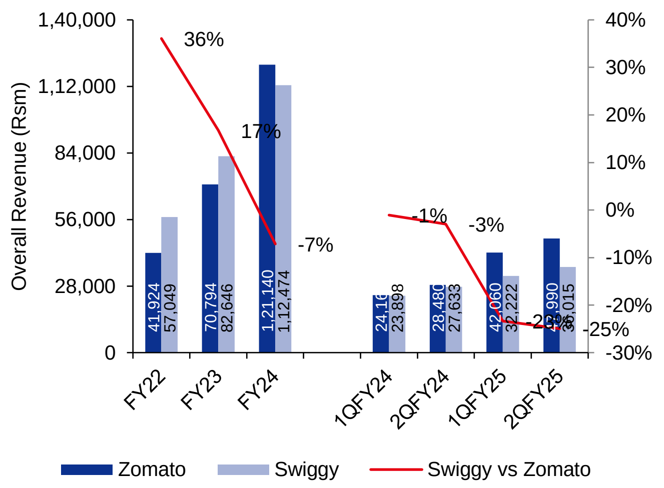


SOURCE: COMPANY REPORTS, INCRED RESEARCH

Differentiating factors – comparing and constrasting key operating metrics – story in charts

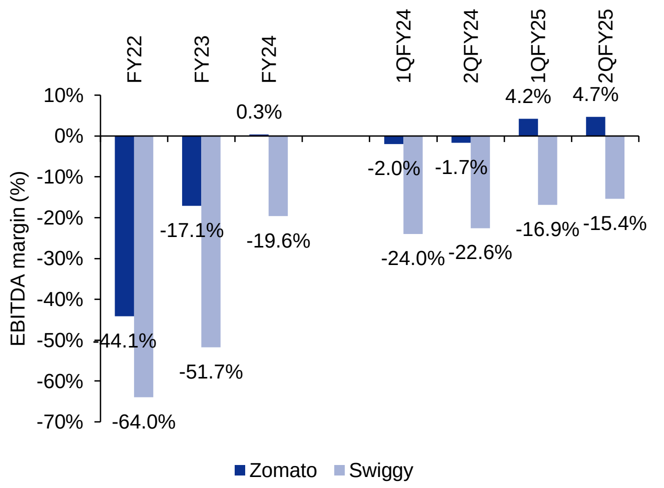
In the competitive landscape of food delivery and quick commerce, Swiggy trails behind Zomato across several key business metrics and operational parameters. Analyzing the financial data, Zomato demonstrates superior revenue growth and profitability across its business segments. In the food delivery sector, Zomato's revenue and EBITDA have shown a marked improvement, transitioning from losses to profitability in FY24, whereas Swiggy reported negative EBITDA, albeit with some improvement in contribution margin. Zomato's food delivery take rates have consistently been competitive, and its contribution margin steadily increased, reaching 34.7% by 2QFY25-end, compared to Swiggy's 28.8%. Operationally, Zomato outpaces Swiggy in terms of MTU and the number of orders. By 2QFY25-end, Zomato's MTU in the food delivery business reached 20.7m, surpassing Swiggy's 14m, indicating a larger and more engaged customer base. In the quick commerce segment, Zomato (Blinkit) recorded 78.8m orders by 2QFY25-end, significantly higher than that of Swiggy (Instamart), which had 56m orders. This higher transaction volume for Zomato suggests stronger customer retention and order frequency. In the quick commerce business, Zomato's Blinkit has shown a remarkable turnaround, achieving profitability in contribution in 2QFY25. Zomato's strategic expansion in delivery and restaurant partnerships further solidifies its market position, with higher numbers compared to Swiggy. Even in the supply chain distribution segment, Zomato's Hyperpure is narrowing its losses more effectively than Swiggy, with a better-adjusted EBITDA margin. Overall, Zomato's operational efficiency, broader user engagement, and strategic growth initiatives position it ahead of Swiggy across business segments.

Figure 34: Swiggy's revenue gap with Zomato has widened from a premium to a discount



NOTE: QUICK COMMERCE REVENUE INCLUDED FROM FY22/FY23 FOR SWIGGY/ZOMATO
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 35: Zomato's operations are efficient



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 36: Operating metric - comparison

Swiggy (food delivery)	CY18	CY19	CY20	CY21	CY22	CY23	CAGR
Gross Transaction Value (US$m)	NA	NA	NA	2,476	2,673	2,984	NA
Number of Orders (m)	NA	NA	NA	454	517	578	NA
Monthly Active Users (m)	NA	NA	NA	10	12	13	NA
Zomato (food delivery)	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**CAGR**
Gross Merchandise Value (US$m)	191	759	1,510	1,270	2,646	3,176	76%
Number of Orders (m)	31	191	403	239	535	647	753
Average Monthly Transacting Users (m)	NA	NA	NA	NA	3	3	NA

SOURCE: COMPANY REPORTS, INCRED RESEARCH, BLOOMBERG

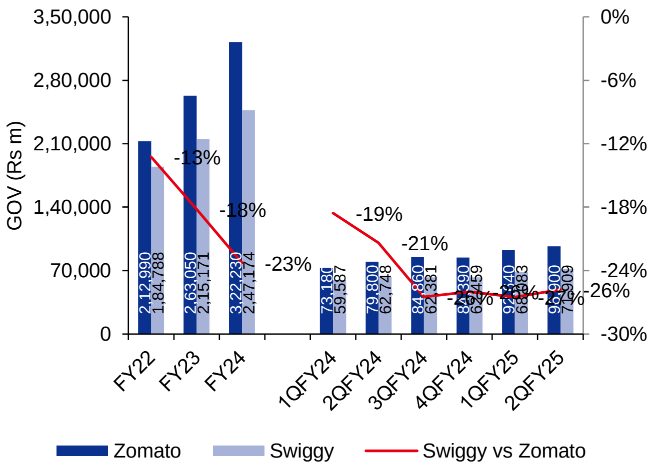
Figure 37: Key financials

Swiggy (US$m)	FY19	FY20	FY21	FY22	FY23	FY24	CAGR
Revenue	NA	NA	NA	764	1,027	1,358	NA
Gross Profit	NA	NA	NA	232	342	559	NA
Selling & Marketing Expenses	NA	NA	NA	269	311	223	NA
Capital Expenditure	NA	NA	NA	39	21	42	NA
Adjusted EBITDA	NA	NA	NA	-433	-486	-222	NA
EBITDA	NA	NA	NA	-489	-531	-267	NA
EBIT	NA	NA	NA	-512	-567	-317	NA
Net Income	NA	NA	NA	-486	-519	-284	NA
Zomato (US$m)	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**CAGR**
Revenue	187	367	268	562	879	1,462	50.8%
Gross Profit	99	239	143	273	524	914	55.9%
Selling & Marketing Expenses	177	174	166	166	154	149	-3.3%
Capital Expenditure	6	3	1	8	13	26	32.1%
Adjusted EBITDA	-306	-311	-43	-130	-97	45	-168.1%
EBITDA	-320	-325	-63	-248	-150	5	-143.6%
EBIT	-327	-336	-81	-268	-205	-58	-29.1%
Net Income	-15	-142	-321	-109	-152	-117	50.3%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

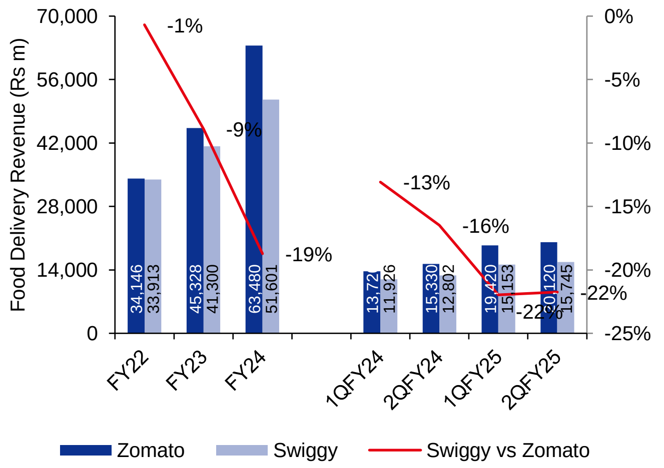
Food delivery business

Figure 38: Swiggy's food delivery GOV and…



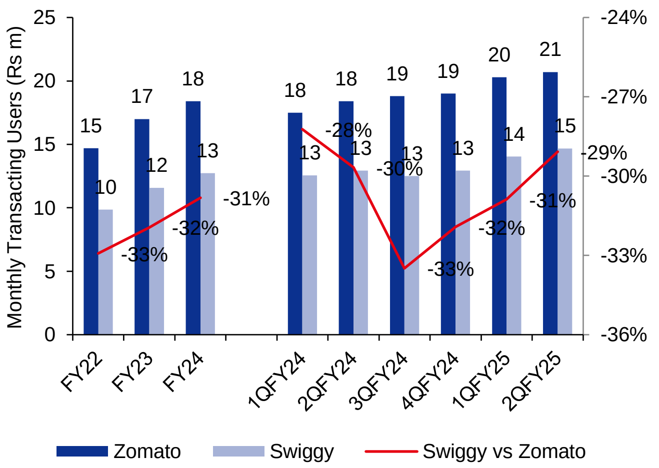
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 39: …its reported revenue discount to Zomato doubled during FY22-2QFY25



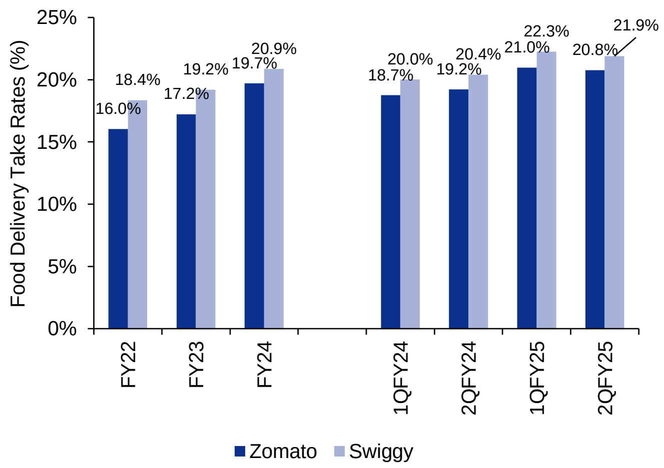
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 40: Zomato's monthly transacting users (MTU) are an average 30%+ higher…



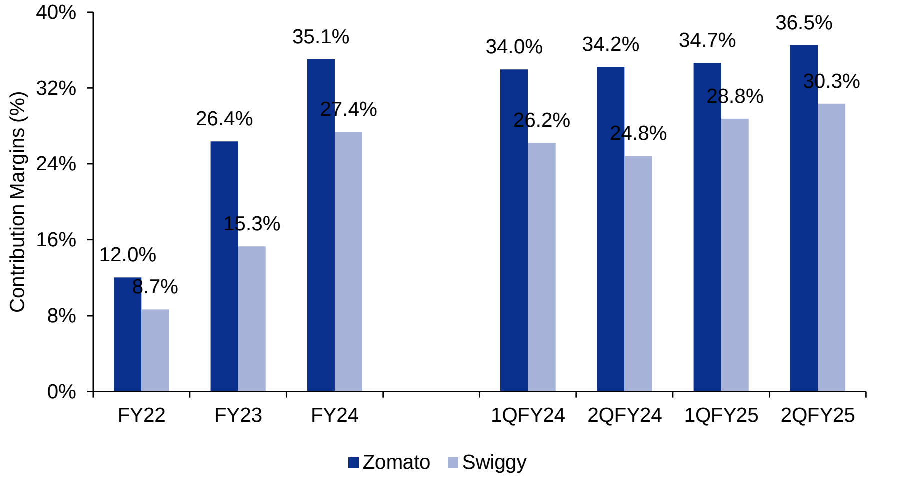
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 41: …while the take rate discount narrowed by 140bp between FY22-2QFY25



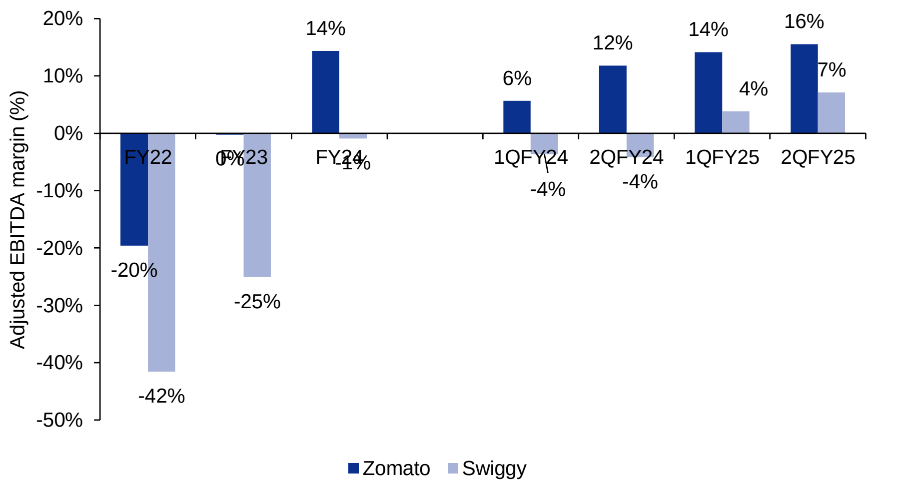
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 42: Swiggy's contribution margin gap to Zomato narrowed in 2QFY25 vs. FY24



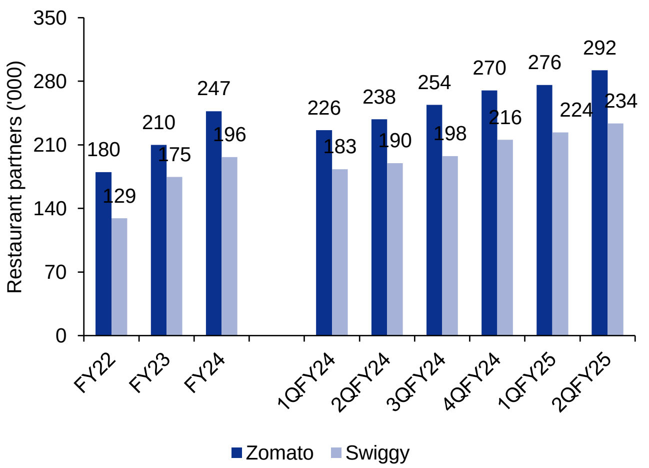
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 43: This, in turn, may narrow the adjusted EBITDA margin gap



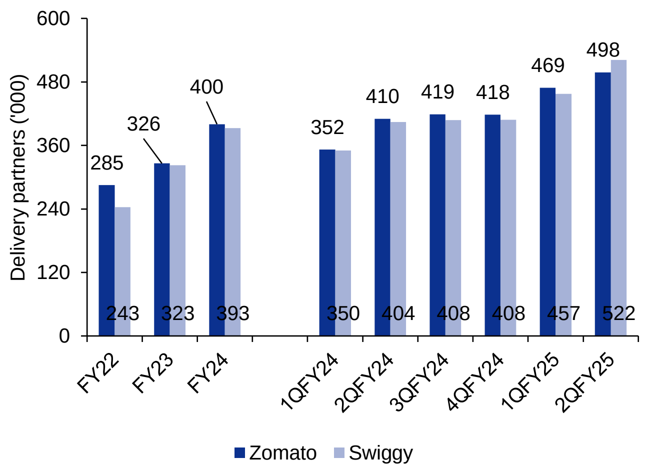
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 44: Catching up on partner ecosystem; restaurant partners increased 1.7x during FY22-2QFY25 for Swiggy vs. 1.5x for Zomato…



SOURCE: COMPANY REPORTS, INCRED RESEARCH

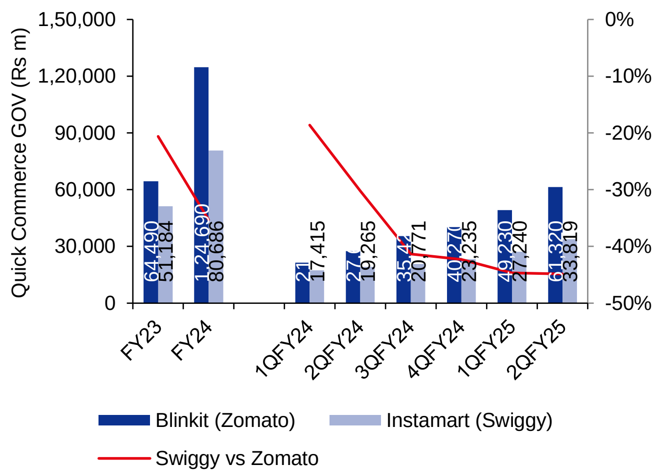
Figure 45: …while delivery partners grew 1.9x vs. 1.6x for Zomato



SOURCE: COMPANY REPORTS, INCRED RESEARCH

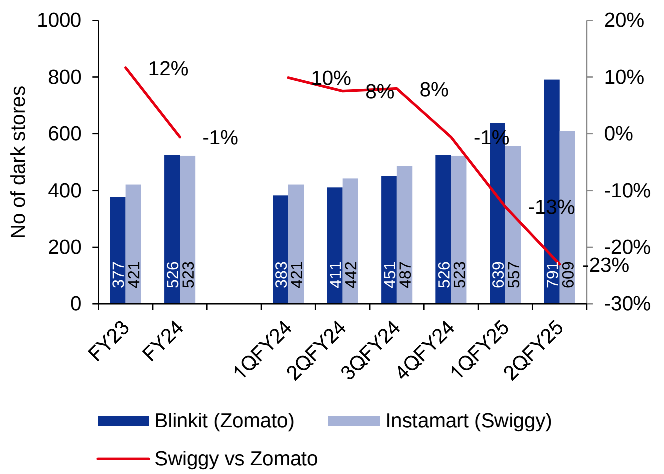
Quick commerce business

Figure 46: Swiggy lost its early-mover advantage; GOV gap to Zomato widened during FY23-2QFY25



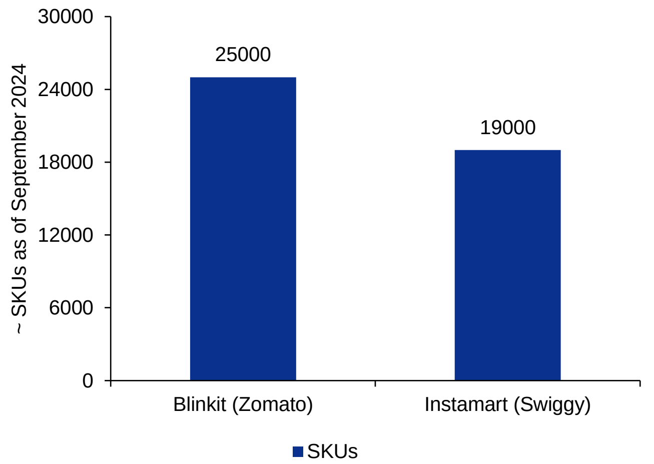
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 47: Opening of dark stores accelerated for Zomato…



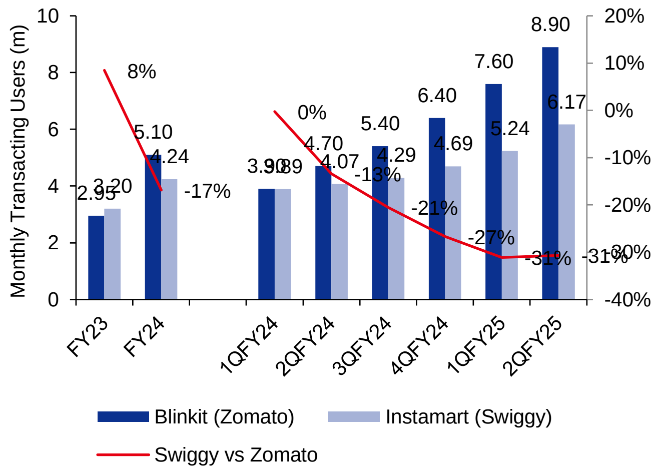
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 48: …which coupled with better assortment…



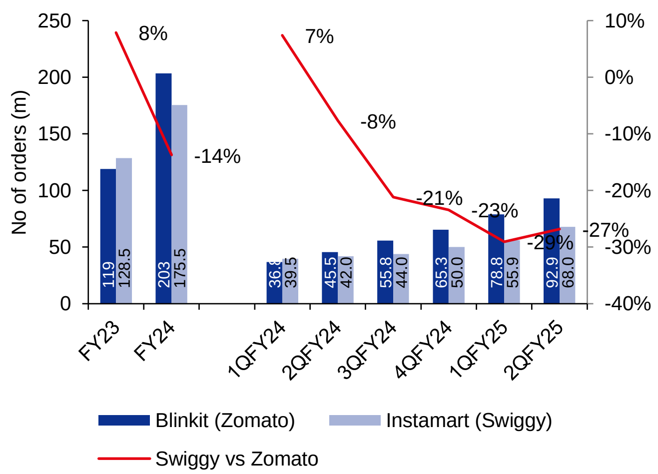
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 49: …led to exponential growth in Zomato's MTU in the past 12 months…



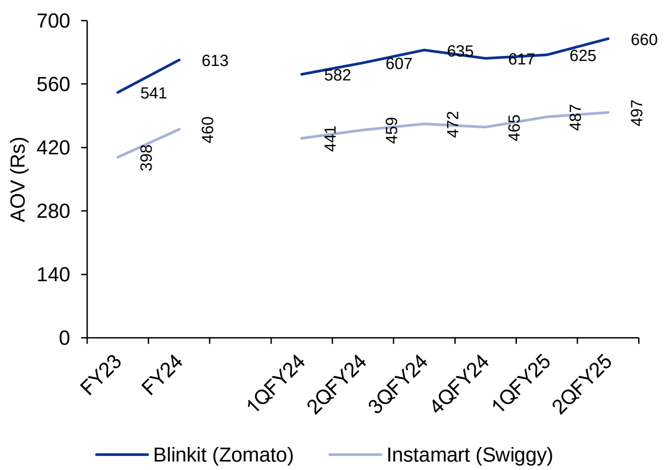
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 50: …and, in turn, led to higher footfalls…



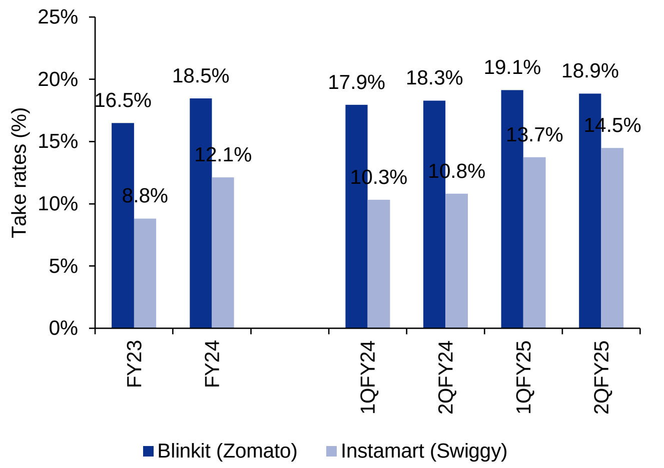
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 51: …with better average amount spent per order…



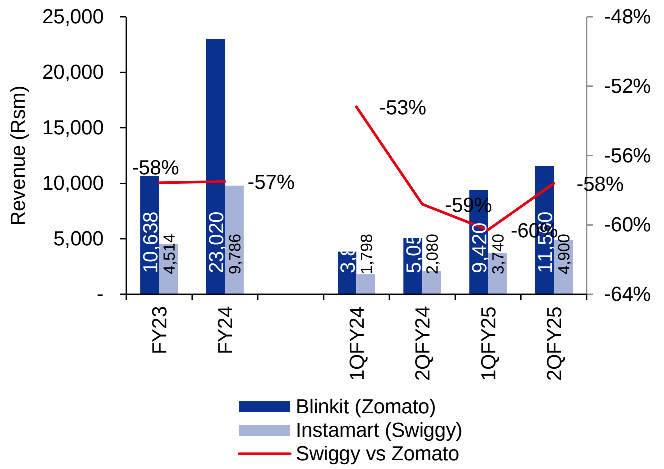
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 52: …despite higher monetization (take rate differential)



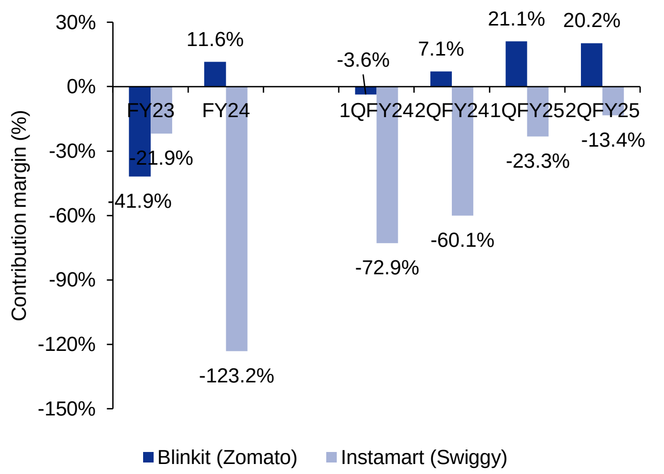
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 53: Put together, it resulted in a revenue gap of ~58%



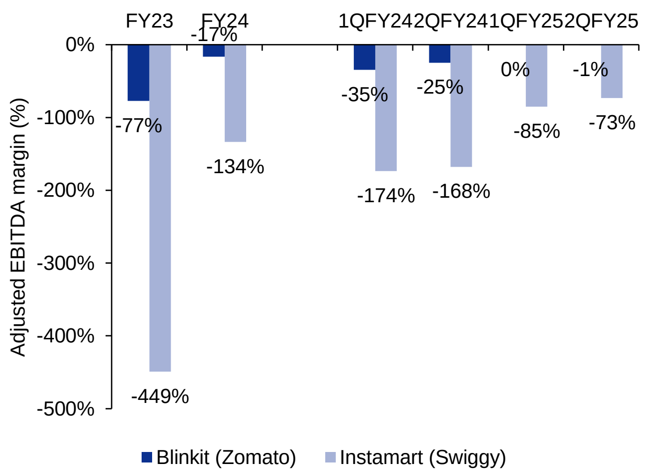
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 54: Quick commerce's contribution margin reflects Blinkit's…



SOURCE: COMPANY REPORTS, INCRED RESEARCH

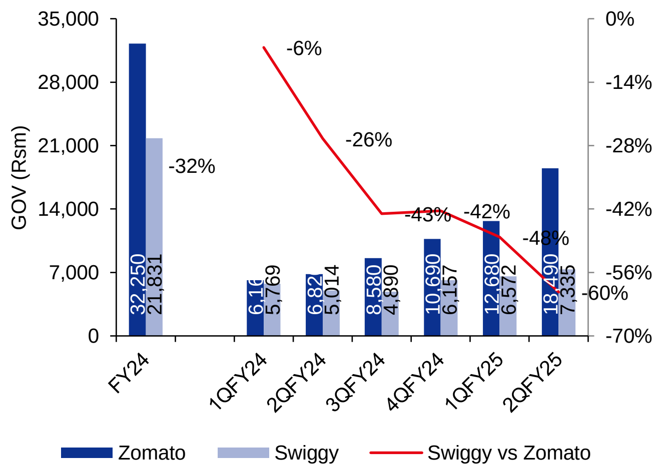
Figure 55: …operating efficiency; adjusted EBITDA margin is better too



SOURCE: COMPANY REPORTS, INCRED RESEARCH

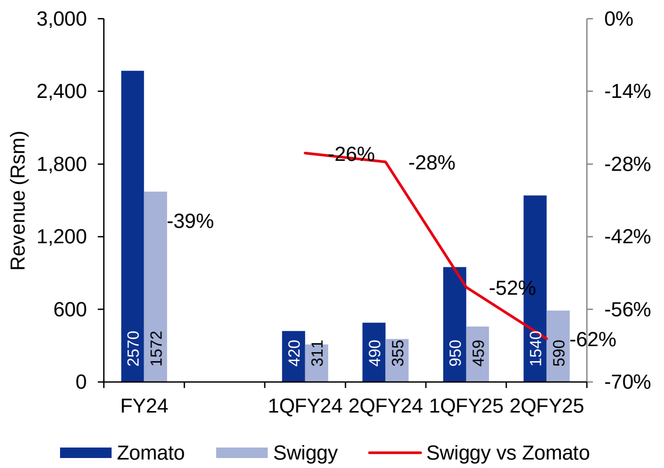
Dining-out business

Figure 56: GOV and revenue gap has widened…



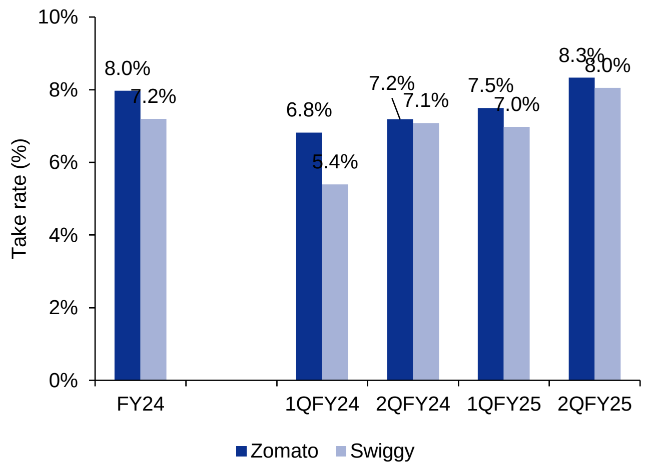
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 57: …in the case of Zomato and Swiggy



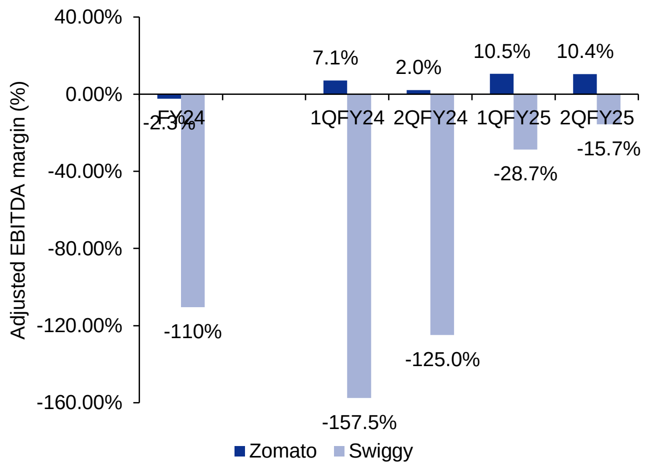
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 58: Swiggy has improved monetization…



SOURCE: COMPANY REPORTS, INCRED RESEARCH

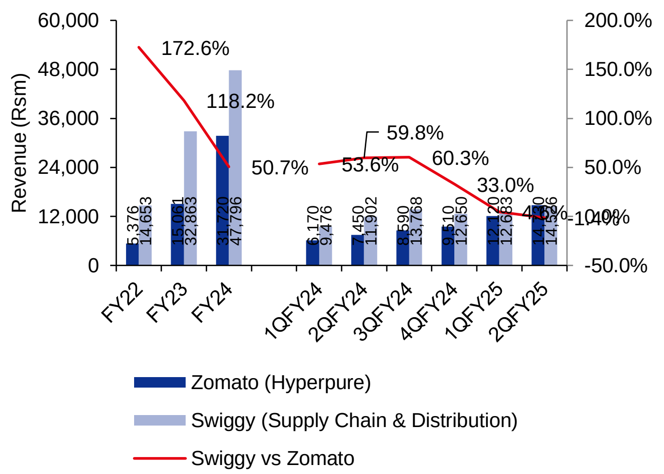
Figure 59: …but has room to improve margin



SOURCE: COMPANY REPORTS, INCRED RESEARCH

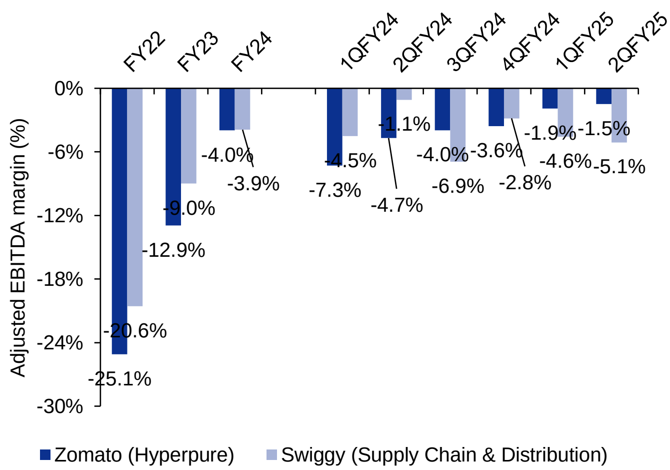
Supply chain distribution business

Figure 60: Hyperpure gaining market share



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 61: …while adjusted EBITDA margin improved multifold for Zomato between FY22-2QFY25



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Appendix – Traffic, ranking and category ranking comparision

Figure 62: Website traffic

Metric - Worldwide – Oct 2024 to Dec 2024	Amazon	Flipkart	Zomato	Swiggy	Zeptonow
Monthly Visits (m)	2,876	206.5	20.90	20.42	5.730
Monthly unique customers (m)	538.8	76.53	9.932	7.388	3.277
Visit/Unique customers (m)	5.34	2.70	2.11	2.76	1.75
Visit duration (minutes)	00:06:20	00:05:10	00:05:57	00:11:08	00:02:44
Pages per visit	9.21	5.92	3.74	6.06	2.88
Bounce rate	34%	50%	39%	35%	57%
Page views (m)	26,480	1,222	78.20	123.7	16.51

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 63: Overall rankings

Apps	Rank
Swiggy: Food Instamart Dineout	58
Zomato: Food Delivery & Dining	59
Flipkart Online Shopping App	7
Zepto: 10 Mins Grocery Delivery	2
Amazon India Shop, Pay, miniTV	41

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 64: Category rankings

Apps	Category	Rank
Swiggy: Food Instamart Dineout	Food & Drink	3
Zomato: Food Delivery & Dining	Food & Drink	4
Flipkart Online Shopping App	Shopping	2
Zepto: 10 Mins Grocery Delivery	Food & Drink	1
Amazon India Shop, Pay, miniTV	Shopping	4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

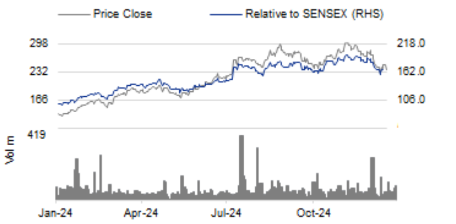
India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 24	Hold 1	Sell 3

Current price:	Rs215
Target price:	Rs270
Previous target:	NA
Up/downside:	25.6%
InCred Research / Consensus:	25.8%
Reuters:	
Bloomberg:	ZOMATO IN
Market cap:	US$23,912m
	Rs2,070,483m
Average daily turnover:	US$192.7m
	Rs16688.6m
Current shares o/s:	9,650.4m
Free float:	73.21%

Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(23.9)	(19.3)	61.2
Relative (%)	(21.8)	(13.7)	51.7

Major shareholders	% held
Info Edge (India) Limited	12.4
Antfin Singapore Holding Pte. Ltd	2.0
Icici Prudential Balanced Advantage	1.8

Zomato Ltd

Leader with control over unit economics

- Leader with control over unit economics could be a winning formula.
- The Blinkit platform's EBITDA breakeven could be a pivotal milestone.
- Initiate coverage with an ADD rating and a SOTP-based target price of Rs270.

A leader with better control over unit economics

Zomato's food delivery business leadership is strengthened by its unique combination of a dedicated delivery partner network and an unparalleled restaurant network. Unlike competition, which uses a hybrid fleet for both food delivery and quick commerce, Zomato maintains a separate fleet for its food delivery and Blinkit (quick commerce) businesses. Strategically, it emphasizes the focus and operational efficiency within each segment, which, coupled with an expansive restaurant network, ensures efficient order fulfillment and timely delivery. This complementary system allows Zomato to control service quality, ensuring customer satisfaction and enhanced customer experience and, in turn, solidifying its leadership in the highly competitive Indian food delivery landscape.

Blinkit's EBITDA breakeven could be a pivotal milestone

Zomato is well-positioned to capitalize from the profitable unit economics in the quick commerce (QC) business by focusing on strategic expansion and service quality. The QC market is projected to witness 60-80% CAGR to US$50bn+ by CY28F, driven by category expansion (grocery, beauty and personal care, health, and fashion) and wallet share gains (offline and other online channels). Achieving adjusted EBITDA breakeven over the next two-to-four quarters unlocks substantial investment ability to offset rising competitive intensity and capture a share of the incremental profit pool.

Merging culinary delights with live entertainment

The scaling of District app could contribute meaningfully to both overall revenue growth & profitability, given the high average order value (a couple of times higher than the online food delivery segment) and a relatively higher gross margin associated with the 'going out' segment. The AOV for dining out is at least 4-5x times higher than that of the online food delivery segment, while gross margin is significantly higher due to lower direct costs.

Initiate coverage with an ADD rating and a target price of Rs270

We initiate coverage on Zomato with an ADD rating and a target price of Rs270, using the sum-of-the-parts (SOTP) methodology. We have assigned the food delivery business a multiple of 45x FY27F EV/adjusted EBITDA, 2.4x FY27F EV/GOV multiple to quick commerce, 1.4x FY27F EV/GOV multiple to out-home-consumption, and a 1.8x FY27F EV/sales multiple to the supply chain business to arrive at our target price. We believe Info Edge's valuation multiple could be a good valuation analogy, given parallels in market share, leadership and EBITDA margin. The multiples are warranted, given Zomato's leadership in segments and control over unit economics. Rising competitive intensity is a key downside risk to our estimates and valuation.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	70,794	121,140	199,820	281,720	350,121
Operating EBITDA (Rsm)	(12,103)	420	9,283	20,594	32,035
Net Profit (Rsm)	(9,715)	3,510	8,494	20,481	30,082
Core EPS (Rs)	(1.0)	0.4	0.9	2.1	3.1
Core EPS Growth	NM	NM	142.0%	141.1%	46.9%
FD Core P/E (x)	NM	589.88	243.76	101.09	68.83
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	NM	4,844.17	209.97	93.90	59.52
P/FCFE (x)	NM	252.19	302.59	118.09	78.60
Net Gearing	(48.4%)	(17.6%)	(40.7%)	(42.9%)	(47.0%)
P/BV (x)	10.64	10.14	6.96	6.51	5.95
ROE	NM	1.8%	3.4%	6.7%	9.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Investment Arguments

Forecasting revenue and adjusted EBITDA to grow at 42%/120% CAGR over FY24-27F

We expect the food delivery/quick commerce verticals' revenue CAGR at 23%/72%, respectively, over FY24-27F (vs. 40%/116% growth in FY24 and a 36%/212% CAGR over FY22-24) to drive the bulk of the growth in the overall business. Food delivery revenue witnessed a ~7.4% CQGR over 2QFY23-2QFY25 led by uptick in MTU (20.7m in 2QFY25 vs. 17.5m in 2QFY23) and restaurant monetization/take rate (20.8% in 2QFY25 vs. 17.2% in 2QFY23). Quick commerce witnessed a 22%% CQGR over the same period, driven by rising MTU (8.9m vs. 2.6m in 2QFY23) and improved take rate (18.9% vs. 15.9% in 2QFY23).

Figure 65: Food delivery business - operating metrics

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F
Gross Order Value (Rs m)	**13,341**	**53,870**	**1,12,209**	**94,798**	**2,12,990**	**2,63,050**	**3,22,230**	**3,91,836**	**4,61,696**	**5,40,826**
yoy growth (%)	*NA*	*304%*	*108%*	*-16%*	*125%*	*24%*	*22%*	*22%*	*18%*	*17%*
Average MTU (m)	**0.9**	**5.6**	**10.7**	**6.8**	**14.7**	**17.0**	**18.4**	**20.8**	**23.1**	**25.7**
yoy growth (%)	*NA*	*522%*	*91%*	*-36%*	*116%*	*16%*	*8%*	*13%*	*11%*	*11%*
Ordering Frequency (x)	**2.8**	**2.8**	**3.1**	**2.9**	**3.0**	**3.2**	**3.4**	**3.5**	**3.6**	**3.6**
yoy growth (%)	*NA*	*0%*	*10%*	*-7%*	*4%*	*5%*	*8%*	*3%*	*2%*	*1%*
No of Orders (m)	**31**	**191**	**403**	**239**	**535**	**647**	**753**	**878**	**992**	**1116**
yoy growth (%)	*NA*	*524%*	*111%*	*-41%*	*124%*	*21%*	*16%*	*17%*	*13%*	*13%*
Average Order Value (Rs)	**436**	**282**	**278**	**397**	**398**	**407**	**428**	**447**	**466**	**484**
yoy growth (%)	*NA*	*-35%*	*-1%*	*43%*	*0%*	*2%*	*5%*	*4%*	*4%*	*4%*
Adjusted Revenue (Rsm)	**4,870**	**14,872**	**32,664**	**21,600**	**47,620**	**61,460**	**77,920**	**95,995**	**1,18,321**	**1,41,307**
yoy growth (%)	*NA*	*205%*	*120%*	*-34%*	*120%*	*29%*	*27%*	*23%*	*23%*	*19%*
take rate (%)	*37%*	*28%*	*29%*	*23%*	*22%*	*23%*	*24%*	*24%*	*26%*	*26%*
Reported Revenue (Rsm)	**4,660**	**13,998**	**27,411**	**15,138**	**34,146**	**45,328**	**63,610**	**81,618**	**99,265**	**1,19,523**
yoy growth (%)	*NA*	*200%*	*96%*	*-45%*	*126%*	*33%*	*40%*	*28%*	*22%*	*20%*
take rate (%)	*35%*	*26%*	*24%*	*16%*	*16%*	*17%*	*20%*	*21%*	*22%*	*22%*
Contribution (Rsm)	**NA**	**-13,360**	**-12,343**	**4,929**	**4,111**	**11,950**	**22,250**	**29,229**	**36,805**	**45,265**
yoy growth (%)	*NA*	*NA*	*-8%*	*-140%*	*-17%*	*191%*	*86%*	*31%*	*26%*	*23%*
Contribution margin (%)	*NA*	*-95%*	*-45%*	*33%*	*12%*	*26%*	*35%*	*36%*	*37%*	*38%*
Adjusted EBITDA (Rsm)	**NA**	**NA**	**NA**	**-200**	**-6,690**	**-100**	**9,120**	**13,618**	**19,044**	**25,428**
yoy growth (%)	*NA*	*NA*	*NA*	*NA*	*3245%*	*-99%*	*-9220%*	*49%*	*40%*	*34%*
Adjusted EBITDA margin (%)	*NA*	*NA*	*NA*	*-1%*	*-20%*	*0%*	*14%*	*17%*	*19%*	*21%*
Restaurant partners ('000)	**NA**	**61**	**131**	**110**	**180**	**210**	**247**	**280**	**310**	**322**
Active delivery partners ('000)	**NA**	**81**	**189**	**120**	**285**	**326**	**400**	**456**	**490**	**501**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 66: Quick commerce operating metrics

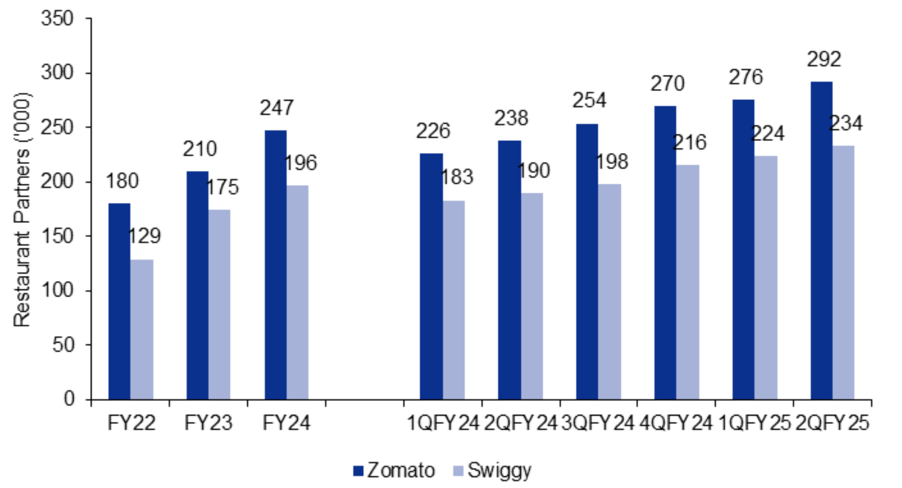
Quick Commerce	FY23	FY24	FY25F	FY26F	FY27F
Gross Order Value (Rs m)	**64,490**	**124,690**	**262,734**	**455,048**	**601,982**
yoy growth (%)	*NA*	*93%*	*111%*	*73%*	*32%*
Average MTU (m)	**3.0**	**5.1**	**9.5**	**15.3**	**19.4**
yoy growth (%)	*NA*	*73%*	*86%*	*61%*	*27%*
Ordering Frequency (x)	**3.4**	**3.3**	**3.5**	**3.6**	**3.6**
yoy growth (%)	*NA*	*-2%*	*6%*	*2%*	*1%*
No of Orders (m)	**119**	**203**	**398**	**656**	**840**
yoy growth (%)	*NA*	*71%*	*96%*	*65%*	*28%*
Average Order Value (Rs)	**541**	**613**	**660**	**694**	**716**
yoy growth (%)	*NA*	*13%*	*8%*	*5%*	*3%*
Reported Revenue (Rsm)	**10,638**	**23,020**	**50,047**	**88,287**	**117,987**
yoy growth (%)	*NA*	*116%*	*117%*	*76%*	*34%*
take rate (%)	*16%*	*18%*	*19%*	*19%*	*20%*
Contribution (Rsm)	**-4,460**	**2,660**	**10,584**	**20,878**	**30,243**
yoy growth (%)	*NA*	*-160%*	*298%*	*97%*	*45%*
Contribution margin (%)	*-42%*	*12%*	*21%*	*24%*	*26%*
Adjusted EBITDA (Rsm)	**-8,210**	**-3,840**	**427**	**5,326**	**11,339**
yoy growth (%)	*NA*	*-53%*	*-111%*	*1147%*	*113%*
Adjusted EBITDA margin (%)	*-77%*	*-17%*	*1%*	*6%*	*10%*
Dark Stores ('000)	**377**	**526**	**1031**	**1231**	**1431**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

A leader with better control over unit economics

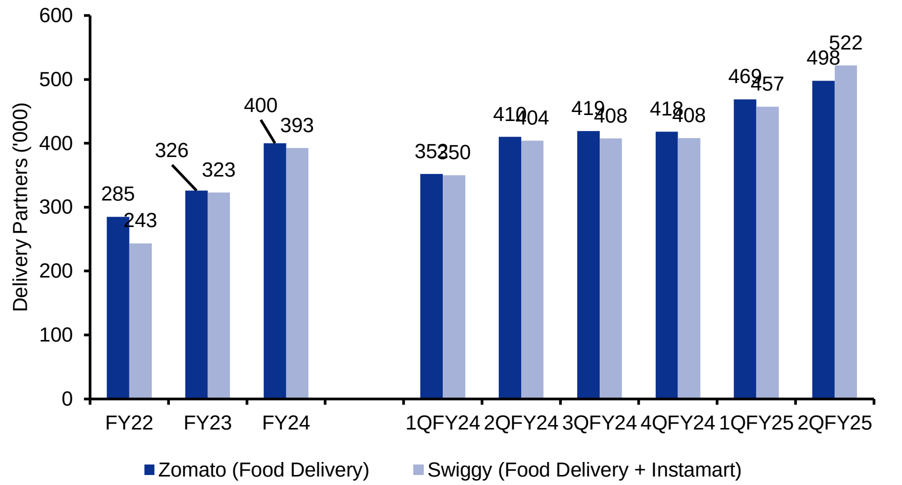
Zomato's food delivery business is a leader both on GOV and operating metric in a large, expanding market characterized by favourable tailwinds that support growth. Despite significant progress, the Indian online food delivery market remains underpenetrated compared to mature markets like the US and China, which, coupled with increasing urbanization, rising disposable incomes, and a growing preference for convenience and digital services, provides substantial growth runway. Zomato's food delivery leadership is strengthened by its unique combination of a dedicated delivery partner network and an unparalleled restaurant network. Unlike competition, which uses a hybrid fleet for both food delivery and quick commerce, Zomato maintains a separate fleet emphasizing its focus and operational efficiency within each segment, which, coupled with the expansive restaurant network, ensures efficient order fulfilment and timely delivery. This complementary system allows Zomato to control service quality, ensuring customer satisfaction and enhancing customer experience, and, in turn, solidifying its leadership in the highly competitive Indian food delivery landscape.

Figure 67: Superior restaurant network makes for increased user retention



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 68: Zomato's standalone food delivery partner network leads to more fulfilment



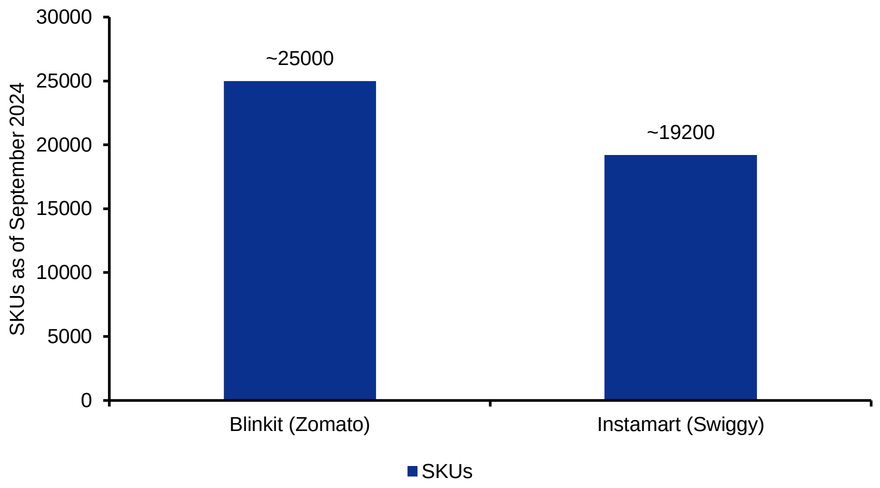
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Blinkit’s EBITDA breakeven could be a pivotal milestone

Zomato's quick commerce (QC) segment, spearheaded by Blinkit, is on the cusp of profitability, positioning it for a significant competitive edge. Despite intense competition in the QC space, Blinkit is likely to achieve adjusted EBITDA breakeven within the next few (two-to-four quarters), driven by operational efficiency, rapid store expansion, and an expanding product assortment that commands a higher average order value (AOV). This, in our view, could be mark a pivotal milestone in the company’s ability to sustain growth trajectory and capture incremental market share.

Blinkit’s profitability could unlock strategic advantage over competitors and the financial strength could empower the company to sustain aggressive investments in network expansion and technology. Moreover, profitability could enhance investor confidence and attract potential capital and resources to outgrow competition and capture a larger share of the rapidly expanding QC market.

Figure 69: Better assortment could aid traffic



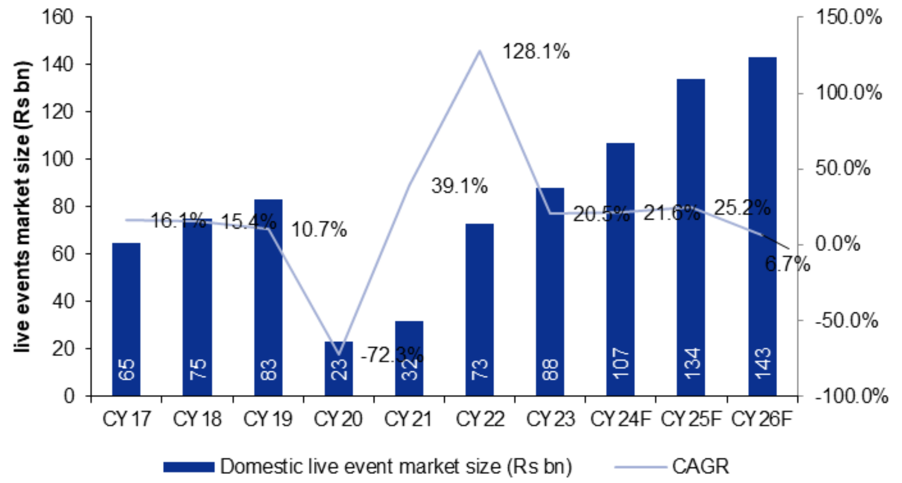
SOURCE: COMPANY REPORTS, INCRED RESEARCH

District app adds new vectors of growth - merging culinary delights with live entertainment

The District app is designed to streamline the entire ‘going-out’ experience, allowing users to book restaurant tables, purchase tickets for movies, and attend events - all in one place. The addressable market for the District app is large, given that it taps into several consumer sectors, beyond traditional food delivery business, and consolidates various services under one digital platform. The District app primarily targets users aged between 18 and 35 (largely overlapping with the existing user base) familiar with technology, and are often seeking convenient solutions for dining out, entertainment, and social experiences.

As the live event market grows, the app could enhance user engagement by offering a wider range of options for entertainment, which, in turn, could help attract users looking for a comprehensive solution, drive higher engagement and usage rate across Zomato’s offerings. Put together, it could improve the advertising monetization potential of digital property.

Figure 70: The live event market is poised to post a CAGR of 17.6% over CY23-26F



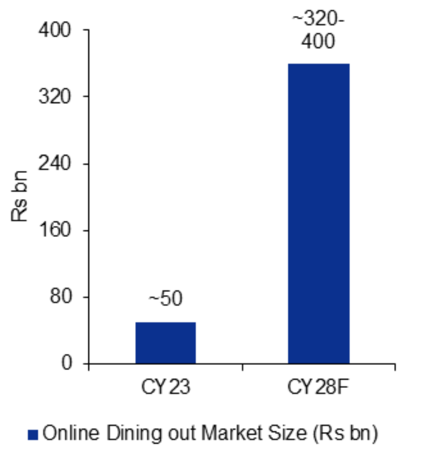
SOURCE: COMPANY REPORTS, INCRED RESEARCH

The District app's dining out segment could also benefit from the rising share of organized restaurants in the Indian food services market, creating the demand for online discovery and reservation platforms as well. Please note that the existing network of food delivery restaurant partners provide a strong foundation for expanding the District app by leveraging existing established relationships.

Scaling of the District app could contribute meaningfully to both overall revenue growth and profitability, given the high average order value (a couple of times higher than the online food delivery segment) and a relatively higher gross margin associated with the 'going out' segment. The AOV for dining out is at least four-to-five times higher than those of the online food delivery segment, while the gross margin is significantly higher due to lower direct costs.

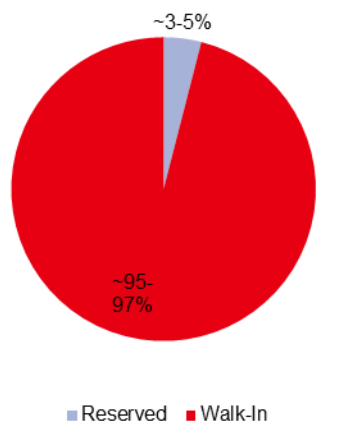
Finally, integration of the District app could create a unified app ecosystem offering cross-selling potential and a virtuous cycle of seamless transition between digital properties and, in turn, benefitting the 'Going-out' segment.

Figure 71: Online dining out…



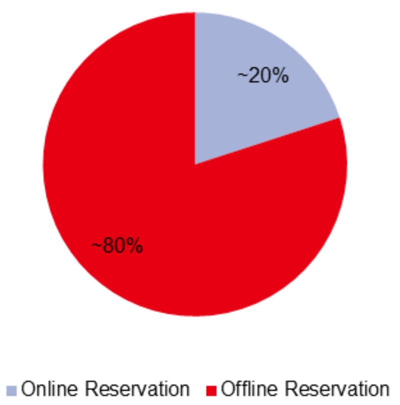
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 72: …market has…



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 73: …legs to grow



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 74: Hyperpure and Going-out metrics

	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F
Hyperpure								
Revenue (Rsm)	**1,100**	**2,000**	**5,376**	**15,061**	**31,720**	**60,876**	**80,662**	**93,355**
yoy growth (%)	*NA*	*82%*	*169%*	*180%*	*111%*	*92%*	*33%*	*16%*
Adjusted EBITDA (Rsm)	**NA**	**-500**	**-1,350**	**-1,950**	**-1,260**	**-1,013**	**-684**	**934**
yoy growth (%)	*NA*	*NA*	*170%*	*44%*	*-35%*	*-20%*	*-33%*	*-237%*
Adjusted EBITDA margin (%)	*NA*	*-25%*	*-25%*	*-13%*	*-4%*	*-2%*	*-1%*	*1%*
Going out/District								
GOV (Rsm)	**NA**	**NA**	**NA**	**9,840**	**32,250**	**85,272**	**158,910**	**209,317**
yoy growth (%)	*NA*	*NA*	*NA*	*NA*	*228%*	*164%*	*86%*	*32%*
Revenue (Rsm)	**NA**	**NA**	**NA**	**1,250**	**2,570**	**7,089**	**13,507**	**19,257**
yoy growth (%)	*NA*	*NA*	*NA*	*NA*	*106%*	*176%*	*91%*	*43%*
Take Rate (%)	*NA*	*NA*	*NA*	*13%*	*8%*	*8%*	*9%*	*9%*
Adjusted EBITDA (Rsm)	**NA**	**NA**	**NA**	**-200**	**-60**	**812**	**2,701**	**1,926**
yoy growth (%)	*NA*	*NA*	*NA*	*NA*	*-70%*	*-1453%*	*233%*	*-29%*
Adjusted EBITDA margin (%)	*NA*	*NA*	*NA*	*-2%*	*0%*	*1%*	*2%*	*1%*

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Valuation

We estimate a target price of Rs270 for Zomato using the sum-of-the-parts (SOTP) methodology, tailored to each segment's growth.

- The food delivery market in India, with a projected CAGR of 17-22% over CY23-28F, presents a substantial growth avenue for Zomato. Despite being a large market, the online penetration of food services in India remains relatively low at 11% in CY23, indicating significant room for expansion. Factors such as growing disposable incomes, urbanization, and digitization contribute further to the segment's growth potential. **We have assigned the food delivery business a multiple of 45x FY27F EV/adjusted EBITDA. We believe Info Edge's valuation could be a good valuation analogy, given parallels in market share, leadership and EBITDA margin.**
- Quick commerce, with a potential to expand at a CAGR of 60-80% over CY23-28F, is transforming the Indian retail landscape. This segment caters to the evolving consumer needs for convenience, offering a wider selection of products and faster delivery times. The rising penetration of quick commerce, projected to reach 2-3% of the overall retail market by CY28F, highlights its transformative potential. **We have assigned its quick commerce business a multiple of 2.4x FY27F EV/GOV.**
- The Going-out segment, encompassing dining out and District app, offers another growth avenue for Zomato. With rising disposable incomes and a growing preference for experiences, this segment is expected to benefit from the expanding middle class and its evolving consumption pattern. **We have assigned a multiple of 1.4x FY27F EV/GOV.**
- Zomato's Hyperpure segment, leveraging its existing infrastructure and expertise, focuses on B2B supplies and logistics. This segment provides an opportunity for Zomato to tap into the vast network of wholesalers and retailers, further expanding its market reach**. We have assigned the Hyperpure business a multiple of 1.8x FY27F EV/sales.**

Figure 75: SOTP-based valuation of Zomato

Business Segments	FY27F GMV (Rs m)	FY27F Sales (Rs m)	FY27F Adj. EBITDA (Rs m)	Valuation Metric	Target FY27F Multiple (x)	Target FY27F EV (Rs m)
Food Delivery	540,826	63,610	25,428	EV/Adj EBITDA	45.0x	1,144,267
Blinkit	601,982	117,987	11,339	EV/GOV	2.4x	1,444,757
Hyperpure	NA	93,355	934	EV/Sales	1.8x	168,038
District/Going-out	209,317	19,257	1,926	EV/GOV	1.4x	282,578
Group EV (Rs m)						**3,039,640**
					Conglomerate Discount (%)	10%
					WACC (%) (BBG Estimate)	11%
					FY26F EV (Rs m)	**2,493,962**
					FY26F Net Cash (Rs m)	113,301
					Target Market Cap (Rs m)	**2,607,262**
					O/S Shares (m)	9,650
					CMP (Rs)	215
					Target Price (Rs)	**270**
					Upside	25.6%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 76: Info Edge's valuation could be a good valuation analogy

Multiple	FY25F	FY26F	FY27F
P/E	104.9	81.0	67.1
P/S	36.4	30.9	25.9
P/BV	3.8	3.7	3.6
P/CF	107.7	79.0	65.3
EV/revenue	36.5	31.0	26.0
EV/EBITDA	91.4	72.5	60.4
EV/EBIT	97.6	76.5	63.1
EV/OPP	108.6	84.0	67.5
Dividend yield	0.3	0.4	0.5

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 77: Global peer group valuation

Company	M-cap	EV			SALES			EBITDA			EV/SALES			EV/EBITDA (x)			RoE (%)		
	(US$m)	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
DoorDash	69,291	54,038	54,038	54,038	12,736	14,890	16,868	2,653	3,484	4,071	4.2	3.6	3.2	20.4	15.5	13.3	18.2	19.3	NA
Delivroo	2,455	NA	1,844	1,844	2,278	2,505	2,645	NA	254	275	NA	0.7	0.7	NA	7.3	6.7	NA	17.8	15.8
Meituan	1,06,864	NA	7,61,570	7,61,570	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Grab Holdings	18,122	NA	9,739	9,739	3,506	4,123	4,762	NA	761	1,105	NA	2.4	2.0	NA	12.8	8.8	NA	6.2	NA
Just Eat Takeaway	2,531	NA	3,040	3,040	4,866	5,141	5,426	NA	601	613	NA	0.6	0.6	NA	5.1	5.0	NA	1.6	2.3
Average	-	-	-	-	-	-	-	-	-	-	4.24	1.83	1.63	20.4	10.2	8.4	-	-	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key Investment Risks

Changing consumer preferences

Shifts in consumer preferences towards healthier eating options, sustainability, or preference for specific cuisines can significantly impact the business model and revenue streams. Consumer sentiment regarding Zomato's service quality, pricing, and ethical practices can influence brand loyalty and market acceptance. Adapting to evolving consumer trends and addressing changing preferences is essential for Zomato to maintain and grow its customer base.

Low entry barriers and competitive intensity

While Zomato currently holds a significant market share in the food delivery vertical, there is a strong potential for disruption in the quick commerce segment from various players operating in the omni-channel space and direct competitors, who may undercut existing players on commissions and margins.

Operational challenges in new segments

Zomato's aggressive expansion plan, especially in the quick commerce sector, may impact its profitability over the next few quarters. The company's ambitious store expansion and diversification beyond groceries could strain its financial performance.

Market volatility and investor sentiment

The recent decline in Zomato's share price and its performance in the stock market in response to competition and external factors indicates potential volatility, impacting investor confidence and stock value.

Dependence on a single market

Zomato's heavy reliance on the Indian market poses a notable risk. Generating a substantial portion of revenue from India makes the company vulnerable to economic fluctuations and regulatory changes. This dependence limits growth opportunities, diversification, and global competitiveness, necessitating continuous innovation and adaptation to sustain market relevance.

Regulatory challenges and compliance requirements

Due to its foreign ownership status, Zomato is restricted from using an inventory-based model for non-food products under India's foreign direct investment or FDI regulations. Blinkit operates via a marketplace model, holding third-party inventory in its warehouses. Regulatory shifts impacting this set-up could hurt Zomato’s projections. New rules regarding rider employment and benefits could also negatively affect its margin.

Revenue and margin stability

The quick commerce business's revenue growth and margin stability are crucial factors for sustained profitability. Zomato's ability to manage revenue growth, control costs, and stabilize margins in the quick commerce segment amid competition and market dynamics is essential for long-term financial performance.

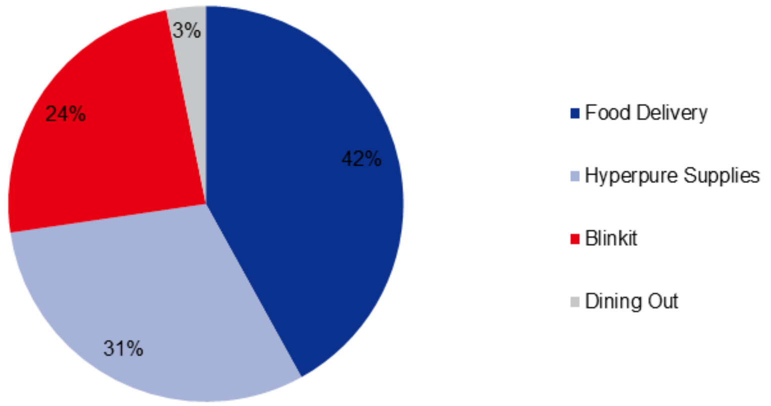
Order frequency growth assumption has upside risk

Our growth assumptions factor an increase in available market opportunity and rise in MTU while ordering frequency assumptions are conservative. Material increase in ordering frequency could be an upside risk to our estimates and target price.

About Zomato

Zomato, a leading Indian player in online food delivery and restaurant services, offers a user-centric platform for convenient food discovery, ordering, and delivery. The company connects users with a vast network of restaurants, providing informative menus, reviews, and loyalty programs. Zomato's reach extends beyond individual consumers with Blinkit, a quick commerce platform, enabling ultrafast delivery of groceries and essentials, and further supports the restaurant industry through Hyperpure, its B2B service supplying ingredients.

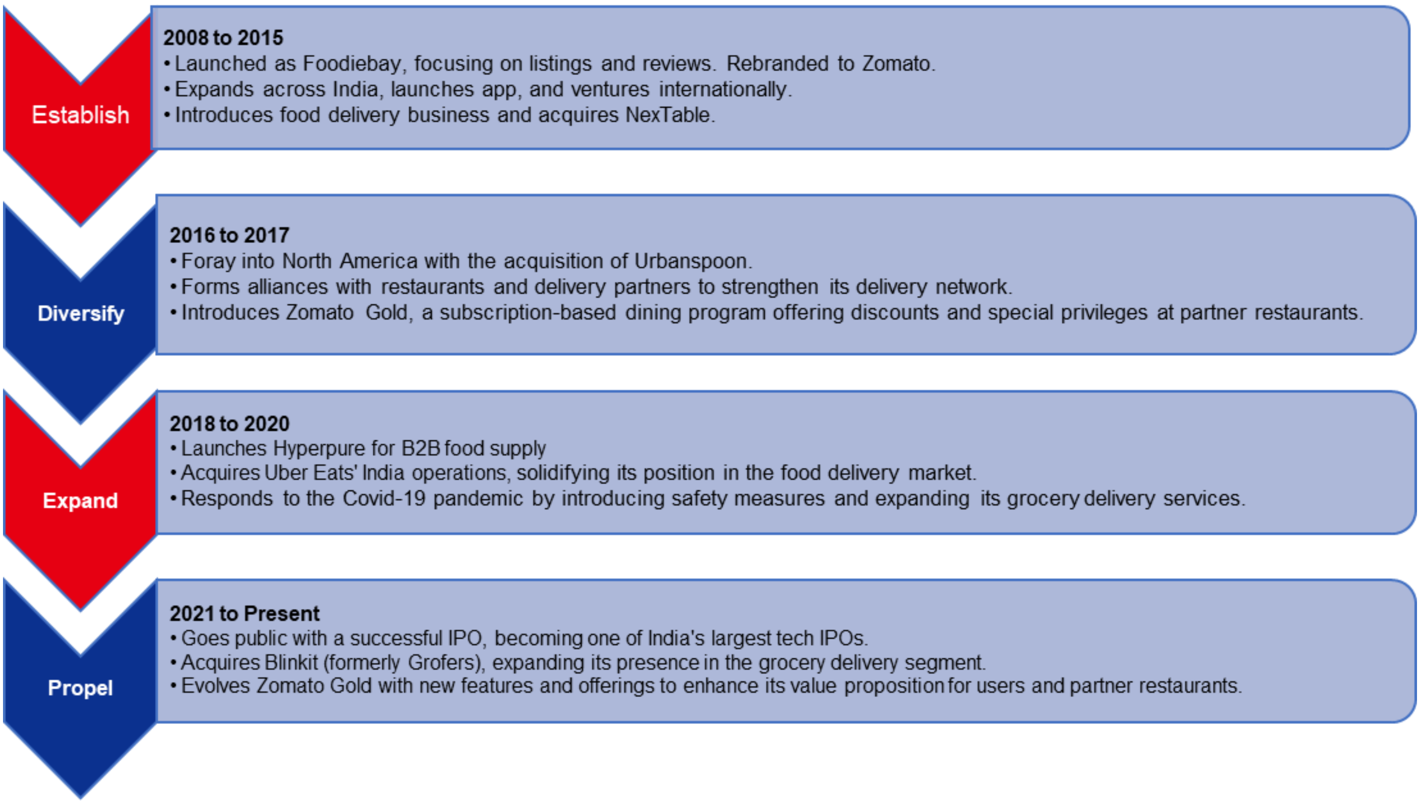
Figure 78: Zomato's 2QFY25 revenue break-up



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Genesis of the company

Figure 79: Evolution of Zomato



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 80: Funding timeline

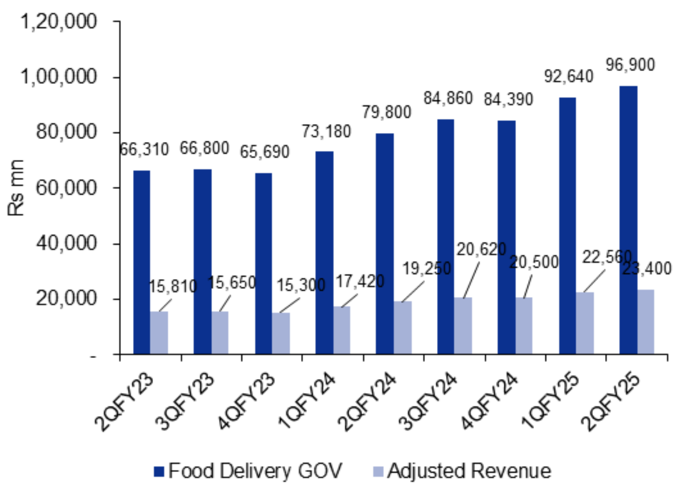
Date	Round	Amount	Valuation	Leading Investors
Jul 2010	Angel	Undisclosed	~US$1.6m	Bharati Balakrishnan, and Alok Tripathi.
Aug 2010	Seed	US$1m	~US$3m	Info Edge Ventures.
Sep 2011	Series A	US$3m	Undisclosed	Info Edge Ventures.
Sep 2012	Series B	US$2.3m	Undisclosed	Info Edge Ventures.
Feb 2013	Series C	US$10.3m	Undisclosed	Info Edge Ventures.
Nov 2013	Series D	US$37.5m	US$160m	Peak XV Partners, and Info Edge Ventures.
Feb 2015	Series E	~US$87.2m	US$638m	Info Edge Ventures, and Peak XV Partners.
Apr 2015	Series F	US$50m	US$783m	Info Edge Ventures, and Peak XV Partners.
Sep 2015	Series G	US$60m	US$852m	Temasek, and Vy Capital.
Feb 2018	Series H	US$152m	US$1.02bn	Ant Group.
Feb 2019	Series I	~US$319.2m	Undisclosed	Ant Group, and Delivery Hero.
Aug 2020	Series J	US$660m	US$3.9bn	Kora, Fidelity, and Tiger Global.
Feb 2021	Pre-IPO	US$252m	US$5.44bn	Kora, Fidelity, BAce Capital, and Tiger Global.
Jul 2021	IPO	US$1.26bn	US$12bn	

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Food delivery business

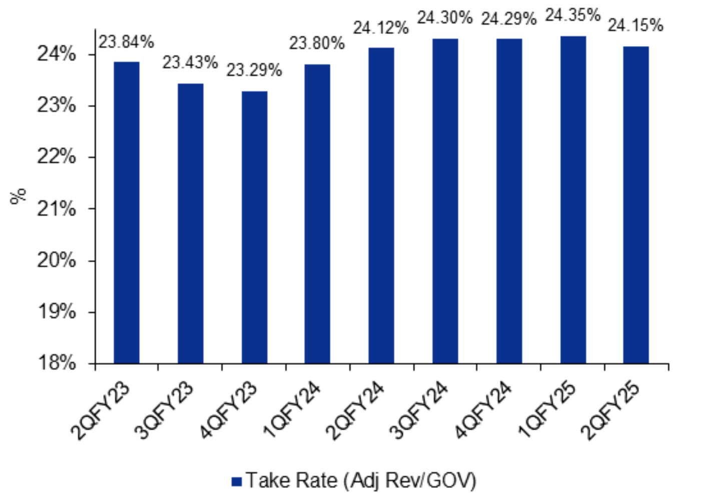
The company's platform offers customers a convenient on-demand solution for restaurant search, food ordering, and reliable delivery services. Fulfilment of orders is carried out by an independent last-mile delivery fleet, comprising partners who onboard themselves onto the platform. The company also piloted two new initiatives in FY24 within its food delivery business - (i) Inter-city legends, and (ii) Zomato Every Day. The food delivery business accounted for 42% of its total revenue in 2QFY25 and 53% in FY24.

Figure 81: Gross order value and adjusted revenue have grown at a healthy CQGR of 4.7%/5.3%, respectively, over the past nine quarters…



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 82: … with the take rate in the 21-24.5% range



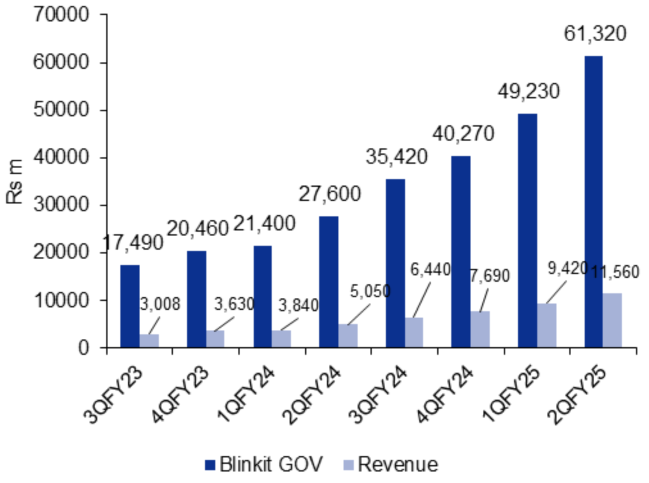
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Quick commerce business (Blinkit)

Blinkit (formerly Grofers) is a quick commerce marketplace that delivers everyday products to its customers within minutes. The platform offers a wide array of stock keeping units (SKUs) across various product categories, all stored in a network of warehouses and dark stores. Customers can place orders through the Blinkit marketplace app, and last-mile delivery is handled from nearby dark stores, which are strategically located within a 2-3km radius for rapid delivery. This close proximity ensures fast and efficient delivery, aligning with Blinkit's mission to provide quick and convenient services in the quick-commerce sector.

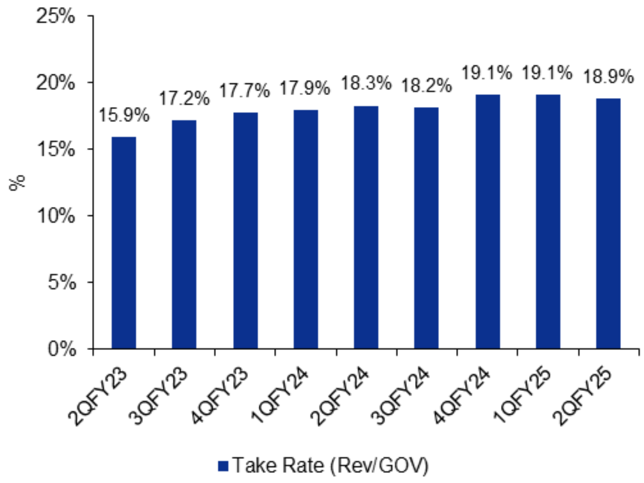
Zomato acquired Blinkit in a significant all-stock deal worth US$568m in Aug 2022. Blinkit accounted for 24% of the company's total revenue in 2QFY25 and 19% in FY24.

Figure 83: Gross order value and adjusted revenue have grown at a healthy CQGR of 20% and 21%% over the past seven quarters…



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 84: …with the take rate in the 14-19.5% range

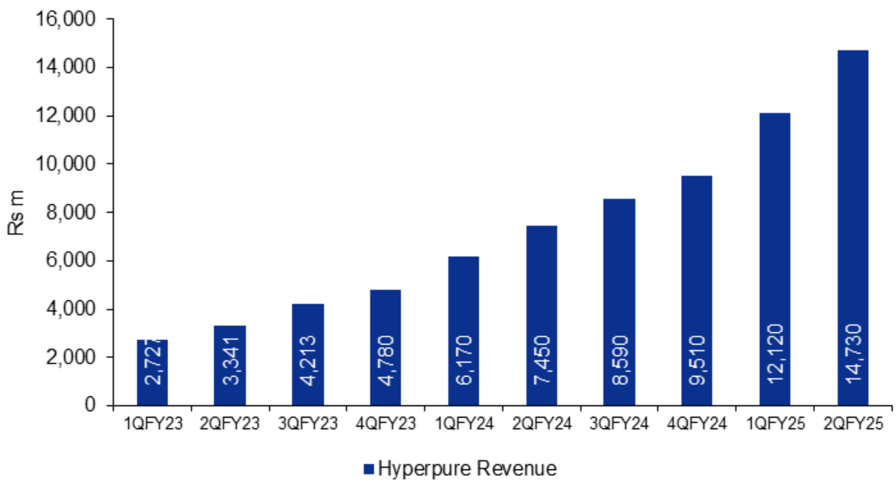


SOURCE: COMPANY REPORTS, INCRED RESEARCH

Hyperpure (B2B supplies)

Zomato's B2B supplies service in India, Hyperpure, sources fresh and quality ingredients directly from producers to enhance the supply chain and the quality of food for its restaurant partners. By offering competitive prices and reliable delivery, Hyperpure serves as a comprehensive solution for restaurants, addressing various supply chain challenges and ensuring top-quality ingredients for their menus. Hyperpure operates warehouses across 10 cities and services 100+ cities. The food delivery business accounted for 31% of the company's total revenue in 2QFY25 and 26% in FY24.

Figure 85: Hyperpure has grown at a CQGR of 19.6% over the past seven quarters



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Other Segments

Zomato's Going-out service primarily includes the District app that allows customers to discover restaurants, read and write reviews, make reservations, and access exclusive deals. Zomato Live curates unique outdoor events blending food, music, and entertainment, with ticket sales facilitated through the Zomato app. These two segments combined account for 3% of the total revenue in 2QFY25.

Figure 86: Management team

Name	Designation
Deepinder Goyal	Founder, Managing Director & CEO
Akshant Goyal	Chief Financial Officer
Albinder Dhindsa	Founder & CEO - Blinkit
Akriti Chopra	Co-Founder & Chief People Oficer
Rakesh Ranjan	Chief Executive Officer - Food Delivery
Rishi Arora	Chief Executive Officer - Hyperpure
Rinshul Chandra	Chief Operating Officer – Food Delivery
Anjalli Ravi Kumar	Chief Sustainability Officer

SOURCE: COMPANY REPORTS, INCRED RESEARCH

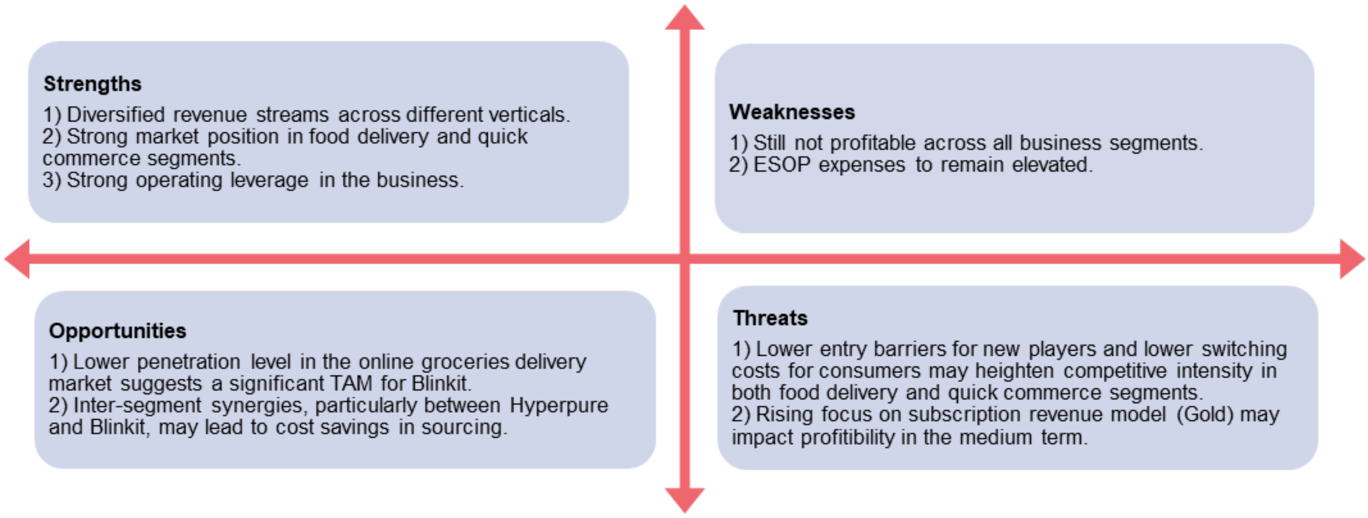
Figure 87: Board of directors

Name	Designation
Kaushik Dutta	Chairman & Independent Director
Deepinder Goyal	Founder, Managing Director & CEO
Sanjeev Bikhchandani	Non-Executive Director
Sutapa Banerjee	Independent Director
Namita Gupta	Independent Director
Aparna Popat Ved	Independent Director

SOURCE: COMPANY REPORTS, INCRED RESEARCH

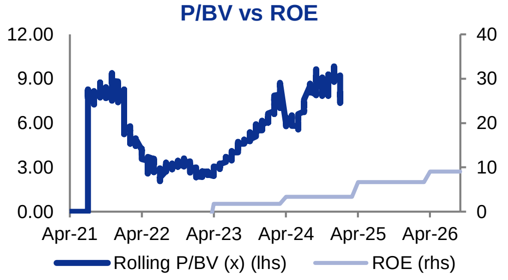
SWOT analysis

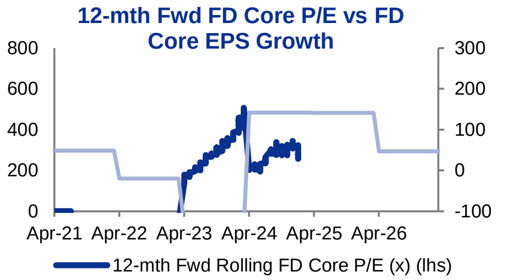
Figure 88: SWOT analysis



SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	**70,794**	**121,140**	**199,820**	**281,720**	**350,121**
Gross Profit	**42,192**	**75,730**	**119,769**	**174,428**	**224,116**
Operating EBITDA	**(12,103)**	**420**	**9,283**	**20,594**	**32,035**
Depreciation And Amortisation	(4,369)	(5,260)	(7,198)	(5,634)	(7,002)
Operating EBIT	**(16,472)**	**(4,840)**	**2,086**	**14,960**	**25,033**
Financial Income/(Expense)	(490)	(720)	(1,150)	(1,200)	(1,200)
Pretax Income/(Loss) from Assoc.	(3)				
Non-Operating Income/(Expense)	6,815	8,470	9,486	13,820	16,675
Profit Before Tax (pre-EI)	**(10,150)**	**2,910**	**10,421**	**27,580**	**40,508**
Exceptional Items					
Pre-tax Profit	**(10,150)**	**2,910**	**10,421**	**27,580**	**40,508**
Taxation	438	600	(1,927)	(7,099)	(10,426)
Exceptional Income - post-tax					
Profit After Tax	**(9,712)**	**3,510**	**8,494**	**20,481**	**30,082**
Minority Interests	(3)				
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**(9,715)**	**3,510**	**8,494**	**20,481**	**30,082**
Recurring Net Profit	(9,715)	3,510	8,494	20,481	30,082
Fully Diluted Recurring Net Profit	**(9,715)**	**3,510**	**8,494**	**20,481**	**30,082**

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	(12,103)	420	9,283	20,594	32,035
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,760)	1,180	(7,364)	(2,763)	(2,069)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2,172	960			
Other Operating Cashflow	(860)	(510)	(9,486)	(13,820)	(16,675)
Net Interest (Paid)/Received	4,413	5,460	8,336	12,620	15,475
Tax Paid	(310)	(1,050)	(1,927)	(7,099)	(10,426)
Cashflow From Operations	**(8,448)**	**6,460**	**(1,157)**	**9,532**	**18,341**
Capex	1,030	2,150	8,000	8,000	8,000
Disposals Of FAs/subsidiaries	(20)	(130)			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	3,560	(5,490)	(6,514)	(2,180)	675
Cash Flow From Investing	**4,570**	**(3,470)**	**1,486**	**5,820**	**8,675**
Debt Raised/(repaid)	(230)	(400)			
Proceeds From Issue Of Shares	40	230	85,000		
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(1,080)	(1,900)			
Cash Flow From Financing	**(1,270)**	**(2,070)**	**85,000**		
Total Cash Generated	(5,148)	920	85,328	15,353	27,015
Free Cashflow To Equity	**(7,648)**	**8,210**	**6,843**	**17,532**	**26,341**
Free Cashflow To Firm	**(3,391)**	**3,710**	**1,478**	**16,553**	**28,215**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	99,199	43,350	128,678	144,031	171,046
Total Debtors	4,569	7,940	11,989	16,903	21,007
Inventories	827	880	3,327	4,453	5,153
Total Other Current Assets	3,715	2,410	2,410	2,410	2,410
Total Current Assets	**108,310**	**54,580**	**146,405**	**167,796**	**199,617**
Fixed Assets	6,432	9,950	10,752	13,118	14,115
Total Investments	22,796	103,650	103,650	103,650	103,650
Intangible Assets	57,071	54,710	54,710	54,710	54,710
Total Other Non-Current Assets	21,378	10,670	10,670	10,670	10,670
Total Non-current Assets	**107,677**	**178,980**	**179,782**	**182,148**	**183,145**
Short-term Debt	1,500	1,610	1,610	1,610	1,610
Current Portion of Long-Term Debt					
Total Creditors	6,798	8,860	7,993	11,269	14,005
Other Current Liabilities	5,853	10,070	10,070	10,070	10,070
Total Current Liabilities	**14,151**	**20,540**	**19,673**	**22,949**	**25,685**
Total Long-term Debt	58				
Hybrid Debt - Debt Component	3,508	5,880	5,880	5,880	5,880
Total Other Non-Current Liabilities	2,543	1,910	1,910	1,910	1,910
Total Non-current Liabilities	**6,109**	**7,790**	**7,790**	**7,790**	**7,790**
Total Provisions	1,195	1,170	1,170	1,170	1,170
Total Liabilities	**21,455**	**29,500**	**28,633**	**31,909**	**34,645**
Shareholders Equity	194,598	204,130	297,624	318,105	348,187
Minority Interests	(66)	(70)	(70)	(70)	(70)
Total Equity	**194,532**	**204,060**	**297,554**	**318,035**	**348,117**

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	68.9%	71.1%	64.9%	41.0%	24.3%
Operating EBITDA Growth	(34.6%)	(103.5%)	2,110.3%	121.8%	55.6%
Operating EBITDA Margin	(17.1%)	0.3%	4.6%	7.3%	9.1%
Net Cash Per Share (Rs)	9.75	3.72	12.56	14.15	16.95
BVPS (Rs)	20.16	21.15	30.84	32.96	36.08
Gross Interest Cover	(33.82)	(6.72)	1.81	12.47	20.86
Effective Tax Rate			18.5%	25.7%	25.7%
Net Dividend Payout Ratio					
Accounts Receivables Days	15.90	18.85	18.20	18.72	19.76
Inventory Days	7.81	6.86	9.59	13.23	13.91
Accounts Payables Days	70.74	62.93	38.42	32.76	36.61
ROIC (%)	(24.9%)	(7.2%)	2.5%	14.7%	23.0%
ROCE (%)	(8.6%)	(2.8%)	0.7%	3.5%	5.5%
Return On Average Assets	(4.7%)	1.9%	3.4%	6.3%	8.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Swiggy Ltd

Improving execution to drive rerating

- Bolt could unlock new usage scenarios unmet by existing service model.
- Improvement in food delivery execution and dark store addition supports our quick-commerce growth assumptions.
- Initiate coverage with an ADD rating and a SOTP-based target price of Rs540.

India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 9	Hold 2	Sell 3

Current price:	Rs440
Target price:	Rs540
Previous target:	NA
Up/downside:	22.7%
InCred Research / Consensus:	22.7%
Reuters:	
Bloomberg:	SWIGGY IN
Market cap:	US$11,376m
	Rs985,029m
Average daily turnover:	US$0.2m
	Rs13.6m
Current shares o/s:	2,238.4m
Free float:	48.32%

Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(26.3)	0.0	0.0
Relative (%)	(24.3)	0.0	0.0

Major shareholders	% held
Mih India Food Holdings Bv	26.0
Svf Ii Songbird (De) Llc	7.7
Accel India Iv (Mauritius) Limited	4.2

Early success of Bolt is encouraging

Aggressive rollout of Bolt, a 10-minute food delivery option, to over 400 cities, and an aim to sustain early-mover advantage with continuous innovation (new features, UI/UX enhancements, and expanding restaurant partnerships) complements existing food delivery services, offers a distinct value proposition and likely expands the addressable market and overall reach within the food delivery market, unlocking new usage scenarios unmet by its existing service model.

Food delivery execution could improve

The food delivery business turned profitable in 2QFY25, driven by a combination of factors including increased order volume and improved contribution margin, while the continued focus on 1) improving operational efficiency, and 2) expanding high-margin offerings and revenue streams, such as advertising and the 'Swiggy One' membership programme, could further aid profitability.

Dark store addition supports quick commerce growth assumptions

Swiggy's quick commerce (QC) offering (Instamart) is likely to witness strong growth, benefitting from a nascent market and favourable market dynamics coupled with dark store addition. The company aims to invest Rs7,554m to add ~400 new dark stores by 4QFY25F, taking the total to ~1,049, to capture a larger share of the QC market {likely to reach Rs2.3-4.2tr (US$29-53bn) by CY28F, a CAGR of 60-80%}. Strategically located dark stores (609 (as of 2QFY25-end vs. 523 in 4QFY24) across 54 Indian cities (vs. 27 in 4QFY24) enable quick and efficient fulfilment with an average delivery time of 12.6 minutes (17 minutes a year ago) and, in turn, could help capture incremental market share.

Initiate coverage with an ADD rating and a target price of Rs540

We initiate coverage on Swiggy with an ADD rating and a target price of Rs540 using the sum-of-the-parts (SOTP) methodology. We have assigned a multiple of 40.5x FY27F EV/adjusted EBITDA (10% discount to the leader Zomato) to the food delivery business, 2x FY27F EV/GOV (~15% discount) to the quick commerce business, 1.22x FY27F EV/GOV (10% discount) to out-home-consumption business, and a 1.6x FY27F EV/sales multiple to the supply chain business (10% discount) to arrive at our target price. The discount is warranted, given the scale of operations and profitability metric of the leader. Rising competitive intensity is a key downside risk to our estimates and valuation.

Research Analyst(s)

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Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	82,646	112,474	148,660	192,184	242,072
Operating EBITDA (Rsm)	(42,758)	(22,080)	(20,101)	(10,334)	4,456
Net Profit (Rsm)	(41,793)	(23,502)	(19,579)	(1,956)	10,821
Core EPS (Rs)	(18.6)	(10.4)	(8.7)	(0.9)	4.8
Core EPS Growth	NM	NM	NM	NM	LP
FD Core P/E (x)	NM	NM	NM	NM	91.03
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	NM	NM	NM	NM	211.04
P/FCFE (x)	(23.30)	(63.27)	(44.11)	(69.91)	(175.37)
Net Gearing	(10.1%)	(11.0%)	(36.1%)	(34.3%)	(39.2%)
P/BV (x)	10.88	12.64	9.53	9.72	8.78
ROE	(39.1%)	(27.5%)	(21.4%)	(1.9%)	10.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Investment Arguments

Forecasting strong revenue growth and adjusted EBITDA to turn positive

We expect the food delivery/quick commerce verticals' revenue CAGR at 20%/83%, respectively, over FY24-27F (vs. 24.9%/117% growth in FY24 and a 23.4%/244% CAGR over FY22-24) driven by factors such as urbanization, rising disposable incomes, and the convenience offered by these platforms which has contributed to a steady expansion of the user base and order frequency. Food delivery revenue witnessed a ~5.7% CQGR over 1QFY24-2QFY25 led by an uptick in MTU (~14.7m in 2QFY25 vs. ~12.6m in 1QFY24) and restaurant monetization/take rate (21.9% in 2QFY25 vs. 20%. in 1QFY24). Further, the focus on improving customer experience through cost-effective interventions and enhanced on-ground execution, particularly in Tier-2 cities, has played a significant role in driving growth. Quick commerce witnessed a 22.2% CQGR over 1QFY24-2QFY25, driven by the rising MTU trend (6.2m in 2QFY25 vs. 3.9m in 1QFY24), ordering frequency (~1.6% CQGR to 3.7), average order value (Rs497 in 2QFY25 vs. Rs441 in 1QFY24) and the improved take rate (14.5% vs. 10.3% in 1QFY24). Quick commerce's impressive growth is largely attributed to the rising preference for convenience coupled with speed delivery. Strategic investments in expanding its dark store network, optimizing delivery logistics, expansion in new cities and a unified app offering could help capitalize on the rising demand for grocery and household essentials and the increasing penetration of quick commerce within the overall retail landscape.

Figure 89: Food delivery operating metrics

Food Delivery

	FY22	FY23	FY24	FY25F	FY26F	FY27F
Gross Order Value (Rs m)	**1,84,788**	**2,15,171**	**2,47,174**	**2,96,701**	**3,52,770**	**4,07,278**
yoy growth (%)	*NA*	*16%*	*15%*	*20%*	*19%*	*15%*
Average MTUs (m)	**9.9**	**11.6**	**12.7**	**15.0**	**17.5**	**19.8**
yoy growth (%)	*NA*	*17%*	*10%*	*18%*	*16%*	*13%*
Ordering Frequency (x)	**3.84**	**3.72**	**3.78**	**3.68**	**3.64**	**3.59**
yoy growth (%)	*NA*	*-3%*	*2%*	*-3%*	*-1%*	*-1%*
No. of Orders (m)	**454**	**517**	**578**	**663**	**763**	**851**
yoy growth (%)	*NA*	*14%*	*12%*	*15%*	*15%*	*11%*
Average Order Value (Rs)	**407**	**416**	**428**	**448**	**462**	**479**
yoy growth (%)	*NA*	*2%*	*3%*	*5%*	*3%*	*4%*
Adjusted Revenue (Rsm)	**44,298**	**51,792**	**60,816**	**75,336**	**91,689**	**1,07,962**
yoy growth (%)	*NA*	*17%*	*17%*	*24%*	*22%*	*18%*
take rate (%)	*24%*	*24%*	*25%*	*25%*	*26%*	*27%*
Reported Revenue (Rsm)	**33,913**	**41,300**	**51,601**	**65,375**	**78,231**	**92,452**
yoy growth (%)	*NA*	*22%*	*25%*	*27%*	*20%*	*18%*
take rate (%)	*18%*	*19%*	*21%*	*22%*	*22%*	*23%*
Contribution (Rsm)	**2,938**	**6,326**	**14,138**	**20,718**	**24,942**	**31,845**
yoy growth (%)	*NA*	*115%*	*123%*	*47%*	*20%*	*28%*
Contribution margin (%)	*9%*	*15%*	*27%*	*32%*	*32%*	*34%*
Adjusted EBITDA (Rsm)	**-14,095**	**-10,350**	**-472**	**5,696**	**8,024**	**12,848**
yoy growth (%)	*NA*	*-27%*	*-95%*	*-1307%*	*41%*	*60%*
Adjusted EBITDA margin (%)	*-42%*	*-25%*	*-1%*	*9%*	*10%*	*14%*
Restaurant partners ('000)	**1,29,036**	**1,74,598**	**1,96,499**	**2,35,799**	**2,82,959**	**3,39,550**
Active delivery partners ('000)	**2,43,496**	**3,22,819**	**3,92,589**	**4,71,107**	**5,65,328**	**6,78,394**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

Figure 90: Quick commerce - operating metrics

Quick Commerce	FY22	FY23	FY24	FY25F	FY26F	FY27F
Gross Order Value (Rs m)	**16,434**	**51,184**	**80,686**	**1,37,355**	**2,29,932**	**3,35,091**
yoy growth (%)	*NA*	*211%*	*58%*	*70%*	*67%*	*46%*
Average MTU (m)	**1.1**	**3.2**	**4.2**	**6.2**	**8.8**	**11.6**
yoy growth (%)	*NA*	*191%*	*33%*	*45%*	*43%*	*31%*
Ordering Frequency (x)	**3.2**	**3.3**	**3.4**	**3.7**	**3.8**	**4.0**
yoy growth (%)	*NA*	*6%*	*3%*	*6%*	*5%*	*4%*
No. of Orders (m)	**42**	**128**	**175**	**271**	**406**	**556**
yoy growth (%)	*NA*	*208%*	*37%*	*54%*	*50%*	*37%*
Average Order Value (Rs)	**394**	**398**	**460**	**507**	**566**	**603**
yoy growth (%)	*NA*	*1%*	*15%*	*10%*	*12%*	*7%*
Reported Revenue (Rsm)	**828**	**4,514**	**9,786**	**19,934**	**36,789**	**56,966**
yoy growth (%)	*NA*	*445%*	*117%*	*104%*	*85%*	*55%*
take rate (%)	*5%*	*9%*	*12%*	*15%*	*16%*	*17%*
Contribution (Rsm)	**-5,302**	**-12,054**	**-4,849**	**-2,740**	**2,296**	**10,134**
yoy growth (%)	*NA*	*127%*	*-60%*	*-44%*	*-184%*	*341%*
Contribution margin (%)	*-640%*	*-267%*	*-50%*	*-14%*	*6%*	*18%*
Adjusted EBITDA (Rsm)	**-8,833**	**-20,268**	**-13,091**	**-13,383**	**-10,660**	**-5,590**
yoy growth (%)	*NA*	*129%*	*-35%*	*2%*	*-20%*	*-48%*
Adjusted EBITDA margin (%)	*-1066%*	*-449%*	*-134%*	*-67%*	*-29%*	*-10%*
Dark Stores ('000)	**301**	**421**	**523**	**1049**	**1249**	**1449**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Food delivery (FD) - a compounding machine

The online food delivery market in India presents a significant growth opportunity [expected to grow at a 17-22% CAGR to reach Rs1.4-1.7tr (US$17-21bn) by CY28F from Rs640bn (US$8bn) in CY23], driven by an expanding urban population with demanding lifestyles, coupled with the rise of organized restaurants, particularly cloud kitchens (designed specifically for online delivery), leading to a higher demand for convenience. Interestingly, user ordering frequency in India remains relatively low (at 3-5 orders per month in CY23) compared to more mature markets and suggests a significant growth runway driven by consumer adoption and maturing organized restaurant sector.

Bolt addressing changing consumer behaviour while early success suggests a strategic fit

Swiggy's aggressive rollout of Bolt, a 10-minute food delivery option, to over 400 cities and its aim of sustaining the early-mover advantage through to continuous innovation (new features, UI/UX enhancements, and expanding restaurant partnerships) is encouraging. Strategically, Bolt complements existing food delivery services by offering a distinct value proposition for speed-conscious consumers and simultaneously expands the overall reach within the food delivery market, attracting a broader customer base and increasing platform loyalty. Bolt unlocks new usage scenario and expands the addressable market by catering to growing consumers' need for quick delivery and convenience (driven by factors such as lifestyles and rising adoption of digital services, itself driven by smart phone and internet penetration) and capitalizes on impulsive purchases, thus catering to needs that may not have been met by its existing service model. Further, it removes the wait-time barrier associated with food delivery previously, and could help expand the addressable market, constrained by traditional delivery services. Finally, early marker of success (achieved 5% of total food delivery order volume within just eight weeks of launch) suggests that consumers are getting accustomed to ultra-fast delivery and the services have the potential to reshape expectations (of speed and convenience) and behaviour within the sector, setting new standards which could provide competitive advantage, at least in the near-to-medium term, over traditional food delivery providers.

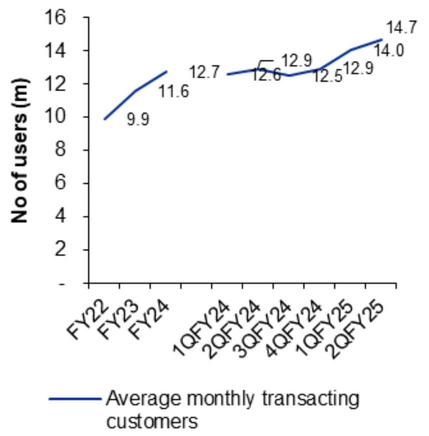
Path to profitability is through robust unit economics and scale

Bolt's path to long-term profitability likely reflects the strength in unit economics and potential scale. Contrary to perception that ultra-fast delivery average order size could be smaller, management highlighted that Bolt's average order value (AOV) is comparable to platform AOV, given a diverse range of cuisines and price points, including premium offerings (gourmet bakery items). Further, the company partners with restaurants to offer a menu selection that includes gourmet dishes and specialty beverages, ensuring profitability even if the order volume per delivery partner is lower. This strategic focus on high-margin items offsets any potential revenue reduction from smaller order sizes and supports financial viability.

Food delivery execution could improve

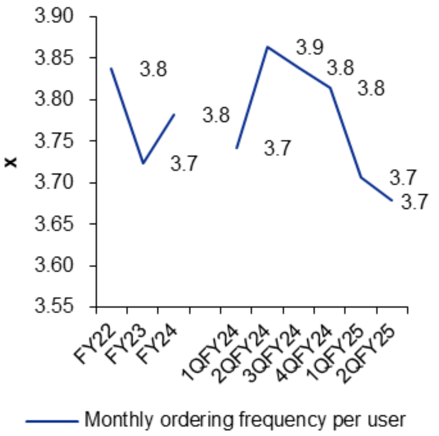
The food delivery business turned profitable in 2QFY25, driven by a combination of factors including increased order volume, improved contribution margin, and the focus on operational efficiency. Food delivery gross revenue grew at 17.2% CAGR over FY22-FY24 to reach Rs60,815m in FY24, while the contribution margin, as a percentage of GOV, improved to 5.7% from 1.6% during the same period. Swiggy's focus on expanding its high-margin offerings and revenue streams, such as advertising and 'Swiggy One' membership programme, aids the profitability further. Management commentary during its initial public offer or IPO suggests that the food delivery business is likely to generate sustainable cash flow, given the market positioning, loyal customer base, extensive delivery network, data-driven led operational efficiency and innovation (Bolt).

Figure 91: Food delivery MTU trend



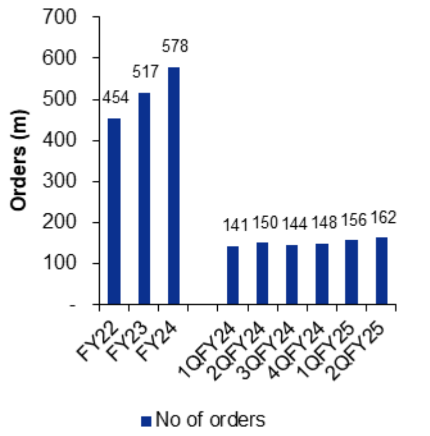
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 92: Monthly ordering frequency trend



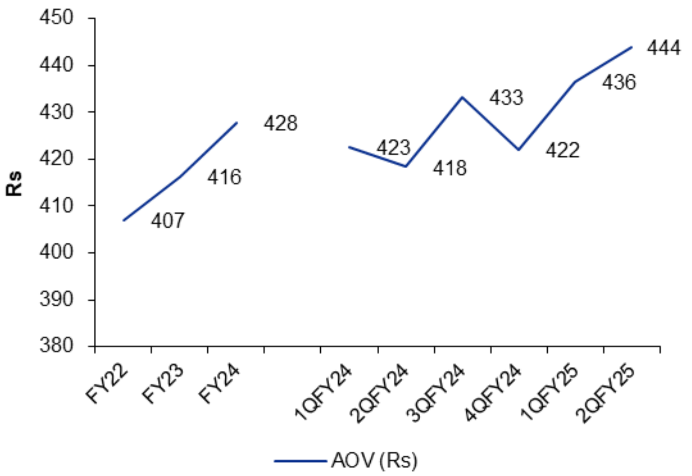
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 93: Ordering has grown at a 11.2% CAGR over FY22-2QFY25 (annualized)



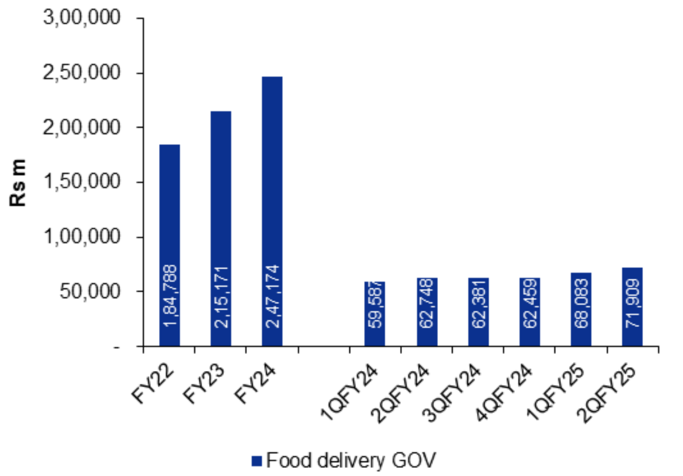
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 94: Food delivery AOV trend



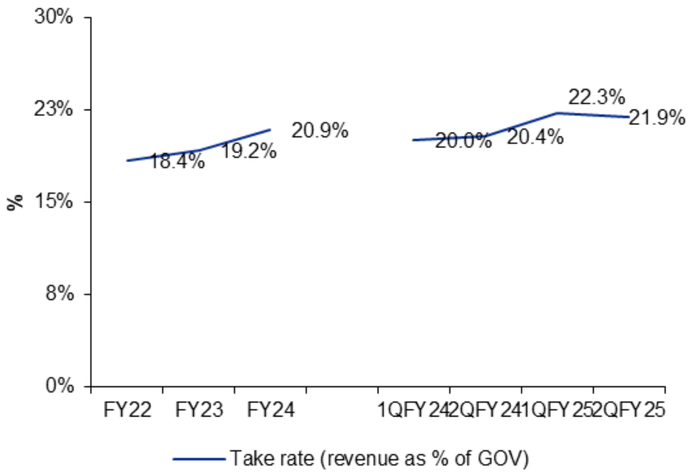
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 95: Food delivery GOV trend



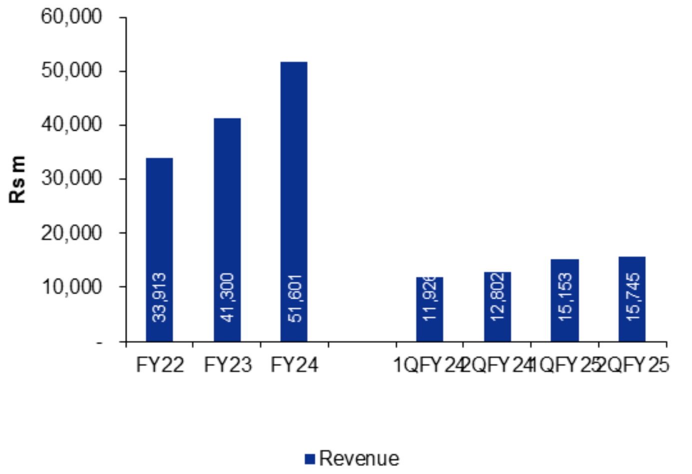
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 96: Take rate trend



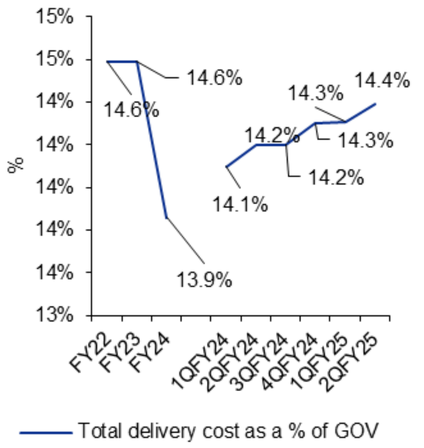
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 97: Revenue trend



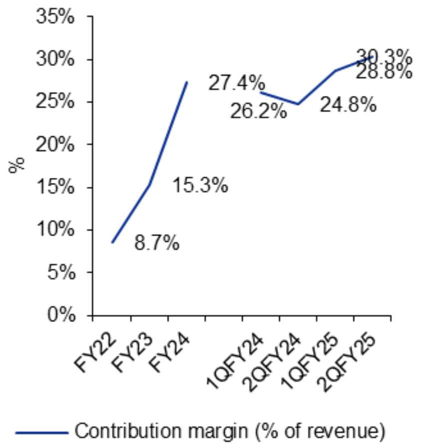
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 98: Delivery cost trend



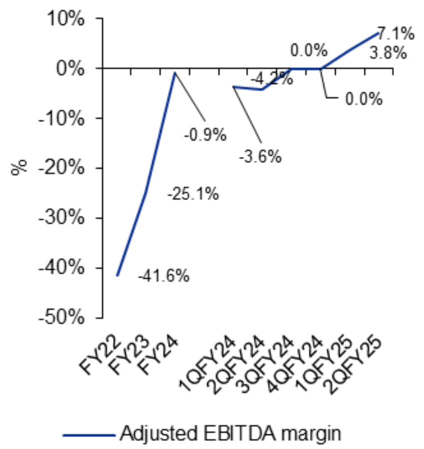
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 99: Contribution margin trend



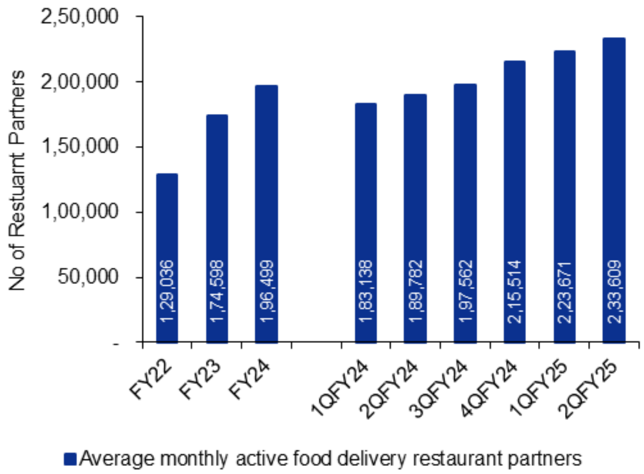
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 100: Adjusted EBITDA margin trend



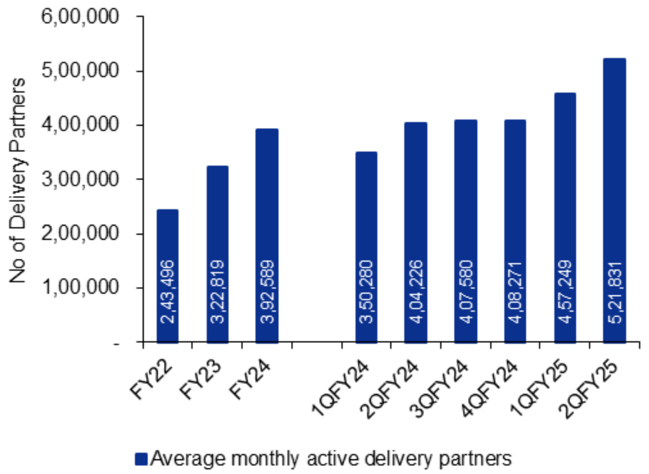
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 101: Food delivery restaurant partner trend



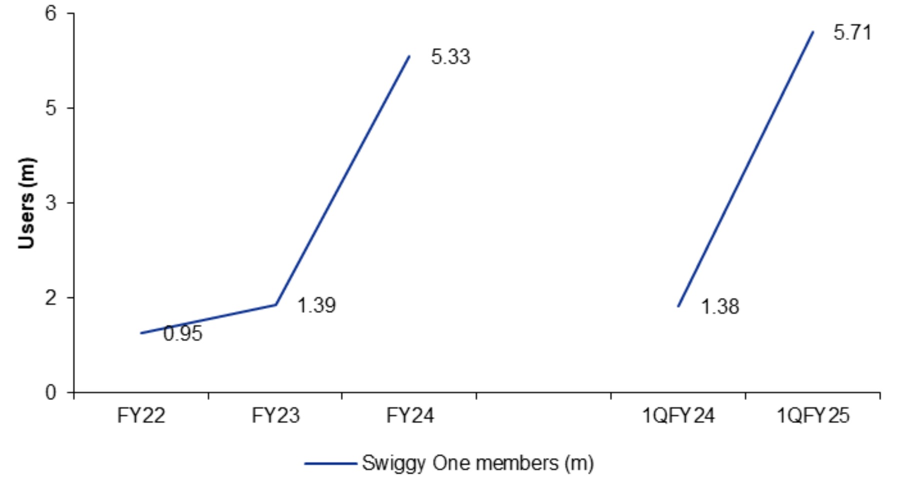
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 102: Food delivery rider partner trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 103: The rise in 'Swiggy One' membership could help offset operating expenses



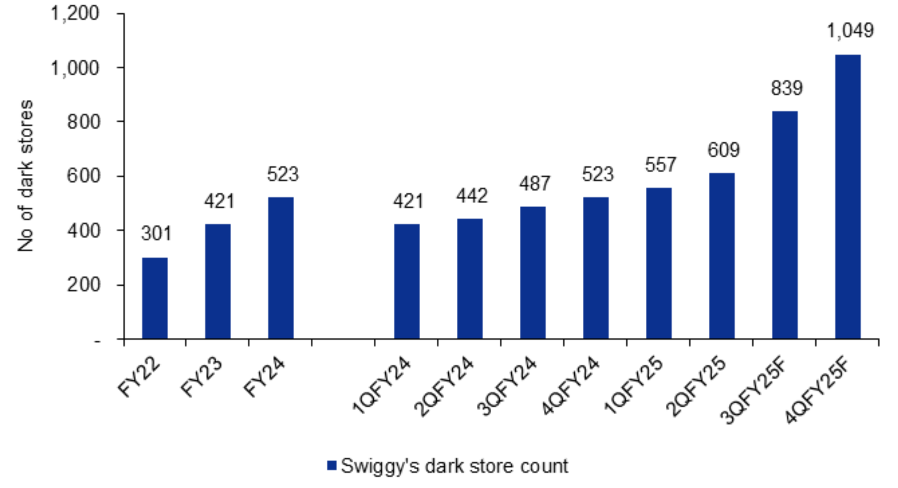
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Quick commerce to help accelerate growth

Dark store addition aids quick commerce growth assumptions

Swiggy's quick commerce or QC offering (Instamart) is likely to witness strong growth, benefitting from a nascent market and favourable market dynamics coupled with dark store addition. The company aims to invest Rs7,554m to add ~400 new dark stores by 4QFY25F, taking the total to ~1,049, to capture a larger share of the QC market which is likely to reach Rs2.3-4.2trn (US$29-53bn) by CY28F, a CAGR of 60-80%. The robust industry growth is driven by 1) a significant shift in the Indian retail landscape, particularly grocery, towards convenience-first models such as quick commerce, and 2) low penetration of organized brick-and-mortar grocery stores in India vs. developed economies. Strategically located dark stores 609 (vs. 523 in 4QFY24) as of 2QFY25-end across 54 Indian cities (vs. 27 in 4QFY24) enables quick and efficient fulfilment with an average delivery time of 12.6 minutes. Finally, accelerating QC GOV (~14% CQGR for the past five quarters) appears to be faster than that of traditional e-commerce platforms, suggesting a large untapped market and rising consumer adoption.

Figure 104: Fund-raising to help drive dark store expansion

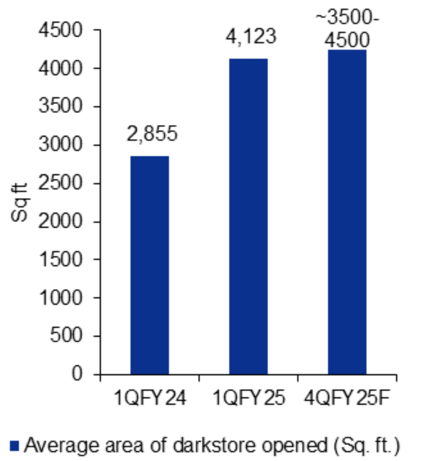


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Focusing on expanding product assortment and high-margin categories

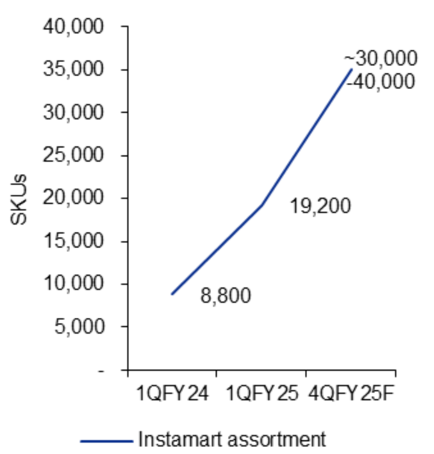
Instamart is actively expanding its product assortment beyond groceries to include high-margin non-grocery categories such as beauty and grooming, pet supplies, baby care, electronics, and wearable devices, which typically offer better unit economics and could improve profitability. Instamart's non-grocery assortment contribution has increased from 18.2% in FY22 to 25.3% in 1QFY25, demonstrating a growing consumer appetite for these categories. Diversifying product offerings could help improve monthly-transacting users.

Figure 105: Increase in store size…



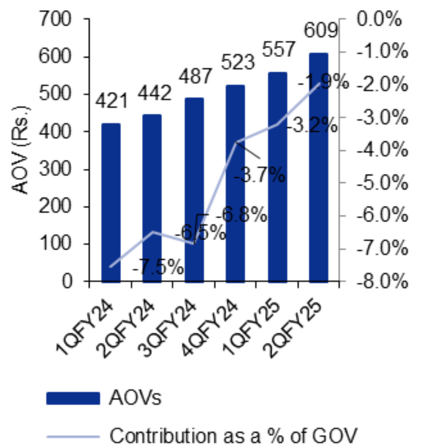
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 106: …and assortment are driving…



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 107: …AOV and contribution margin improvement



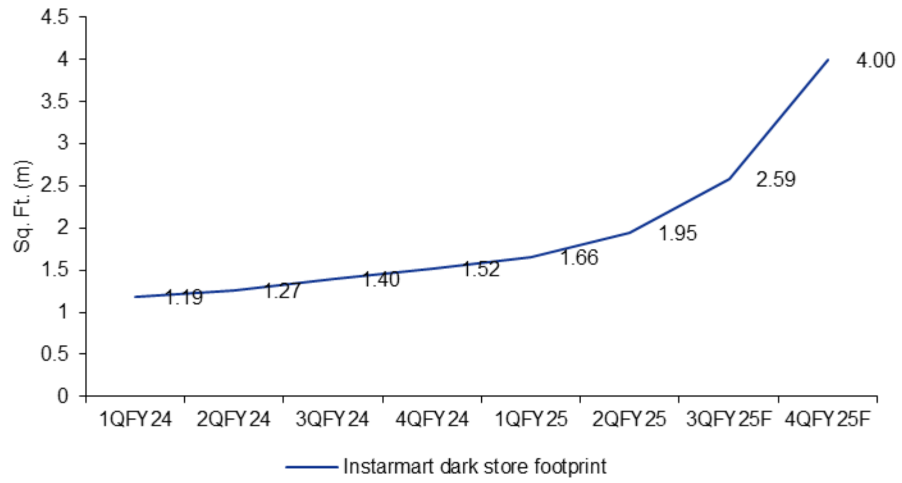
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Leveraging partnership ecosystem to drive supply chain and the distribution segment's growth

Swiggy's supply chain and distribution segment, operated through Scootsy Logistics Private Limited, provides end-to-end solutions including warehouse management, in-warehouse processing, and efficient order fulfilment for wholesalers and retailers. The company acquired Scootsy in Jul 2018 and strengthened its position with the acquisition of Lynks Logistics in Aug 2023, focusing on the authorized distribution of FMCG brands. Before merging with Scootsy in Dec 2023, Lynks specialized in goods transportation, managing logistics systems, and operating an online platform for transportation services.

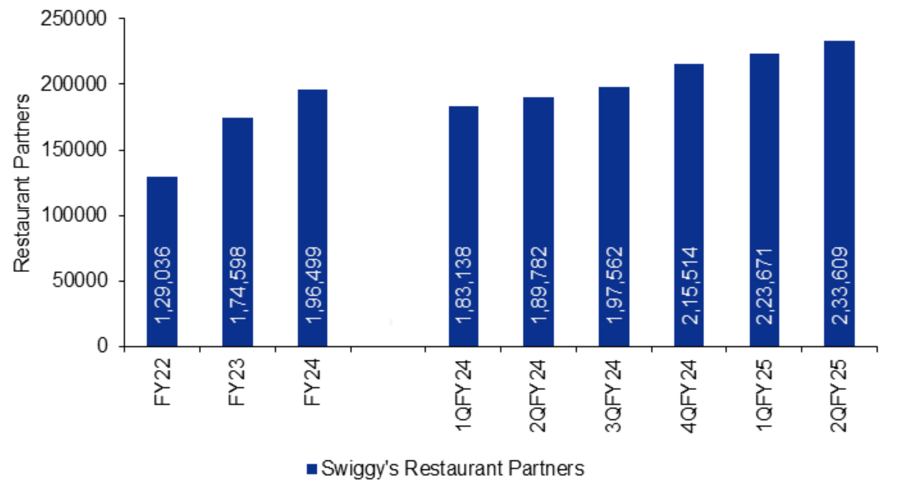
On the one hand, Swiggy's supply chain and distribution business is benefiting from the intended new dark store expansion (measuring a total of ~4m sq ft) as it presents a significant opportunity for Scootsy to leverage its existing warehousing, logistics, and distribution capabilities to supply to the growing network of Instamart locations. Scootsy can efficiently manage the procurement, storage, and delivery of goods to Instamart dark stores, ensuring timely replenishment and minimal stockouts. By streamlining the supply chain for Instamart, Swiggy can reduce costs, improve efficiency, and enhance the overall customer experience for its quick commerce offering. On the other hand, strategic expansion, combined with Swiggy's extensive network of restaurant partners and local kirana stores, creates a significant opportunity to offer integrated services such as procurement, inventory management, and cold chain logistics which could help partners' streamline operations, reduce costs, and improve efficiency while digitization and onboarding of local kirana stores expands the target market as well benefits from financial services (working capital loans) offered through Swiggy's financial partners.

Figure 108: Swiggy gave guidance of a multifold increase in dark store footprint



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 109: Partnership ecosystem to drive the growth flywheel



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 110: Supply chain & out-of-home consumption metrics

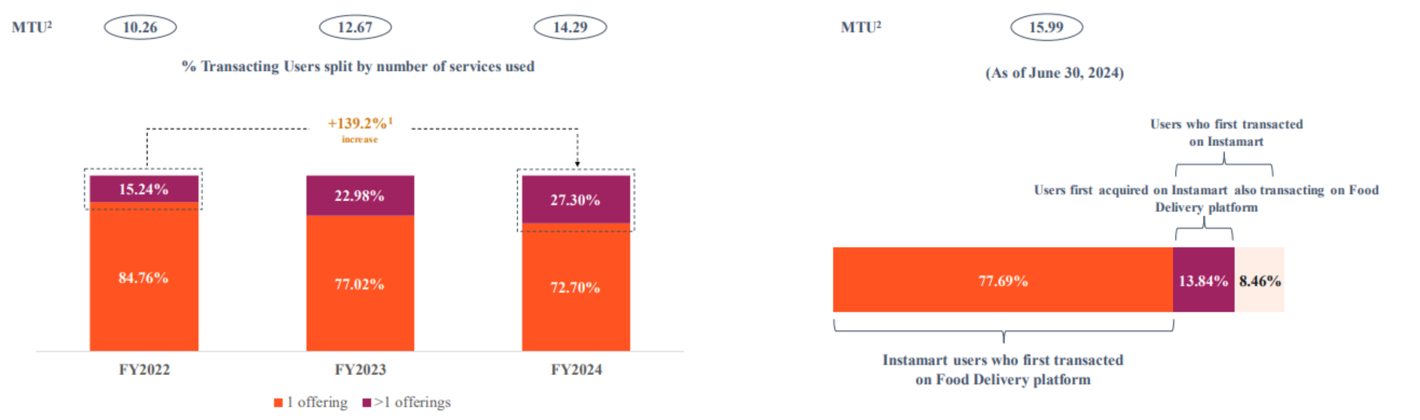
	FY22	FY23	FY24	FY25F	FY26F	FY27F
Supply Chain & Distribution						
Revenue (Rs m)	**14,653**	**32,863**	**47,796**	**60,141**	**72,410**	**85,660**
yoy growth (%)	*NA*	*124%*	*45%*	*26%*	*20%*	*18%*
Adjusted EBITDA (Rs m)	**-3,015**	**-2,955**	**-1,867**	**-2,625**	**-1,436**	**857**
yoy growth (%)	*NA*	*-2%*	*-37%*	*41%*	*-45%*	*-160%*
Adjusted EBITDA margin (%)	*-21%*	*-9%*	*-4%*	*-4%*	*-2%*	*1%*
Out-of-Home consumption						
GOV (Rs m)	**NA**	**11,051**	**21,831**	**30,155**	**39,898**	**52,298**
yoy growth (%)	*NA*	*NA*	*98%*	*38%*	*32%*	*31%*
Revenue (Rs m)	**NA**	**777**	**1,572**	**2,186**	**3,192**	**4,707**
yoy growth (%)	*NA*	*NA*	*102%*	*39%*	*46%*	*47%*
Take rate (%)	*NA*	*7%*	*7%*	*7%*	*8%*	*9%*
Adjusted EBITDA (Rs m)	**-65**	**-1,372**	**-1,736**	**-486**	**-606**	**-470**
yoy growth (%)	*NA*	*NA*	*27%*	*-72%*	*25%*	*-22%*
Adjusted EBITDA margin (%)	*NA*	*-12%*	*-8%*	*-2%*	*-2%*	*-1%*

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Unified app creates cross-selling opportunities

Swiggy operates as a unified app and per reported filings 27.3% of its users transacted on both Instamart and FD platforms in FY24, up from 15.2% in FY22, and reflects the significant cross-selling potential within the ecosystem. The unified app approach, bringing together multiple offerings such as FD, QC (Instamart), Dineout, and Genie, provides partners an insight into customer behaviour and preferences by leveraging data analytics capabilities. This creates an opportunity for partners to not just create unique, customized and cross-segment targeted advertising campaigns but improves the effectiveness and efficiency of their ad spending, leading to a higher return on investment. To illustrate, a restaurant partner can target users ordering groceries from Instamart with promotions for meal deals or new menu items. Finally, the integrated approach likely lowers the customer acquisition cost for Swiggy vs. standalone QC platforms.

Figure 111: The one-app approach is driving the overlap between food delivery and quick commerce users



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation

We estimate a target price of Rs540 for Swiggy using the sum-of-the-parts (SOTP) methodology, tailored to each segment's growth.

- Food delivery, with a projected CAGR of 17-22% over CY23-28F, presents a substantial growth avenue for Swiggy. Despite being a large market, the online penetration of food services in India remained relatively low at 11% in CY23, indicating significant room for expansion. Factors such as growing disposable incomes, urbanization, and digitization further contribute to the segment's growth potential. **We've assigned the food delivery business a multiple of 40.5x FY27F EV/adjusted EBITDA, a 10% discount to Zomato.**
- Quick commerce, with a potential to expand at a CAGR of 60-80% over CY23-28F, is transforming the Indian retail landscape. This segment caters to the evolving consumer needs for convenience, offering a wider selection of products and faster delivery times. The rising penetration of quick commerce, projected to reach 2-3% of the overall retail market by CY28F, highlights its transformative potential. **We've assigned quick commerce business a multiple of 2x FY27F EV/GOV (~15% discount).**
- Out-of-home consumption, encompassing dining out and event bookings, offers another growth avenue for Swiggy. With rising disposable incomes and a growing preference for experience, this segment is expected to benefit from the expanding middle class and their evolving consumption patterns. **We've assigned a multiple of 1.22x FY27F EV/GOV (10% discount).**
- Swiggy's supply chain and distribution segment, leveraging its existing infrastructure and expertise, focuses on B2B supplies and logistics. This segment provides an opportunity for Swiggy to tap into the vast network of wholesalers and retailers, further expanding its market reach**. We've assigned a multiple of 1.6x FY27F EV/sales (10% discount).**
- Finally, we believe the platform innovations segment could continue to serve as a R&D incubator for Swiggy's ventures.

Figure 112: SOTP-based valuation of Swiggy

Business Segments	FY27F GMV (Rs m)	FY27F Sales (Rs m)	FY27F Adj. EBITDA (Rs m)	Valuation Metric	Target FY27F Multiples (x)	Target EV (Rs m)
Food Delivery	4,07,278	92,452	12,848	EV/Adj. EBITDA	40.5x	5,20,359
Instamart	3,35,091	56,966	-5,590	EV/GOV	2.0x	6,73,533
Supply Chain & Distribution	NA	85,660	857	EV/Sales	1.6x	1,38,769
Out-of-Home Consumption	52,298	4,707	-470	EV/GOV	1.2x	63,542
Group EV (Rs m)						**13,96,204**
					Conglomerate Discount (%)	10%
					WACC (%) (BBG Estimate)	11%
					FY26F EV (Rs m)	**11,45,557**
					FY26F Net Cash (Rsm)	63,758
					Target Market Cap (Rs m)	**12,09,314**
					O/S Shares (m)	2,238
					CMP (Rs)	440
					Target Price (Rs)	**540**
					Upside	22.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key investment risks

Audit qualifications from auditor

Qualifications in FY24 and FY23 by the auditor citing concerns over loans to subsidiaries, such as Supr Infotech and Scootsy, are a key risk as they may impact the financial stability of Swiggy. The issues include potential impairment, interest payment delay, and using new loans to cover interest costs. A 11-day statutory filing delay indicates weaknesses in internal controls.

User retention and acquisition challenges

Swiggy's future growth hinges on its ability to effectively retain existing customers and attract new users in a cost-efficient manner. Failing to maintain the same, in our view, could impact its revenue and margin growth trajectory.

Figure 113: Persistent leakage in MTU may not be sustainable and can impact future revenue growth

Platform Annual Transacting Users(1) Cohort				
	ATU (millions)	Year I	Year II	Year III
Fiscal 2022	35.09	1.00x	0.59x	0.52x
Fiscal 2023	43.34	1.00x	0.57x	
Fiscal 2024	46.84	1.00x		

B2C Platform Frequency Retention by Cohort(2)			
	Year I	Year II	Year III
Fiscal 2022	1.00x	1.09x	1.16x
Fiscal 2023	1.00x	1.12x	
Fiscal 2024	1.00x		

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Regulatory changes around gig workers

Swiggy's business model relies heavily on a large network of delivery partners, making the company vulnerable to regulatory changes concerning gig worker welfare. Implementation of stricter regulations, including minimum wage requirements and social security contributions, increases operating costs significantly and necessitates raising the commission rates for partners or delivery charges for customers, which, in turn, could impact demand and profitability. Past incidents of delivery partner strikes highlight the potential for future disruptions, particularly as regulations evolve.

Rising competitive intensity could impact sector profitability

Although, the near-duopoly structure (Swiggy and Zomato have ~>97% of the market's GOV) and control over unit economies creates substantial barriers to entry in the rapidly expanding market [food delivery market in India is expected to grow at a 17-22% CAGR to reach Rs1.4-1.7tr (US$17-21bn) by CY28F from Rs640bn (US$8bn) in CY23] could attract capital-rich competition, leading to aggressive discounts in a market where consumer loyalty hinges on discount offers. This, in turn, could not just impact the profitability dynamics of the food delivery business but also the growth metrics in quick commerce and, in turn, the valuation.

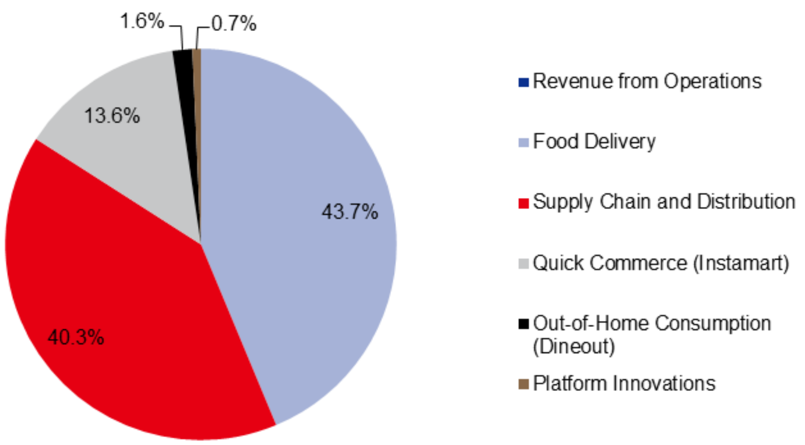
Order frequency growth assumption has upside risk

Our growth assumptions factor an increase in available market opportunity and rise in MTU while ordering frequency assumptions are conservative. Material increase in ordering frequency could be an upside risk to our estimates and target price.

About Swiggy

Swiggy, a consumer-focused technology company established in 2013, operates a convenient, user-friendly platform accessible through a unified app. The platform facilitates browsing, selection, ordering, and payment for a variety of products and services, including food delivery, grocery and household items through Instamart, restaurant reservation through Dineout, event booking via SteppinOut, and hyperlocal commerce activity. Under platform innovations, the company offers additional services, such as product pick-up and drop-off with Genie and hyperlocal commerce offerings like Swiggy Minis to further expand the platform's utility. Swiggy supports the restaurant industry through a B2B supply chain and distribution service, ensuring efficient order fulfilment for wholesalers, retailers, and FMCG companies. This model relies on an on-demand delivery network and business enablement solutions for partners.

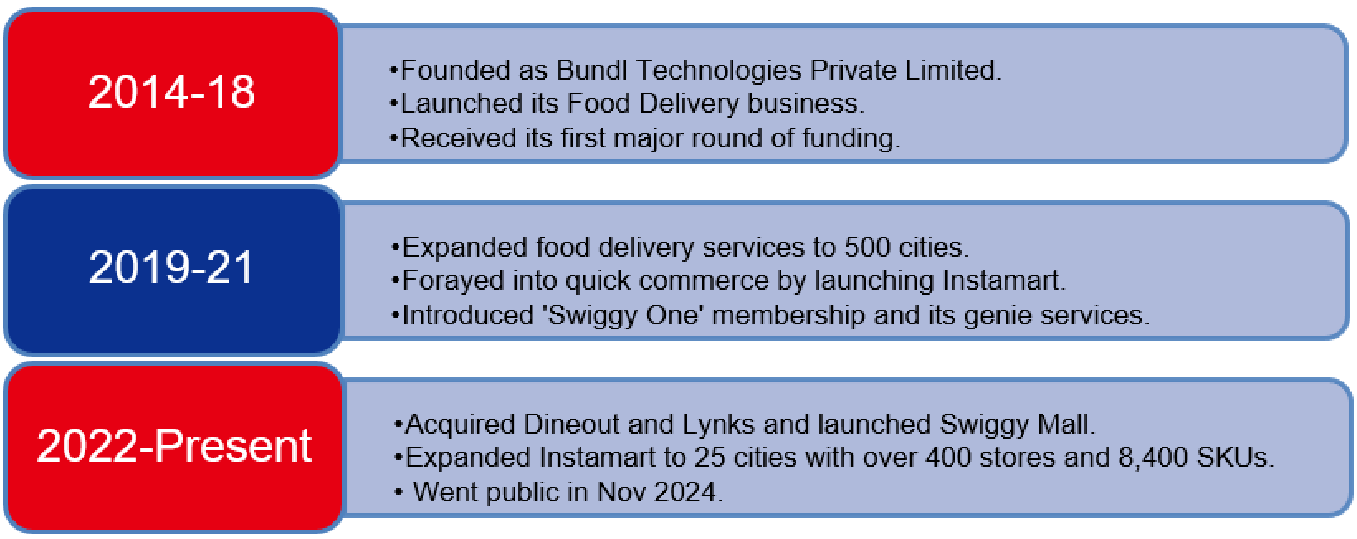
Figure 114: Swiggy's 2QFY25 revenue break-up



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Genesis of the company

Figure 115: Evolution of Swiggy



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 116: Funding timeline

Date	Round	Amount	Valuation	Lead Investors
Feb 2015	Series A	US$2m	US$4.87m	Accel, Elevation Capital.
Jun 2015	Series B	US$16.5m	US$50.1m	Norwest Venture Partners, Accel, Elevation Capital, and DST Global.
Dec 2015	Series C	US$35m	US$134m	Harmony Partners, RB Investments, Accel, Norwest Venture Partners. and others.
Apr 2016	Series C	US$7m	US$141m	Norwest Venture Partners, Accel, and DST Global.
Sep 2016	Series D	US$15m	US$204m	Bessemer Venture Partners, Accel, Norwest Venture Partners, and others.
Jan 2017	Venture Debt	US$5m	-	Innoven Capital.
May 2017	Series E	US$80m	US$399m	Naspers, Accel, Bessemer Venture Partners, and others.
Jan 2018	Series F	US$101m	US$736m	Naspers, Prosus, and Meituan Dianping.
Jun 2018	Series G	US$210m	US$1.26bn	DST Global, Naspers, Coatue, Prosus, and Meituan Dianping.
Dec 2018	Series H	US$1bn	US$3.2bn	Naspers, Tencent, DST Global, Hillhouse, Wellington, Meituan, Coatue
Feb 2020	Series I	US$113m	US$3.52bn	Naspers, Prosus, Meituan, and Wellington.
Apr 2020	Series I	US$43m	US$3.37bn	Tencent, Naspers, ARK Impact Asset Management, Mirae Asset Capital Markets, Samsung Venture Investment, and Korea Investment Partners.
Apr 2021	Series J	US$1.25bn	US$5.25bn	Prosus, SoftBank Vision Fund, Alpha Wave Global, Amansa Capital, Accel, Qatar Investment Authority, GIC, Naspers, and others.
Jan 2022	Series K	US$700m	US$10.1bn	Invesco Mutual Fund, Sumeru Ventures, 360 One, Axis Growth, Qatar Investment Authority, and others.
Aug 2023	Series K-1	US$46.4m	US$9.43bn	P R Venketrama Raja, Ramco Industries, and others.
Nov 2024	IPO	US$1.3bn	US$11.3bn	Individual Investors.

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Food delivery business

Swiggy launched its food delivery business in 2014 and operates as a marketplace model connecting users with a network of restaurant partners via a mobile application or website. Users can discover restaurants, browse menus, place orders, and track deliveries. Swiggy earns revenue through pre-agreed commissions from its restaurant partners, advertising revenue, and fees charged to users and delivery partners for using the technology platform. Swiggy also offers additional services like 'PocketFriendly' with curated budget-friendly menus and 'Swiggy Gourmet' featuring premium restaurants and products. The food delivery business accounted for 47% of its 2QFY25 revenue and 44% of FY24 revenue.

Quick commerce business

Swiggy launched its quick commerce business, Instamart, in 2020 and offers users on-demand delivery of groceries and an expanding selection of household items. Users can order through the unified Swiggy app, and the orders are processed through a network of dark stores and delivered by Swiggy's delivery partners. As of Jun 2024-end, Instamart operates in 54 cities across India and offers an average delivery time of approximately 12.6 minutes. Swiggy's revenue from its quick commerce segment comes through pre-agreed commissions from merchant partners, advertising revenue from brand partners, fees from users and delivery partners, and fees for other business enablement services provided to merchants. The quick commerce business accounted for 13.6% of its 2QFY25 revenue and 9% of FY24 revenue.

Supply chain & distribution business

Swiggy's supply chain and distribution business focuses on providing comprehensive services to wholesalers, retailers, and FMCG brands. This segment leverages Swiggy's warehousing capabilities to streamline operations and ensure efficient order fulfilment, including picking, packing, and shipping. Swiggy manages 2.6msq.ft. of warehousing space across 13 cities and has approximately 680 authorised brand distribution partnerships, serving around 87,000 retailers and wholesalers as of 1QFY25-end. Revenue in this segment is generated from the sale of goods to these partners, supply chain management services like warehousing and logistics, and other business enablement services such as facilitation fees. This segment is operated through the subsidiary, Scootsy Logistics Private Limited, which also acts as an authorized distributor for various leading brands in India. The transactional flow involves Scootsy procuring goods from brands and managing their storage and distribution to wholesalers and retailers. Supply chain business accounted for 39% of 2QFY25 revenue and 40.3% of FY24 revenue.

Out-of-home consumption business

Swiggy's out-of-home consumption business segment, launched in Jul 2022, primarily comprises restaurant dining solutions through Dineout and curated outdoor events through SteppinOut. Dineout, acquired from Times Internet, allows users to discover restaurants, view menus and photos, book tables, avail promotions, and make digital payments directly through the Swiggy app. As of 2QFY25-end, Dineout had an average 35k active restaurant partners listed on the platform. Swiggy's existing relationships with restaurants, cultivated through its food delivery business, have been instrumental in establishing and growing this segment. SteppinOut, on the other hand, focuses on providing access to curated outdoor events and covers all aspects of event planning and execution, including concept development, production, ticketing collaborations, venue booking, and event management in partnership with third-party providers. Out-of-home consumption accounted for 1% of 2QFY25 and FY24 revenue.

Platform innovations business

Swiggy's platform innovations business acts as an incubator for new service offerings aiming at creating frequent and meaningful interactions with users. This segment includes initiatives like Swiggy Genie, an on-demand pick-up/drop-off service launched in 2020, and Swiggy Minis, introduced in 2022, which allows local brands to set up online storefronts on the Swiggy platform. The platform innovations segment also houses Swiggy Mall, a service that allowed users to order from shopping malls, before it was integrated into Instamart in 2024. Additionally, this segment encompasses Swiggy's private label brands. Swiggy utilizes a structured framework for new offerings, assessing their product and market fit in a capital-efficient manner for a specific timeframe before deciding to scale, pivot, or discontinue them.

Figure 117: Management details

Name	Designation	Year of Joining
Sriharsha Majety	Co-Founder, Managing Director & Group Chief Executive Officer	2013
Rahul Bothra	Chief Financial Officer	2017
Nandan Reddy Obul	Head of Innovation	2013
Rohit Kapoor	CEO of Food Marketplace	2022
Phani Kishan Addepalli	Chief Growth Officer	2015
Amitesh Jha	CEO of Instamart	2024
Girish Menon	Chief Human Resources Officer	2016
Madhusudhan Rao Subbarao	Chief Technology Officer	2018

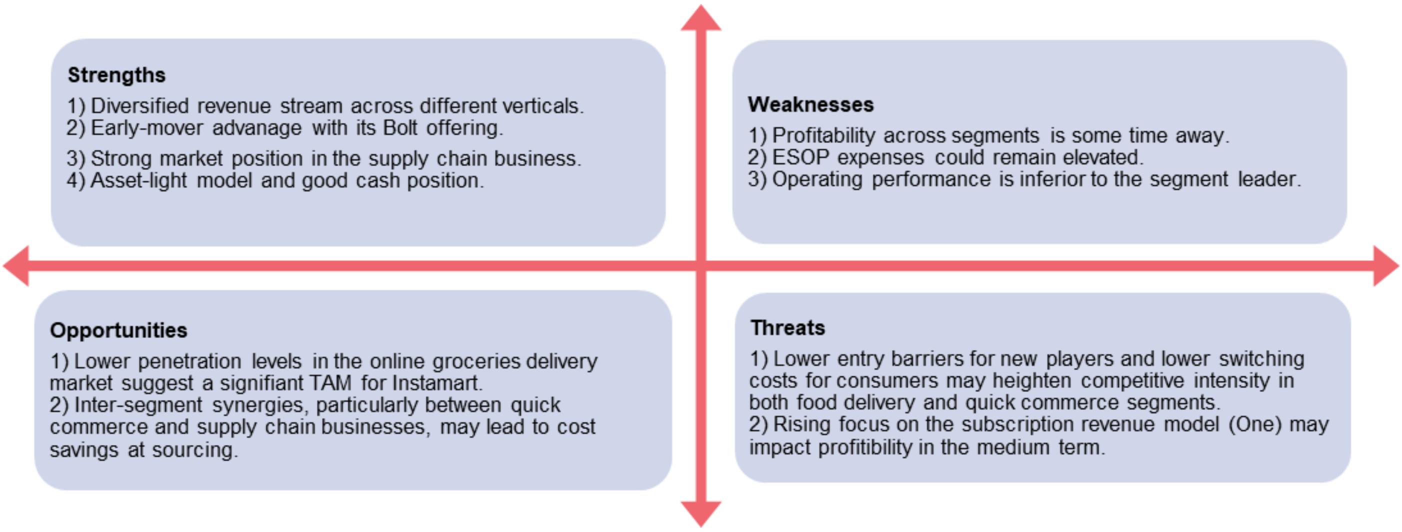
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 118: Board of directors

Name	Designation
Anand Kripalu	Chairman and Independent Director
Sriharsha Majety	Co-Founder, Managing Director & Group Chief Executive Officer
Lakshmi Nandan Reddy Obul	Whole-time Director & Head of Innovation
Shailesh Vishnubhai Haribhakti	Independent Director
Sahil Barua	Independent Director
Suparna Mitra	Independent Director
Anand Daniel	Nominee Director (Non-Executive), representing Accel Entities
Ashutosh Sharma	Nominee Director (Non-Executive), representing MIH
Sumer Juneja	Nominee Director (Non-Executive), representing SoftBank
Roger Clark Rabalais	Nominee Director (Non-Executive), representing MIH

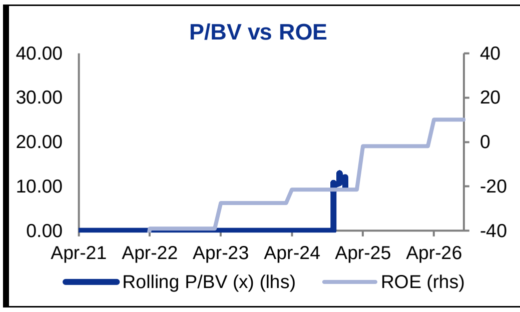
SOURCE: COMPANY REPORTS, INCRED RESEARCH

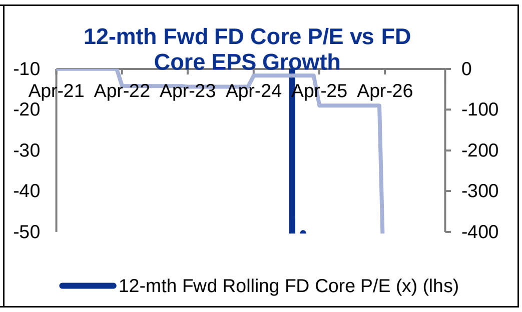
Figure 119: SWOT analysis



SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	**82,646**	**112,474**	**148,660**	**192,184**	**242,072**
Gross Profit	**27,539**	**46,310**	**66,707**	**100,277**	**137,856**
Operating EBITDA	**(42,758)**	**(22,080)**	**(20,101)**	**(10,334)**	**4,456**
Depreciation And Amortisation	(2,858)	(4,206)	(5,389)	(3,844)	(4,841)
Operating EBIT	**(45,616)**	**(26,286)**	**(25,490)**	**(14,178)**	**(385)**
Financial Income/(Expense)	(582)	(714)	(890)	(922)	(922)
Pretax Income/(Loss) from Assoc.	(1)	(66)	(2)		
Non-Operating Income/(Expense)	4,499	3,870	6,955	12,492	15,735
Profit Before Tax (pre-EI)	**(41,700)**	**(23,196)**	**(19,427)**	**(2,608)**	**14,428**
Exceptional Items	(93)	(306)	(152)		
Pre-tax Profit	**(41,793)**	**(23,502)**	**(19,579)**	**(2,608)**	**14,428**
Taxation				652	(3,607)
Exceptional Income - post-tax					
Profit After Tax	**(41,793)**	**(23,502)**	**(19,579)**	**(1,956)**	**10,821**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**(41,793)**	**(23,502)**	**(19,579)**	**(1,956)**	**10,821**
Recurring Net Profit	(41,700)	(23,196)	(19,427)	(1,956)	10,821
Fully Diluted Recurring Net Profit	**(41,700)**	**(23,196)**	**(19,427)**	**(1,956)**	**10,821**

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	(42,758)	(22,080)	(20,101)	(10,334)	4,456
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,139)	1,988	(74)	(407)	(467)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,190	5,240			
Other Operating Cashflow	2,411	1,638	(6,219)	(11,570)	(14,813)
Net Interest (Paid)/Received	146	48	6,065	11,570	14,813
Tax Paid	(449)	38		652	(3,607)
Cashflow From Operations	**(40,599)**	**(13,127)**	**(20,329)**	**(10,089)**	**383**
Capex	(1,683)	(3,517)	(2,000)	(4,000)	(6,000)
Disposals Of FAs/subsidiaries	110	77			
Acq. Of Subsidiaries/investments	40,759	17,401			
Other Investing Cashflow	493	624	6,955	12,492	15,735
Cash Flow From Investing	**39,678**	**14,585**	**4,955**	**8,492**	**9,735**
Debt Raised/(repaid)		1,076			
Proceeds From Issue Of Shares			44,990		
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(1,715)	(2,304)	(890)	(922)	(922)
Cash Flow From Financing	**(1,715)**	**(1,228)**	**44,100**	**(922)**	**(922)**
Total Cash Generated	(2,636)	229	28,726	(2,519)	9,196
Free Cashflow To Equity	**(42,282)**	**(15,568)**	**(22,329)**	**(14,089)**	**(5,617)**
Free Cashflow To Firm	**(339)**	**2,171**	**(14,484)**	**(675)**	**11,040**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	15,158	17,177	45,903	43,383	52,579
Total Debtors	10,623	9,639	12,626	16,323	20,560
Inventories	106	487	407	527	663
Total Other Current Assets	3,768	2,780	2,780	2,780	2,780
Total Current Assets	**29,655**	**30,082**	**61,715**	**63,012**	**76,581**
Fixed Assets	8,596	10,406	7,017	7,174	8,332
Total Investments	66,211	52,660	52,660	52,660	52,660
Intangible Assets	6,455	10,008	10,008	10,008	10,008
Total Other Non-Current Assets	1,889	2,139	2,139	2,139	2,139
Total Non-current Assets	**83,151**	**75,213**	**71,824**	**71,980**	**73,139**
Short-term Debt	1,550	3,012	3,012	3,012	3,012
Current Portion of Long-Term Debt					
Total Creditors	8,732	8,809	11,643	15,052	18,959
Other Current Liabilities	5,934	8,460	8,460	8,460	8,460
Total Current Liabilities	**16,216**	**20,281**	**23,115**	**26,524**	**30,431**
Total Long-term Debt		960	960	960	960
Hybrid Debt - Debt Component	4,446	4,671	4,671	4,671	4,671
Total Other Non-Current Liabilities	374	290	290	290	290
Total Non-current Liabilities	**4,820**	**5,920**	**5,920**	**5,920**	**5,920**
Total Provisions	1,204	1,178	1,178	1,178	1,178
Total Liabilities	**22,240**	**27,380**	**30,214**	**33,623**	**37,530**
Shareholders Equity	90,566	77,915	103,326	101,370	112,190
Minority Interests					
Total Equity	**90,566**	**77,915**	**103,326**	**101,370**	**112,190**

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	44.9%	36.1%	32.2%	29.3%	26.0%
Operating EBITDA Growth	17.1%	(48.4%)	(9.0%)	(48.6%)	(143.1%)
Operating EBITDA Margin	(51.7%)	(19.6%)	(13.5%)	(5.4%)	1.8%
Net Cash Per Share (Rs)	4.09	3.81	16.65	15.52	19.63
BVPS (Rs)	40.46	34.81	46.16	45.29	50.12
Gross Interest Cover	(78.39)	(36.81)	(28.65)	(15.38)	(0.42)
Effective Tax Rate					25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	48.01	32.88	27.33	27.49	27.81
Inventory Days	0.94	1.64	1.99	1.85	2.08
Accounts Payables Days	60.58	48.38	45.54	53.01	59.56
ROIC (%)	(433.2%)	(156.7%)	(140.1%)	(71.5%)	(1.9%)
ROCE (%)	(40.7%)	(28.7%)	(25.7%)	(9.6%)	(0.3%)
Return On Average Assets	(32.0%)	(20.6%)	(15.5%)	(0.9%)	8.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.