

Internet: Eternal & Swiggy



A buffet of tailwinds

Upgrade Swiggy to BUY; maintain BUY on Eternal

The food delivery and quick commerce industry has faced multiple headwinds over the past few months. **Food delivery (FD) growth slowed** due to weak consumption and macro pressures, while **quick commerce (QC) profitability came under strain** from heightened competition, accelerated dark store rollouts, and elevated customer acquisition costs. We now believe the cycle is turning.

We believe FD growth, which was stunted at 17-18%, could accelerate beyond 20% in the next 2-4 quarters, driven by the upcoming festive season, as well as a spur from the recent GST reforms. In QC, all changes point to easing competition: 1) new entrants have found it difficult to execute and make a meaningful dent in QC market share; 2) we expect most players to moderate dark store expansion pace, which peaked in 4QFY25; 3) an intense focus on cost among the top 3 players should lead to lower discounting, reducing CAC; 4) GST reforms could accelerate QC adoption in non-metro cities.

In summary, we believe the perfect storm has given way to multiple tailwinds. We raise our FD growth estimates for both Zomato and Swiggy to 21-23% for FY26-FY27 (19-20% earlier) and value the FD businesses at 35x FY27E adjusted EBTIDA (27x earlier). We also bring our profitability assumptions for QC forward for Instamart and Blinkit. These lead to upgraded TPs for both Swiggy and Eternal. We **upgrade Swiggy to BUY** with a TP of INR560, implying 32% upside, and **retain our BUY rating** on Eternal with a TP of INR420, implying 29% upside.

Food Delivery: Time to eat that cake

- **FD growth had decelerated meaningfully in recent quarters**, weighed down by weak consumer sentiment and broader macro headwinds. As shown in Exhibit 9, FD GOV growth slowed from 19-20% in FY23-24 to 18% in FY25 for both Swiggy/Zomato. We now see this trend reversing.
- **Discretionary spending could rebound**, supported by GST reforms that leave more disposable income in the consumer's hands. As confidence returns, both dining-out and at-home delivery should accelerate too, providing a boost to platform order volumes as well as order frequency.
- **We raise our FD growth estimates** and now forecast **23% CAGR in GMV over FY26-28 vs. 19% earlier**.

Quick Commerce: Counting calories

- The QC industry is transitioning from the land-grab phase to a more cost-conscious operating model.
- **Past pressures:**
 - **High competitive intensity:** Between **Sep'24 and Apr'25**, customer acquisition costs and dark store expansion peaked as all major players pushed aggressively to capture share. Intense discounting and promotional burn led to contribution margin loss across much of the industry.

- **Dark store expansion:** The number of dark stores grew rapidly during this period, pressuring utilization and economics (Exhibit 8).
- **Customer acquisition costs:** These costs surged to unsustainable levels as platforms fought for new users, pushing payback periods further out, leading to poor contribution margins (Exhibit 10).
- **What is changing:**
- **Rational competition:** We believe discounting intensity will ease going forward, supported by measured aggression by new entrants as well as incumbents. We expect this rationalization to deepen over the next few quarters.
- **Moderation in dark store expansion:** Swiggy has slowed its rollout pace, focusing instead on sweating existing assets. Blinkit, while still expanding, benefits from higher density and leadership positioning.
- **Policy support:** Lower GST burden provides a structural tailwind for penetration and unit economics.
- **Improving operating leverage:** With expansion peaking behind us, dark store costs as a % of GMV should decline steadily, driving margin expansion.

Regarding Section 9(5) and the additional GST burden on delivery charges

- The **new GST regime has explicitly brought delivery fees (charged to customers) under Section 9(5)**, requiring platforms like Swiggy and Zomato to pay GST directly on this component.
- Previously, aggregators were already liable for restaurants and small sellers (since Jan-2022), but **delivery services were excluded**, creating a loophole. This gap triggered large tax notices—on Zomato and Swiggy over the past couple of years—as authorities argued that delivery workers or customers should bear the burden.
- The recent clarification closes this gap, formalizing liability at the platform level. It is unclear whether companies will pass this on to consumers or absorb it; either way, the impact is modest ($\approx 0.3\text{-}0.5\%$ of EBITDA for FD), and we believe the knock-on positives from higher consumption and quick commerce adoption outweigh this.

Valuation and view: Upgrade Swiggy to BUY; raise estimates

- We raise our FD growth estimates for both **Zomato and Swiggy to 21-23% for FY26-27** (vs. 19-20% earlier). To capture this stronger growth outlook, we now **value FD businesses at 35x FY27E adjusted EBITDA**, compared to 27x earlier, reflecting not only faster top-line recovery but also improved visibility on profitability.
- On the QC side, we bring forward our **profitability assumptions for Instamart and Blinkit**, as easing competitive intensity, moderating dark store expansion, and declining customer acquisition costs have accelerated the path to breakeven. We expect contribution margins to recover meaningfully over the next few quarters.
- The revisions lead to **upgraded target prices for both Swiggy and Eternal**. We upgrade **Swiggy to BUY** with a TP of INR560 (implying 32% upside), reflecting the inflection in FD growth and improved unit economics in QC. We **retain our BUY rating on Eternal** with a TP of INR420 (implying 29% upside), as we continue to see structural tailwinds and upside to earnings estimates for the company.

Eternal's valuation and change in estimates

Exhibit 1: Summary of our revised estimates

	Revised estimates		Earlier estimates		Change (%/bp)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue (INR m)	3,40,676	5,58,105	3,39,444	5,41,174	0.4%	3.1%
EBITDA (INR m)	12,507	42,752	12,319	36,378	1.5%	17.5%
EBITDA Margin	3.7	7.7	3.6	6.7	4bp	94bp
PAT	10,922	41,213	10,766	35,134	1.5%	17.3%
PAT Margin	3.2	7.4	3.2	6.5	3bp	89bp
EPS	1.22	4.59	1.20	3.92	1.5%	17.3%

Source: MOFSL

Exhibit 2: Quick commerce's DCF assumptions

DCF Assumptions & Valuation

Quick Commerce

Order growth (FY25-37)	29.7%
AOV growth (FY25-37)	1.2%
GOV growth (FY25-37)	31.1%

Source: MOFSL

Exhibit 3: Eternal's SoTP-based TP at INR420

Assumptions and Valuation	Food Delivery	Quick Commerce (DCF)	Other businesses	Cash	Total
Valuation methodology	Valued at EV/EBITDA multiple	DCF	Ascribing ~USD1bn value to Hyperpure, Going Out, and any other residual business		
WACC	-	11.5%	-		
Terminal Growth	-	5.5%	-		
EV/EBITDA multiple	35x	-	-		
EV (INR mn)	8,93,601	23,37,328	83,000	1,15,860	
Contribution (INR rounded)	110	287	10	14	420

Source: MOFSL

Swiggy's valuation and change in estimate

Exhibit 4: Summary of our revised estimates

	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue (INR m)	2,28,845	3,28,185	2,23,281	3,05,603	2.5%	7.4%
EBITDA (INR m)	-32,960	-9,788	-33,740	-19,363	-2.3%	-49.5%
EBITDA Margin	-14.4	-3.0	-15.1	-6.3	71bp	335bp
PAT	-38,353	-16,875	-38,939	-25,660	-1.5%	-34.2%
PAT Margin	-16.8	-5.1	-17.4	-8.4	68bp	325bp
EPS	-16.77	-7.38	-17.03	-11.22	-1.5%	-34.2%

Source: MOFSL

Exhibit 5: DCF assumptions and valuation

DCF Assumptions & Valuation

Quick Commerce

Order growth (FY25-37)	29.2%
AOV growth (FY25-37)	3.4%
GOV growth (FY25-37)	33.6%

Source: MOFSL

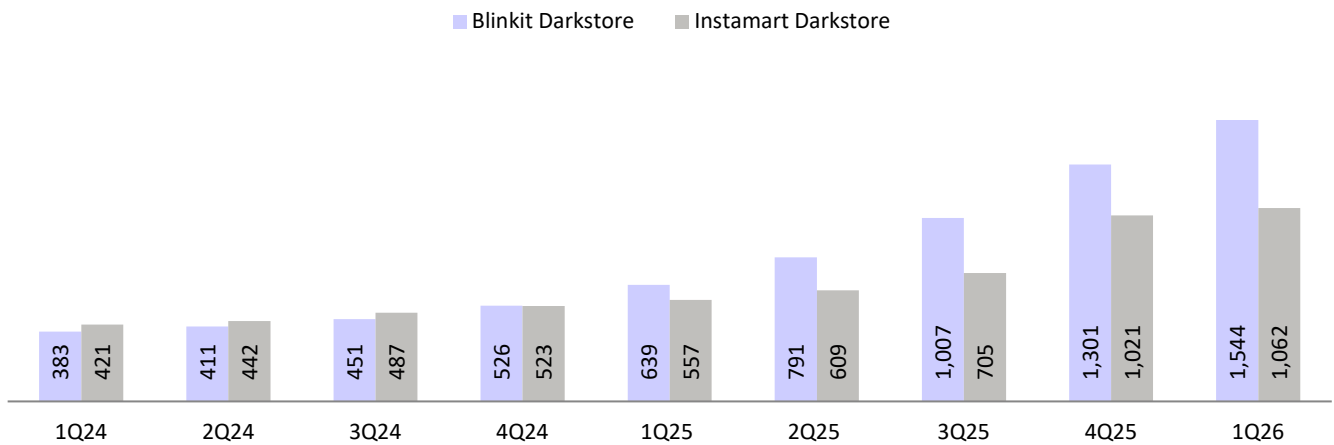
Exhibit 6: SoTP-based TP at INR560

Segment	Methodology	Methodology description	Valuation toward SWIGGY (INR b)	Contribution (INR per share)
Food Delivery Business	Multiples	❖ 35x FY27E EV/EBITDA	554	242
Quick Commerce Business	DCF	❖ Estimate 34% GOV CAGR and avg. contribution margin of 3.0% over FY25-37. Our WACC/terminal growth estimate stands at 12.5%/6.5%, respectively.	599	262
Other businesses		❖ Ascribing ~USD1bn value to Out of Home Consumption and Supply Chain businesses	83	36
Cash on the books			54	23
Total (Rounded)				560

Source: MOFSL

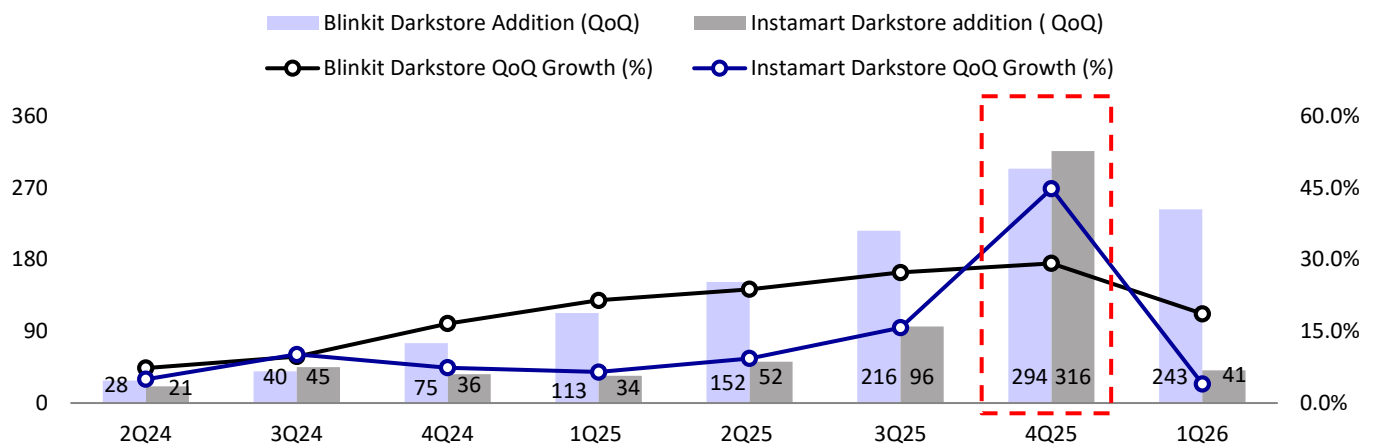
Story in charts

Exhibit 7: Blinkit leads in dark stores, but Instamart has narrowed the gap in recent quarters.



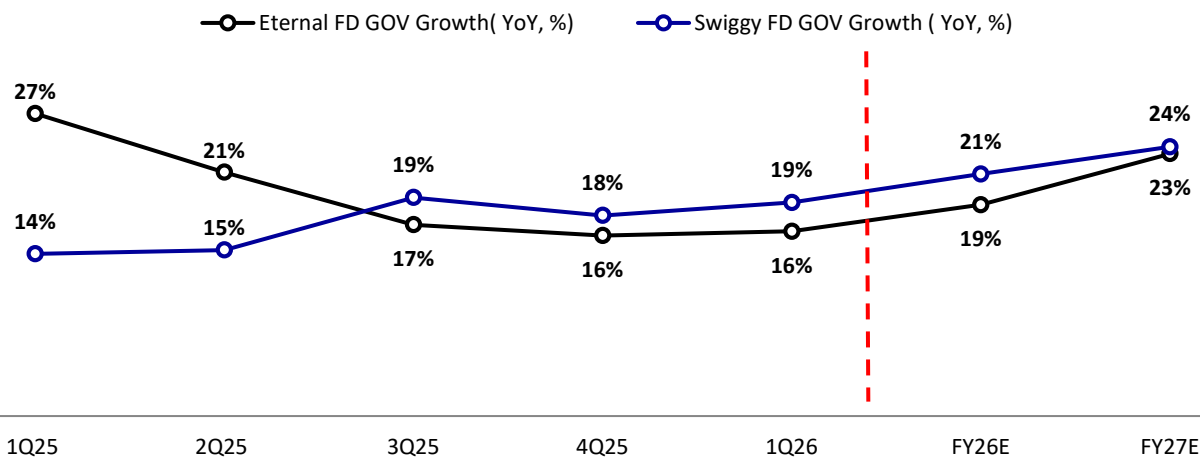
Source: MOFSL, Company

Exhibit 8: Blinkit and Instamart added the highest number of stores in 4Q; going forward, Blinkit aims for 3,000 stores, while Instamart will expand selectively.



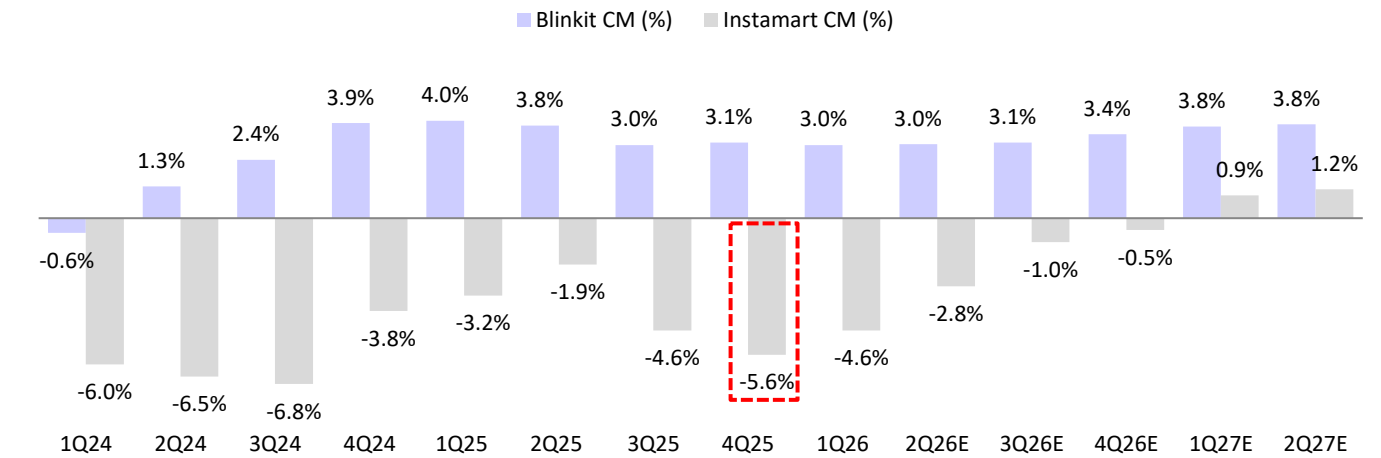
Source: MOFSL, Company

Exhibit 9: Food delivery is now steady-state business for both peers and we expect 21-23% GOV growth



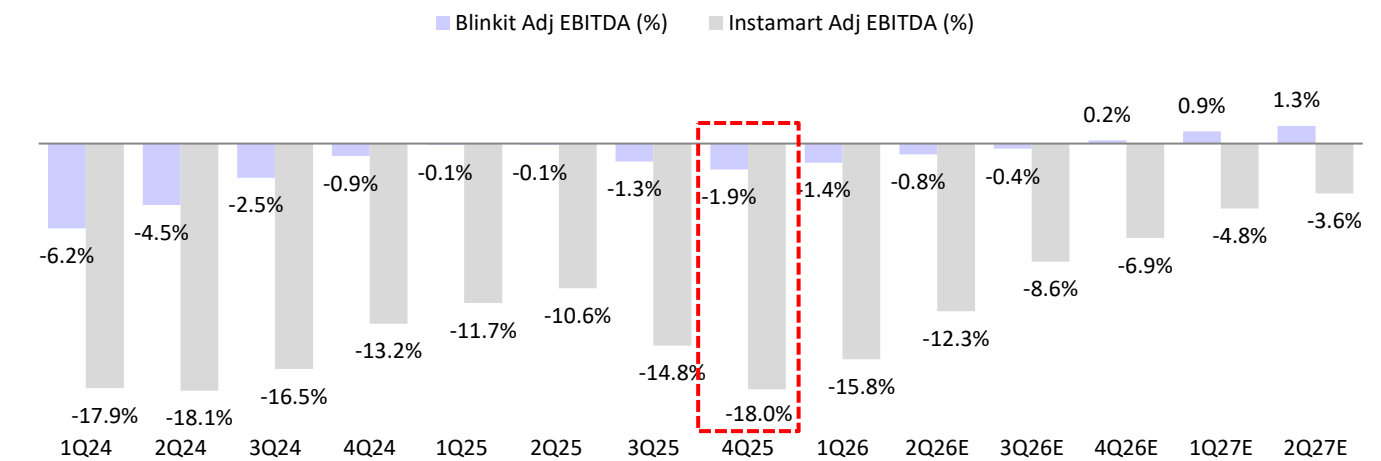
Source: MOFSL, Company

Exhibit 10: Instamart CM losses have peaked out in 4QFY25 and we expect CM for both companies to improve gradually on the back of easing competitive intensity, moderating dark store expansion, and declining customer acquisition costs



Source: MOFSL, Company

Exhibit 11: We expect Blinkit's operating breakeven by 1QFY27E, while Instamart's improved contribution margin and lower fixed costs should improve EBITDA margins



Source: MOFSL, Company

Financials and valuations - Eternal

Revenue Model						(INR M)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
MTU (Mn)	6.8	14.7	17.1	18.4	20.6	24.7	28.2
Order Frequency	2.9	3.0	3.2	3.5	3.6	3.6	3.8
Orders/ Month	19.9	44.7	54.0	63.9	73.9	87.6	107.7
Orders/ Year	239	537	648	766	886	1,051	1,293
AOV	397	398	407	420	436	436	436
Delivery GOV	94,829	2,13,565	2,63,381	3,22,039	3,86,430	4,58,319	5,63,615
Take Rate (%)	15.8	17.2	17.2	19.7	20.9	21.4	21.5
Delivery Revenue	15,003	36,645	45,381	63,572	80,796	97,995	1,21,177
Blinkit Revenue	0	0	8,058	23,020	52,060	1,24,365	2,59,137
Hyperpure revenue	2,002	5,376	15,061	31,720	61,960	1,08,790	1,65,435
Others	2,933	-97	2,294	2,828	7,614	9,526	12,356
Revenue	19,938	41,924	70,794	1,21,140	2,02,430	3,40,676	5,58,105
Income statement						(INR M)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Sales	19,938	41,924	70,794	1,21,140	2,02,430	3,40,676	5,58,105
Change (%)	-23.5	110.3	68.9	71.1	67.1	68.3	63.8
Inventory of traded goods	1,919	5,246	13,952	28,820	55,650	1,02,671	1,53,854
Employee Expenses	7,408	16,331	14,650	16,590	25,580	41,445	72,488
Other direct expenses	-8,333	-14,125	2,173	19,990	38,340	67,296	1,16,316
Gross Profit	-925	2,206	16,823	36,580	63,920	1,08,741	1,88,803
% of Net Sales	-4.6	5.3	23.8	30.2	31.6	31.9	33.8
Other Expenses	3,746	20,714	28,936	36,160	57,544	96,234	1,46,051
EBITDA	-4,672	-18,508	-12,113	420	6,376	12,507	42,752
% of Net Sales	-23.4	-44.1	-17.1	0.3	3.1	3.7	7.7
Depreciation	1,377	1,503	4,369	5,260	8,630	15,245	17,220
EBIT	-6,049	-20,011	-16,482	-4,840	-2,254	-2,738	25,532
% of Net Sales	-30.3	-47.7	-23.3	-4.0	-1.1	-0.8	4.6
Other Income (net)	1,146	4,829	6,328	7,750	9,230	17,127	20,282
PBT	-4,904	-15,182	-10,154	2,910	6,976	14,389	45,814
Tax	13	20	-436	-600	1,700	3,467	4,601
Rate (%)	-0.3	-0.1	4.3	-20.6	24.4	24.1	10.0
PAT	-4,917	-15,202	-9,718	3,510	5,276	10,922	41,213
Extraordinary gains/loss	-3,248	2,974	1	0	0	0	0
Adjusted PAT	-8,164	-12,228	-9,717	3,510	5,276	10,922	41,213
Minority Interest	-36	3	-3	0	0	0	0
Reported PAT	-8,128	-12,225	-9,720	3,510	5,276	10,922	41,213
Balance Sheet						(INR M)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Share capital	4,550	7,643	8,364	8,680	9,070	9,070	9,070
Reserves	76,438	1,57,412	1,86,234	1,95,450	2,94,100	3,05,022	3,46,235
Net Worth	80,987	1,65,055	1,94,598	2,04,130	3,03,170	3,14,092	3,55,305
Minority Interest & Others	-57	-66	-66	-70	-70	-70	-70
Loans	0	0	58	0	0	0	0
Capital Employed	80,930	1,64,989	1,94,590	2,04,060	3,03,100	3,14,022	3,55,235
Net Block	838	1,157	6,432	9,950	29,340	38,279	41,069
Intangibles	14,553	12,892	57,071	54,710	66,490	58,058	52,000
Other LT assets	30,138	83,771	44,174	1,14,320	1,43,390	1,43,390	1,43,390
Curr. Assets	41,505	75,450	1,08,310	54,580	1,17,010	1,37,404	1,97,578
Debtors	1,299	1,599	4,569	7,940	19,460	32,750	53,652
Cash & Bank Balance	3,065	3,923	2,181	3,090	6,660	13,764	53,036
Investments	28,024	28,149	52,837	17,020	52,200	52,200	52,200
Other Current Assets	9,118	41,779	48,723	26,530	38,690	38,690	38,690
Current Liab. & Prov	6,105	8,281	21,397	29,500	53,130	63,108	78,800
Net Current Assets	35,400	67,169	86,913	25,080	63,880	74,297	1,18,778
Application of Funds	80,930	1,64,989	1,94,590	2,04,060	3,03,100	3,14,024	3,55,237

Financials and valuations - Eternal

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	-1.0	-1.7	-1.2	0.4	0.6	1.2	4.6
Cash EPS	-0.8	-1.5	-0.7	1.0	1.6	2.9	6.5
Book Value	15.0	22.6	24.1	23.7	33.8	35.0	39.6
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	NA	NA	NA	NA	NA	NA	NA
Cash P/E	NA	NA	NA	NA	NA	NA	NA
EV/EBITDA	NA	NA	NA	NA	NA	NA	NA
EV/Sales	88.3	56.9	37.3	23.3	14.5	8.6	5.2
Price/Book Value	21.8	14.5	13.6	13.8	9.7	9.4	8.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profitability Ratios (%)							
RoE	(18.5)	(9.9)	(5.4)	1.8	2.1	3.5	12.3
RoCE	(11.7)	(16.2)	(8.6)	(2.8)	(0.6)	(0.6)	6.5
Turnover Ratios							
Debtors (Days)	24	14	24	24	35	35	35
Fixed Asset Turnover (x)	23.8	36.2	11.0	12.2	6.9	8.9	13.6

Cash Flow Statement

(INR Mn)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
CF from Operations	-2,798	-9,221	-6,373	6,330	15,190	14,787	45,032
Cash for Working Capital	-7,567	2,483	-1,759	1,180	-10,930	-3,312	-5,209
Net Operating CF	-10,365	-6,738	-8,132	7,510	4,260	11,475	39,823
Net Purchase of FA	-104	-572	-1,014	-2,020	-9,310	-15,752	-13,953
Free Cash Flow	-10,469	-7,310	-9,146	5,490	-5,050	-4,277	25,870
Net Purchase of Invest.	-52,332	-78,806	5,587	-1,450	-70,620	19,680	22,960
Net Cash from Invest.	-52,436	-79,378	4,573	-3,470	-79,930	3,928	9,008
Proc. from equity issues	66,083	90,000	40	230	85,010	-2,280	-2,280
Proceeds from LTB/STB	-26	-13	-231	-400	0	0	0
Others	-2,038	-2,489	-1,083	-1,900	-4,590	-2,553	-2,679
Dividend Payments	0	0	0	0	0	0	0
Cash Flow from Fin.	64,019	87,498	-1,274	-2,070	80,420	-4,833	-4,959
Net Cash Flow	1,218	1,382	-4,833	1,970	4,750	10,570	43,872
Opening Cash Bal.	1,672	3,065	3,923	2,181	3,091	6,661	13,764
Forex differences	-10	-332	3,399	-10	0	0	0
Add: Net Cash	1,218	1,382	-4,833	1,970	4,750	10,570	43,872
Closing Cash Bal.	2,880	4,115	2,489	4,141	7,841	17,231	57,637

Financials and valuations - Swiggy

Revenue Model						(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
MTU (m)	9.9	11.6	12.7	14.7	17.6	20.6
Order Frequency	3.8	3.7	3.8	3.7	3.8	4.0
Orders/ Month	37.8	43.1	48.1	55.0	66.7	82.5
Orders/ Year	454	517	578	660	801	990
AOV	407	416	428	436	436	436
Delivery GOV	1,84,788	2,15,171	2,47,174	2,87,823	3,49,073	4,31,708
Take Rate (%)	18.4	19.2	20.9	22.1	22.4	22.5
Delivery Revenue	33,913	41,300	51,601	63,529	78,348	97,134
Instamart Revenue	828	4,514	9,786	21,296	45,370	90,622
Out-of-home consumption revenue	0	777	1,572	2,385	3,248	4,547
Others	22,307	36,056	49,515	65,058	1,01,880	1,35,882
Revenue	57,049	82,646	1,12,474	1,52,268	2,28,845	3,28,185

Income statement						(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Sales	57,049	82,646	1,12,474	1,52,268	2,28,845	3,28,185
Change (%)	NA	44.9	36.1	35.4	50.3	43.4
Inventory of traded goods	22,680	33,809	46,042	60,015	95,601	1,28,874
Employee Expenses	17,085	21,298	20,122	25,489	29,364	39,226
Other direct expenses	199	6,241	26,189	41,275	74,517	1,20,858
Gross Profit	17,284	27,539	46,310	66,764	1,03,881	1,60,084
% of Net Sales	30.3	33.3	41.2	43.8	45.4	48.8
Other Expenses	53,794	70,297	68,390	94,622	1,36,840	1,69,872
EBITDA	-36,511	-42,758	-22,080	-27,858	-32,960	-9,788
% of Net Sales	-64.0	-51.7	-19.6	-18.3	-14.4	-3.0
Depreciation	1,701	2,858	4,206	6,123	9,153	11,486
EBIT	-38,212	-45,616	-26,286	-33,981	-42,113	-21,275
% of Net Sales	-67.0	-55.2	-23.4	-22.3	-18.4	-6.5
Other Income (net)	3,665	3,917	3,156	2,956	3,760	4,400
PBT	-34,547	-41,699	-23,130	-31,025	-38,353	-16,875
Tax	0	0	0	0	0	0
Rate (%)	0.0	0.0	0.0	0.0	0.0	0.0
PAT	-34,547	-41,699	-23,130	-31,025	-38,353	-16,875
Extraordinary gains/loss	1,732	93	306	118	0	0
Adjusted PAT	-36,279	-41,792	-23,436	-31,143	-38,353	-16,875
Minority Interest	10	1	66	26	10	0
Reported PAT	-36,289	-41,793	-23,502	-31,169	-38,363	-16,875
Change (%)	NA	NA	NA	NA	NA	NA

Balance Sheet						(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Share capital	1,55,634	1,55,652	1,55,763	2,286	2,286	2,286
Reserves	-32,965	-65,086	-77,848	99,908	69,516	60,601
Net Worth	1,22,669	90,566	77,915	1,02,195	71,802	62,888
Loans	0	0	960	0	0	0
Capital Employed	1,22,669	90,566	78,874	1,02,195	71,802	62,888
Net Block	7,738	8,596	10,406	26,838	28,969	30,610
Intangibles	272	6,455	10,008	9,470	9,470	9,470
Other LT assets	14,711	19,529	17,514	24,690	24,690	24,690
Curr. Assets	1,21,336	78,227	67,366	91,056	58,275	55,499
Debtors	11,119	10,623	9,639	24,625	19,611	28,124
Cash & Bank Balance	10,961	8,325	8,691	12,306	34,558	23,270
Investments	90,757	48,885	37,323	33,921	0	0
Other Current Assets	8,498	10,393	11,714	20,203	4,105	4,105
Current Liab. & Prov	21,388	22,240	26,420	49,858	49,601	57,381
Net Current Assets	99,948	55,987	40,946	41,197	8,673	-1,882
Application of Funds	1,22,669	90,566	78,874	1,02,195	71,802	62,888

Financials and valuations - Swiggy

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)						
EPS	-18.6	-19.3	-10.7	-13.6	-16.8	-7.4
Cash EPS	-17.8	-18.0	-8.8	-11.0	-12.8	-2.4
Book Value	63.0	41.9	35.5	44.7	31.4	27.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Payout %	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)						
P/E	NA	NA	NA	NA	NA	NA
Cash P/E	NA	NA	NA	NA	NA	NA
EV/EBITDA	NA	NA	NA	NA	NA	NA
EV/Sales	14.4	11.1	8.3	6.3	4.1	2.9
Price/Book Value	6.8	10.2	12.1	9.6	13.6	15.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
Profitability Ratios (%)						
RoE	(29.6)	(39.2)	(27.8)	(34.6)	(44.1)	(25.1)
RoCE	(30.0)	(40.9)	(29.2)	(33.9)	(41.7)	(26.2)
Turnover Ratios						
Debtors (Days)	71	47	31	59	31	31
Fixed Asset Turnover (x)	7.4	9.6	10.8	5.7	7.9	10.7

Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
CF from Operations	-32,128	-39,460	-15,115	-15,474	-25,000	-1,828
Cash for Working Capital	-6,876	-1,139	1,988	-6,221	4,757	-733
Net Operating CF	-39,004	-40,599	-13,127	-21,695	-20,242	-2,561
Net Purchase of FA	-2,274	-1,573	-3,440	-7,433	36,789	0
Free Cash Flow	-41,278	-42,172	-16,567	-29,128	16,546	-2,561
Net Purchase of Invest.	-89,327	41,251	18,025	-6,291	6,717	-7,927
Net Cash from Invest.	-91,601	39,678	14,585	-13,724	43,505	-7,927
Proc. from equity issues	1,39,058	0	0	45,043	0	0
Proceeds from LTB/STB	-918	0	1,076	-1,643	0	0
Others	-1,799	-1,715	-2,304	-4,367	-1,010	-800
Dividend Payments	0	0	0	0	0	0
Cash Flow from Fin.	1,36,341	-1,715	-1,228	39,034	-1,010	-800
Net Cash Flow	5,736	-2,636	229	3,615	22,253	-11,288
Opening Cash Bal.	5,225	10,961	8,325	8,691	12,306	34,558
Forex differences	0	0	137	0	0	0
Add: Net Cash	5,736	-2,636	229	3,615	22,253	-11,288
Closing Cash Bal.	10,961	8,325	8,691	12,306	34,558	23,270

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Explanation of Investment Rating	
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