

Swiggy

Operator: Ladies and gentlemen, good day and welcome to Swiggy Ltd. Q2 FY27 earnings conference call. All participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference, please signal the operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suman Sharma from the Investor Relations team. Thank you, and over to you, sir.

Suman Sharma: Thank you, operator. Hello, everyone, and welcome to the Q2 FY27 earnings conference call for Swiggy. Our financial results and shareholders' letter have been published on the exchanges, and the information pack has been placed in the Investor Relations section of our website, www.swiggy.com.

We would like to inform you that management may make certain comments on the call that could be deemed forward-looking statements. Specifically, the financial guidance and pro forma information that we will provide on this call are management estimates based on certain assumptions and have not been subject to any audit, review, or examination procedures. Swiggy does not guarantee these statements and is not obliged to update them at any time.

Joining us on the call today are Sriharsha Majety, MD and Group CEO; Rahul Bothra, our CFO; Rohit Kapoor, CEO of Food Marketplace; and Phani Kishan Addepalli, CEO of Instamart. With this brief preamble, let us start the Q&A. Operator, you can please go ahead.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and then one on their touch-tone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Again, to register, you may press star and then one. Your first question comes from the line of Gaurav Malodra with Axis Capital. Please go ahead.

Gaurav Malodra – Axis Capital: Hi, thanks for the opportunity. I had a couple of questions on food and quick commerce. First, on food, could you give us some sense of what you are seeing in terms of emerging competition from Rapido and ONDC? Flipkart is also doing something in food. How are you seeing the landscape?

Sriharsha Majety – MD & Group CEO: Hi, Gaurav, Harsha here. I will take that first question. As of now, with Rapido live to the general public and Flipkart also having opened to the public at scale, even in Bangalore, we are of course closely watching the market. We happen to be participating in this value market through our pilot, Toing. We talked about it extensively in our shareholders' report as well. Over the last 4-5 quarters, we have been closely monitoring the business health and the product-market fit, and we are quite excited by what we are seeing as of now.

Competition has begun, but I think we are able to respond quite strongly, both through the Swiggy app as a platform and through the Toing app. Is there anything specific you would like to follow up on?

Gaurav Malodra – Axis Capital: [inaudible] Sorry, go ahead, please.

Report is AI-generated and may contain inaccuracies.

Swiggy

Sriharsha Majety – MD & Group CEO: Harsha here. As of now, the reason why we are investing in Toing is that we do believe the market can expand if the right proposition, offering value to consumers while being sustainable, can be developed. For us, it was of specific interest because Toing was a common source of insurance for us for a large profit pool at its worst and an addition to a large profit pool at its best. That is the reason why we continue to play for it. We continue to monitor all the health metrics and are continuously devising our plans and iterating on the business based on everything we know.

Gaurav Malodra – Axis Capital: Got it. In the shareholders' letter, even in food, you have mentioned investment towards the affordability thrust. Is Toing where the affordability focus is? Is there some sort of overlap happening between food and Toing from an affordability perspective?

Sriharsha Majety – MD & Group CEO: There is some overlap, but we also talked about the extent of the overlap and how it has been changing over time. Every passing month, as we gain scale, we are seeing the overlap actually reduce, which is what gives us confidence that this is the opening of a new market.

It was part of the goal that there would be some overlap, but we monitor it closely and it is at a very healthy level right now, as we see it. As it has scaled, it is starting to improve. The overlap percentage is reducing, which for us increases our confidence that this is the opening of a new market.

Gaurav Malodra – Axis Capital: Got it. One question on quick commerce. Some of the underlying metrics in quick commerce were decent in terms of MTU addition and throughput per store; those moved up. However, the change in losses seems a little higher. Could you help us understand this? I understand that in the shareholders' letter you have given some sense of where the additional margin compression has come from, but could you give us some sense of how we should think about these losses going forward?

Now that you have started to refocus on growth, would that also mean that you would get back to focusing on Tier 2 markets?

Phani Kishan Addepalli – CEO of Instamart: Phani Kishan here. As Harsha said, this quarter we have gone back to the growth trajectory. We had a good quarter with 13.4% growth. What makes us excited about this growth is that the quality of growth has been very good.

We have seen our retention metrics go up, and our frequency metrics have gone up by 4%. We have added 1.3 million MTUs, as you said, and we have built this on the back of habit building. This habit building has been based on cohort-based user groups, and we have invested behind our differentiated assortment proposition.

This makes us confident about the quality of growth that we have been having. As a result, we believe that as we continue to invest and build the quality of growth, both on the user side—by building frequency habits and building our differentiated assortment, which has actually given us great results in terms of the retention that we see on the platform—and by increasing the productivity of each store, this will take us towards sustainability and profitable growth.

Report is AI-generated and may contain inaccuracies.

Swiggy

This is the journey that we will continue to pursue. We are confident about the quality of growth that we have added in this quarter.

Gaurav Malodra – Axis Capital: Got it. My second question is about the Tier 2 markets and how you are thinking about them now.

Phani Kishan Addepalli – CEO of Instamart: We believe that we have played out our network across Tier 1 and Tier 2 markets. We will continue to focus on markets where we are seeing growth in the same manner: building back our habituated users and reaching out to them through both habit-building categories, such as fresh and staples, as well as by extending our differentiated assortment categories.

This is how we will build our growth across the market. The focus will continue to be on building user quality across the market. This is where we will build our business as we go forward.

Gaurav Malodra – Axis Capital: Thank you.

Operator: Thank you. Your next question comes from the line of Vijit Jain with Citi. Please go ahead.

Vijit Jain – Citi: Hi, thanks for the opportunity. Can you hear me?

Sriharsha Majety – MD & Group CEO: Yes, loud and clear.

Vijit Jain – Citi: Thanks. In the letter, you mentioned that Toing's success can take the overall food marketplace growth to 25–30% from the current range of 18–20%. At the moment, would you be closer to the lower end of that range, around 25%? In general, would that additional 7–10% growth in GMV translate to perhaps 10–15% higher volumes? Am I roughly in the right ballpark when I look at those numbers in that way?

Sriharsha Majety – MD & Group CEO: I cannot answer specifically on the second part, but for the first part of your question, we would be closer to the lower end of the range that we discussed.

Vijit Jain – Citi: Got it. And—

Sriharsha Majety – MD & Group CEO: Sorry, go ahead, please.

Vijit Jain – Citi: No, please go ahead.

Sriharsha Majety – MD & Group CEO: As we mentioned in the shareholders' letter as well, we are also learning and getting more proof points about the business at this time. That is why we are going to invest while we continue to discover answers to some key questions that we have.

Vijit Jain – Citi: Got it. Harsha, just a related question: is Toing now at a point where shutting it down and calling it an experiment is no longer likely? Would you be comfortable making that assessment of Toing at this point? Could you also talk about the retention cohorts that you are seeing on Toing?

You have mentioned retention cohorts on Instamart at 60% in month one and so on. Could you provide any indication of how the retention cohorts of Toing are performing right now, based on

Report is AI-generated and may contain inaccuracies.

Swiggy

whatever the appropriate benchmarks should be? That would be very helpful. That was my second question.

Rahul Bothra – CFO: Hi, Vijit, Rahul here. To answer your question about whether it is an experiment or how ready it is to be scaled, I think we have asked for perhaps another quarter or two before we have seen enough to be able to determine whether this investment in Toing is delivering the frequency growth that we were hoping for, the category extension in terms of new user acquisition to the platform that we were hoping for, and, more importantly, whether some of the earlier cities are turning unit economics positive for repeat users.

You can imagine that in an affordable offering, where the average basket sizes are a fraction of those on the main platform, it is extremely hard to build a business because it requires significant density. It also requires the cost to serve to match revenue, which is also a fraction of that on the main platform.

Our ability to navigate this also comes from the fact that we are building it on the back of the original capacity that we have aggressively built in the main platform. The incremental overhead that we incur is only for user acquisition. The fixed cost is very low in this business; it is all delivery money. Therefore, our ability to scale up or dial down is very agile in this segment.

You should probably give us another quarter or two before we determine whether this experiment has worked. However, we have seen enough to be able to give you the direction that it is moving in the right direction. I think Rohit is here to add to what I said.

Rohit Kapoor – CEO of Food Marketplace: Another notable point is that, as you see in the shareholders' letter, a sizable number of restaurants are seeing Toing's volume contribute meaningfully to their overall infrastructure. So it is not just on the consumer side. In the cities where we are present, roughly 60% of the restaurants, if you speak to them today, have been talking about the two—Swiggy and Toing—very regularly. It is becoming meaningful for them as well.

Rahul Bothra – CFO: To answer your second question on the retention metrics, one thing we can say is that we are seeing better retention metrics than on the core app. Not only are the retention metrics better, but the frequency of even the newer users is 35% higher than on the core app.

The metrics are moving in the right direction. As I said, we need to continue to scale the business with the right marketplace economics, and that is the current focus.

Sriharsha Majety – MD & Group CEO: Thanks so much, Vijit. Harsha here. Building on the Swiggy platform and Swiggy Five is one of the things that we are generally very excited about. That is what I meant when I said that it is discretionary and optional.

Even up to this quarter, and in general, most of our spending has been on new user acquisition and activation, as opposed to the other overhead costs that a traditional new business would have to incur. This strength and the ability to continuously open up the market at a fraction of the cost that a new entrant might have is something else that motivates us to continue to participate and find even better answers over the next few quarters.

Report is AI-generated and may contain inaccuracies.

Swiggy

Vijit Jain – Citi: Great. Thank you so much, Harsha, Rahul, and Rohit. The answers were very helpful. Thank you.

Operator: Thank you. The next question comes from the line of Sachin Salgaonkar with Bank of America. Please go ahead.

Sachin Salgaonkar – Bank of America: Thank you for the opportunity. I had three questions. First, what steps are Swiggy and Instamart taking to avoid cannibalizing {? CD ?}? I am asking because when we look at the growth rates of {? CD ?} and compare them with Zomato, one gets a sense that they have been a bit slower for the last couple of quarters. Is there anything specific to watch out for? I would like to understand how you are looking at it from that point of view.

Rohit Kapoor – CEO of Food Marketplace: I will take the question in two parts. On the growth rate, as you can see, we called out in the letter to shareholders that we are back on the trajectory of 18–20% growth in food delivery. We see ourselves maintaining the 18–20% kind of guidance on food delivery.

On Instamart, 2 out of 3 users that we are seeing are new to the platform. Even among the users who are using both, as [inaudible] mentioned, we are seeing 25% higher orders per user.

It is doing two or three jobs for us from a strategic point of view. First, it opens up the market to a set of consumers who are either very low-frequency users of food delivery or are not on food delivery. Second, it gives consumers more choice regarding which occasions they want to use which app, and they are showing that they are rewarding that strategy with a higher order-per-user frequency.

Third, there is obviously a competitive shift in the landscape. As [inaudible] said, we see it as a robust strategy to participate in a market where there are 10 years of legacy in building the food delivery business as well as new entrants. It is an insurance policy for us, but on the upside it has significant potential to unlock value in the future.

Sachin Salgaonkar – Bank of America: Got it, clear on that, Rohit. My second question is on quick commerce. In the shareholders' letter, you mentioned that the contribution margin would remain in the range of 0 to –100 basis points, with sequential improvement thereafter. Is this subject to better retention and maturity of cohorts? Competition is still intense, so what indicators should we look for to determine that you will begin improving this rather than contribution margin remaining at these levels?

Rohit Kapoor – CEO of Food Marketplace: What we called out in the previous quarter was that we needed a bit of a reset in terms of our growth. The 0 to –100 basis points guidance that we gave was intended to retain that flexibility.

As you have seen, we grew at a healthy pace of 13% plus in the previous quarter, and our guidance for the current quarter is also to deliver double-digit sequential growth. We will operate within those guidelines.

However, it is important that the users we have acquired, who were unprofitable, and the quality of the users we have acquired since then, who continue to show better behaviour in terms of both

Report is AI-generated and may contain inaccuracies.

Swiggy

retention and frequency, are maintained. That will ultimately give us positive contribution margin from the existing users with whom we operate.

While competition remains intense, the platform has taken various steps towards delivering a better customer experience in the market. Therefore, we are very confident that we can do this without worrying about competition in the market.

Sachin Salgaonkar – Bank of America: Got it. So what you are saying is that we should expect improvement in revenue as well as in contribution losses, or an improvement in contribution margin, going forward?

Rohit Kapoor – CEO of Food Marketplace: As I said, it is hard to give a specific number, but what we have guided for is a 100-basis-point improvement in EBITDA in the current quarter.

Sachin Salgaonkar – Bank of America: Okay. That 100-basis-point EBITDA improvement does not include any benefit from the move to the inventory model, correct? The move to the inventory model happens in the middle of next quarter.

Rohit Kapoor – CEO of Food Marketplace: That is correct. We will start the process in the middle of the current quarter, and it is expected to fully transition over the next 2–3 quarters.

Sachin Salgaonkar – Bank of America: Got it. My last question is about the addition of dark stores and growth. One of your peers is ahead and has guided to adding close to 5,000 dark stores. You can also see their growth accelerating and outperforming the growth of others in the industry. You have a decent amount of cash on the balance sheet, so what would make you change your strategy in terms of adding more dark stores and thereby benefiting from a slightly better growth outlook?

Rohit Kapoor – CEO of Food Marketplace: Sachin, at the risk of repeating myself, we maintain that store addition will be a factor of growth. We are present in more than 130 cities, and we do not have a near-term expectation of increasing our geographical coverage. Therefore, store additions that competition may be making due to store or city additions should not be considered comparable in our case.

Wherever there is going to be growth and capacity is being maximized, we are adding stores. You will continue to see us expand the number of stores in the current quarter as growth continues in those hyperlocal ZIP codes.

As you can also see from overall capacity utilization, last quarter we increased it by close to 10% on an order-per-day-per-store basis. This still leaves sufficient room for us to continue the growth journey without necessarily increasing the pace of store expansion.

We have 1,000 dark stores in these cities and are well covered. Even if you look at the speed metrics, we are best in class compared with some of the competition from an assortment standpoint. Through the combination of our larger dark stores, which are the mega stores, and the hyperlocal normal stores, we are able to provide the assortment required to cater to the growth we are aiming for.

Report is AI-generated and may contain inaccuracies.

Swiggy

Therefore, we do not see the need to add a large number of stores necessarily. As growth continues, you will see store expansion continue.

Sachin Salgaonkar – Bank of America: Thank you, and all the best.

Operator: Thank you. Your next question comes from the line of Abhishek Banerjee with ICICI Securities. Please go ahead.

Abhishek Banerjee – ICICI Securities: Thanks for the opportunity. On the store expansion point, you spoke about adding stores wherever you are reaching maximum capacity. Could you give us some indication of what maximum capacity looks like in terms of orders per dark store per day? What number do you reach before you have to set up a new store, and what proportion of your total stores are at that level today?

Rohit Kapoor – CEO of Food Marketplace: We typically start discussing opening a new store in a ZIP code when a store crosses around 2,000 orders a day. By the time the new store is operational, which typically takes 2–3 months, those stores start doing roughly 2,300–2,500 orders per day.

Every quarter, as you have seen, we are adding 5–7% stores. That is the proportion reaching maximum capacity, given that the pace of growth continues at this level.

Abhishek Banerjee – ICICI Securities: Understood. What is the proportion of stores at that throughput of around 2,500 orders relative to your overall store universe?

Rohit Kapoor – CEO of Food Marketplace: As I mentioned, every quarter roughly 5–7% of the network is close to that level of utilization.

Abhishek Banerjee – ICICI Securities: Okay, so this is not a cumulative number?

Rohit Kapoor – CEO of Food Marketplace: No, it changes every quarter. With growth, if we are delivering sequential double-digit growth, you will see more stores reaching maximum capacity, and therefore store additions become a natural outcome.

Abhishek Banerjee – ICICI Securities: Understood. On the market leader now talking about expansion into Tier 3 cities, what has been your experience there? Do you think there is more potential to capture? One thing we are noticing is that whoever acquires a customer first seems to gain some sort of loyalty, rather than trying to acquire the customer second. You are also seeking the highest-quality users. Does it not make sense for us to explore that at this point?

Rohit Kapoor – CEO of Food Marketplace: We have near-term growth, which is largely in the large cities. That is where we are focused. As I said, we are building the business with a focus on execution and bringing on habituated users.

We see a large part of our growth coming from the large cities, and therefore we will continue to focus there. We are not looking at geographical expansion beyond where we are today. We will continue to focus on the cities where we are present, and we will do that through the habituation journey that we have built for users.

Report is AI-generated and may contain inaccuracies.

Swiggy

Our playbook for focusing on this journey remains the differentiated assortment that we are building. One in eight orders today is of {? toys ?}, and that gives us much higher retention. Similarly, as we build our {? board ?} productivity, that will give us a much greater advantage in terms of how we grow.

These will continue to be our focus areas in the large cities where we operate.

Abhishek Banerjee – ICICI Securities: Understood. This quarter, there was obviously a timing difference in the festive season compared with last year. Would it be correct to expect much faster growth in the next quarter, or would you prefer not to comment on a higher number at this point?

Rohit Kapoor – CEO of Food Marketplace: We will not comment right now. We are at the beginning of the quarter, so we will not comment on that yet.

Abhishek Banerjee – ICICI Securities: Understood. One last question on food delivery. You are sticking to the guidance of 18–20% year-on-year growth for the full year in the core business. One way of achieving that could be to keep the margin flat and reinvest in growth. Is there a margin target in mind at which you would start doing that, or would you rather allow it to continue as it has as you have expanded?

Rohit Kapoor – CEO of Food Marketplace: As you have seen, we added close to 50 crores to absolute EBITDA for the quarter in a market where competition from all forms is only increasing. The 5% trajectory is a natural outcome—5% of GOV, which is what we have stated—and you should continue to see operating leverage accrue in our business.

At the same time, you may have seen our monetization, which is at its highest ever, with the take rate exceeding 26%. There are sufficient levers available to us to continue this journey towards 5%, and that is something to which we are committed.

Beyond that, we will start making choices around reinvesting in platform growth because I do not believe the margin journey necessarily stops at 5%. There is continued densification, cost synergies, and operating leverage that you should expect in the business.

Abhishek Banerjee – ICICI Securities: Got it. One last thing: could you provide any demographic profiles of the core Swiggy users versus the {? Instamart ?} users, if there is any difference or distinction that can be noted?

Rohit Kapoor – CEO of Food Marketplace: Sure, Abhishek. We do not collect that much demographic data as a company, but based on our consumer research and understanding, the Swiggy platform caters to a very broad demographic, starting from adolescents, for whom orders may be placed by parents or an older sibling, right up to senior citizens. That is true.

Our sense is that for {? Instamart ?}, the audience is much younger. Probably 70–80% of the users are below 30 years of age, and many of them are either finishing school or college, entering employment, or starting their first jobs. They will form a significant part of the consuming class 3–5 years from now. That is the difference we see.

Abhishek Banerjee – ICICI Securities: Understood. Thank you so much.

Report is AI-generated and may contain inaccuracies.

Swiggy

Operator: Thank you. Your next question comes from the line of Jigneshu Shore with Bernstein. Please go ahead.

Jigneshu Shore – Bernstein: Thank you for the opportunity. I hope I am audible. I had two questions, one for Mandrita on quick commerce. One thing that I see as markedly different between our performance and the performance of the other listed [inaudible] is the monetization rate. I wanted to understand the team's plan to improve this. Where do you think the key issue lies, because this rate has not really moved in the last three quarters? I would also expect that this is a project or effort that can run in parallel with the scale-up, although there is some dependence. I want to understand how you are thinking about improving monetization for our quick commerce orders.

Management: Thank you for the question. This is something that we are actually quite focused on building on two counts. As we look at our strategy of engaging with brands on differentiated assortment, it gives us the opportunity to co-create with brands, and that increases our engagement with them.

On the other hand, our ability to have a better set of users and greater productivity from our cohorts also puts us in the flywheel of growth, especially for users and geographies that we can build together with brands.

If you look at the use cases that we are creating with differentiated assortment, as well as by creating high-habit users, this allows us to engage better with our brands and therefore increase our monetization rate. We have made some progress in this quarter. It is steady progress, and we will continue to work on this because it allows us to provide a great assortment to our customers as we work together with brands. This is something on which we are focused.

Jigneshu Shore – Bernstein: There are two parts to monetization, or three parts rather. There are commissions, advertising, simplistically, and then income from consumers or charges. Where do you think we have the maximum leverage among these three, and perhaps the lowest-hanging fruit as well? It would be helpful to understand.

Management: As I said, our co-creation with brand partners allows us to build the base for ensuring that monetization leads this growth. Over time, we will ensure that consumer fees continue to evolve.

The two parts on which I would really focus are monetization and how we evolve the consumer fee structure as we evolve the habituated user. Those are the two pieces that allow us to continue building on this.

Monetization will lead the process, and our co-creation with brands will help us build a stickier user base. We can then build habits over time, which allows the middle mile to be taken as a business for us as users become sticky. This is how we will build this journey.

Jigneshu Shore – Bernstein: Great, thanks for that. My second and last question is on Toing. I want to understand your framework for deciding, as you said, perhaps in the next few quarters, whether Toing is an experiment or whether it is supposed to be scaled. What metrics are you looking for, and what are you willing to compromise on?

Report is AI-generated and may contain inaccuracies.

Swiggy

Is it the growth and the size of the market that make it attractive? Is it consumer behaviour? Is it the unit economics, and is there a threshold for that? Are you willing to accept dilution in the margin profile of the food delivery business when you add the two businesses together? How are you thinking about your decision-making framework for Toing? It would be helpful to understand. Thank you.

Sriharsha Majety – MD & Group CEO: It is not just one thing; it is a set of factors. We have talked about how some of the early cities are showing what they can achieve in terms of unit economics for repeat users.

We would like to see how that sustains as we expand the footprint and how customer acquisition cost evolves. There are also continuous learnings in terms of propositions that can bring delivery costs even lower. In addition, further advertising support will help us build a more robust business for steady-state economics.

Jigneshu Shore – Bernstein: Is it fair to say that we have an answer regarding what this can become, but we need a few quarters to get there? Or are we still in the discovery phase? How early are we in that journey? That is the second point that would be helpful to understand.

Sriharsha Majety – MD & Group CEO: As we mentioned, the business is four quarters old at this stage, and we are quite happy with the progress it has made. As mentioned, the majority of the spend is on marketing and user acquisition, which means it is discretionary.

We are in a competitive market and want to understand more about the elements that we are already building conviction in quickly. What we know is that it can be profitable over the next 1–2 quarters. We will get a better sense of the levers that we originally envisaged for steady-state economics and obtain more information on them.

Conditions will be competitive, but we will still be able to get a good sense of how the model can scale.

Rohit Kapoor – CEO of Food Marketplace: Adding to what Harsha said, there is clear evidence from the evolution of food delivery that scale turns into margins and EBITDA over time, and we have demonstrated that successfully. We see no reason why the same thing will not play out in Toing.

Of course, investment is needed to create a business of this size and to push the growth rate from the 18–20% that we envisaged earlier to the 25–30% that we are now seeing.

As we have said in our shareholders' letter, we expect the investments to remain range-bound, and we will operate with three priorities in building the business. First, is it opening up new TAM? It is at this point. Second, are consumers showing the right level of retention and frequency? They are at this point. Third, are we shaping the economics towards what will hopefully become a very profitable business over time?

There will certainly be a curve, but there is nothing we see at this point that discourages us from continuing to push ahead.

Jigneshu Shore – Bernstein: That is helpful. Thank you. Thank you all.

Report is AI-generated and may contain inaccuracies.

Swiggy

Operator: Thank you. The next question comes from the line of Gaurav Rateria with Morgan Stanley. Please go ahead.

Gaurav Rateria – Morgan Stanley: Thanks for taking my question. My first question is on quick commerce, coming back to the point around quality of growth. There are many positives that we have driven in the business through private brands, improved delivery timelines, and fruits and vegetables, where you talked about increasing retention.

At the same time, I also saw the pricing intervention that we have made in the business, which implies that the {? NOV to GOV ?} ratio is coming down for the current quarter. How should we separate the growth pickup between these two factors: one that is structurally positive for us, and the other that is discretionary in nature and may or may not remain in the coming quarter?

Management: As you pointed out, the quality of growth is looking very encouraging, and the way we have achieved it has been methodical and focused on the cohorts for which we are driving growth.

We will continue to drive growth and build habits across all cohorts. That habit is a positive loop because it takes us towards a higher category mix among users, which helps us with profitability as we move forward.

The second element that we will continue to build is differentiated–assortment–led growth, both through {? Noise, Nexter ?} and through the other work we are doing with brands. Today, 20% of our orders are based on differentiated assortment. This gives us higher retention and therefore helps us on our profitability and EBITDA journey.

Lastly, as we build this journey and ensure that we build habits, productivity also increases. The positive effects of the other underlying metrics then begin to show up for us.

Going deeper into cohorts and building habits across different categories, increasing category penetration and thereby compounding growth, and compounding differentiated assortment—which gives us both retention and future growth—all of this results in productivity increasing. Ultimately, this takes us down the path of EBITDA improvement.

This is why we feel confident about the flywheels we are building for ourselves and the green shoots coming through in both the adoption of differentiated assortment, {? Noise and Nexter ?}, and the retention that we are seeing.

Gaurav Rateria – Morgan Stanley: As a follow-up, should we think about these pricing interventions as one of the levers for driving habit formation, which will effectively improve cohort retention over time?

Management: Yes, that is how we are viewing it. We are pursuing very focused cohorts, and that is helping us improve frequency. We are targeting frequency use cases such as fresh and staples. This is where we are focusing to ensure that we continue to build frequency and retention among these cohorts.

Gaurav Rateria – Morgan Stanley: Got it. My second question is on food delivery. Your competition talked about capping margins at a certain level and directing incremental investment back into the

Report is AI-generated and may contain inaccuracies.

Swiggy

business to accelerate growth. Do you think that strategy could have a spillover effect on us in our margin improvement journey? Should our margin improvement now be largely a function of operating leverage on overhead costs and less a function of contribution margin in the future?

Rohit Kapoor – CEO of Food Marketplace: No, I do not think so. As I mentioned previously, our trajectory towards 5% continues. You have seen some progress already, with 30 basis points achieved in the previous quarter, and that will continue to be achieved sequentially.

We do not believe that we need to take pricing actions or reduce our margin structure because, as we have already pointed out, our affordability play is the Toing cycle. There, our task is to acquire more high-frequency users and grow the overall market, adding to the 25–30% CAGR growth that we see for us overall.

In the core business, both the 18–20% top-line growth and the 5% steady-state margin remain protected without us having to take any dilutive route in the near term.

Gaurav Rateria – Morgan Stanley: Got it. My last question is on Toing. You have clearly articulated the metrics that you are looking at to decide on the scalability of the business. Will it also be a function of an external factor—for example, if the competition decides to scale down completely and not pursue this? Would that have any impact on our strategy, given that this is more about TAM creation than reacting to competition?

Sriharsha Majety – MD & Group CEO: As I mentioned earlier, there are two sides to the coin. At a minimum, it is insurance in a market that can expand. At its best, it is a market that can grow significantly and become sustainable.

Every day we show up, we are driving the category forward and working on how it can grow and become sustainable. If we find that this cannot be done and competition is not interested, then it can continue to run without investment. However, when we wake up, we are eager to figure out how to make this model succeed and how to make it sustainable.

Gaurav Rateria – Morgan Stanley: Got it. Thank you, and all the very best.

Operator: Thank you. We will take the last two questions. Our next question comes from the line of Kunal Vora with BNP Paribas. Please go ahead.

Kunal Vora – BNP Paribas: Thanks. My first question is again on Toing. It appears to be making an annualized loss of about {? 4 billion ?} on revenue of 5 billion. How should we think about the trajectory? Have the losses peaked, and at what level of revenue could something like this reach break-even?

Sriharsha Majety – MD & Group CEO: We have already discussed the investment being range-bound in the short term. That will also give us the opportunity to examine how the platform is working, how leverage comes from the investments we are making, and the quality of the P&L.

In the short term, as we mentioned, we will continue to iterate. Investments will remain range-bound, but we do expect growth. This means that losses could remain at this level while revenues continue to scale up. That is the path, and it is also one of the things we want to

Report is AI-generated and may contain inaccuracies.

Swiggy

demonstrate for ourselves and the market.

Kunal Vora – BNP Paribas: Understood. Second, how should we think about GOV per store per day in the coming quarters? There is a persistent 50% gap between Blinkit and Toing. What can be done to address it? The micro-market strategy should help, but it has not really narrowed the gap. What else can be done?

Management: We believe that we are looking at double-digit growth guidance. As we look at productivity, we will continue to distill it. Part of it will come from our category mix, and part of it will come from our...

Amritapa: ...store productivity for us. Leverage will kick in, and we are not looking at changing the configuration of how we have opened our stores, et cetera. We are looking at increasing store productivity.

This allows us to provide a higher category mix to customers. It also has the double benefit of giving customers a better category mix while ensuring that our stores are more productive. That is where we will focus. We are not looking at changing anything around our network.

Ashish: Listening to Amritapa's response, last quarter we grew 20% while our store network grew 6%. That is absolutely logical for dark stores, and we want to maintain a similar trajectory.

As I said, we are not focusing on the store count per se because it will not give us more distribution. It is the efficiency metrics of the current stores that we are looking for in our performance.

Kunal Vora – BNP Paribas: One last question. In the shareholders' letter, you mentioned that competitive intensity in the sector remains high and that you do not expect it to ease in the near term. My observation is that competition has eased slightly: minimum order values have increased and discounting levels seem to have reduced. Do you agree with this, or am I missing something?

Amritapa: There has been high competition in the sector for the past few seasons, and I think more players will continue to enter. The festive season is also playing out.

It is important to look at this as an expanding market and focus on our own strategy. We are very focused on building the habit loop with users, the productivity loop with the pods, and continuing to build our differentiation.

This puts us in a good position relative to the competition because we can see that our users retain better on all of these metrics. We see this as a growing market. There will be competition, and there is a festive quarter with intense competition, but we will focus on our own strategy.

Kunal Vora – BNP Paribas: But do you not think competition has eased at all over the last 6–9 months, or has nothing changed?

Amritapa: Regarding whether competition has eased, I think that in some months we could see some easing of competition. However, it is very early to assess the extent to which it has eased or not.

Report is AI-generated and may contain inaccuracies.

Swiggy

There are new players who have entered. Therefore, we will have to continue to focus on our strategy because volatility in how competition reacts will continue. There may be some additions and some calibration at certain ends, but overall there will be competition.

Ashish: Building on what Amritapa said, the next milestone for us is to reach profitability at the EBITDA level and demonstrate that. Even in a competitive market, we want to focus on the strategy we have established: serving consumers better every day, getting the right kind of consumers, and differentiating ourselves to move closer and closer to that objective.

That is our guiding light as we make decisions each quarter. Are we making the business stronger and moving closer to our ambition? We are essentially building resilience in the business.

Resilience will have to come from doing something creatively and differently in a market of 7 players. I know there are various views about whether we should do commerce or something else. However, if everyone does exactly the same thing because those are considered good ideas, that is not necessarily a sure path to reaching the goal.

When we find success in a few {? shoes ?} that are harder for competitors to replicate, it is our responsibility to double down and find even more differentiation. That is the road to resilience and to users remaining with us for a longer period, regardless of the incentives available elsewhere.

That will help us move closer to managing the growth and EBITDA profile of this business over the coming years.

Kunal Vora – BNP Paribas: Understood. Thank you.

Operator: Thank you. The next question comes from the line of Aditya Soman with CLSA. Please go ahead.

Aditya Soman – CLSA: I had a more fundamental question, Ashish. If I take a step back, your competitor's terminal value is more than 5 times Swiggy's for a business that is largely similar. The gap in every metric I see is widening considerably, even at the store level.

For Instamart, at the store level, orders per store for Blinkit grew 70%, and profitability has improved. This is despite them adding new cities, which could be less profitable or otherwise. Even without going into that, the market is clearly attributing a different expectation of execution to Blinkit and Swiggy.

One could say that you should focus on your own path and not look at theirs, which is fair. However, from Swiggy's perspective, for the market perception of an execution gap to change, that gap needs to narrow.

Given that you have cash, why not look at expanding into new cities, considering that two other players are already at 100 stores or around that number, while another player is catching up on the number of stores?

Would it not mean that if all of you focus on the same cities and pursue a different assortment strategy, where you are talking about only 10,000–15,000 SKUs—and even then, I am talking about

Report is AI-generated and may contain inaccuracies.

Swiggy

only 3–4 items per order, which comes to around 16–20 being fresh—how would that change the long-term story?

Ashish: Thanks for asking, Aditya. First, Blinkit enjoys a very strong flywheel that has been compounding over the years. That is why it has been able to build a more resilient business.

For us, the next step is to build that more resilient business before simply using the cash in the bank to set up new flags. As I mentioned in the previous answer, our first job is to build a stable, resilient business with a clear line of sight to EBITDA zero. The optionalities come after that.

The most important thing for us in building resilience is to do the 3–4 things that Amritapa and I talked about earlier. Anything beyond that is a potential opportunity, or perhaps a number of opportunities. However, failing to make the business resilient in the areas where we already operate would be a bigger loss of opportunity.

We still need to grow, as we mentioned, to roughly 2 times the current size. We need to improve contribution. Being able to do this is the most important thing for us.

As the market evolves, I am sure we will find newer ways to grow the market even more than we are able to in the very short term. However, to prove that execution, we need to double down on this specific area right now.

Aditya Soman – CLSA: Understood. To go into a little more detail, in this quarter we saw gross margins reduce by perhaps 110 or 120 basis points quarter-on-quarter. With the reduction in gross margins due to more private labels, we should theoretically see an acceleration in growth. Why is that missing at the store level? If we think about orders per store, we are seeing only a slight improvement.

Ashish: Orders per store have actually gone up by close to 9%. Overall, AOV per store has gone up by 9%, and orders per day have gone up by 9.5% sequentially.

Aditya Soman – CLSA: Okay, I will take this offline. I thought it was closer to 6–7%, but understood.

Ashish: We are at 1,200 orders per day per store, which is the best we have ever seen. As I said, we will continue to see traction on this metric, which is important both for store-level profitability and for overall platform-level EBITDA profitability.

Aditya Soman – CLSA: Understood. So the thought process right now is that the lost gross margin will be made up through leverage as you leverage these stores and as frequency increases?

Ashish: Yes. As long as growth continues, operating leverage will come through. Even in the previous quarter, we added 50 basis points, and some of that was reinvested into returning to healthy growth.

That was specifically in spending, and we will make an appropriate decision about when to begin harvesting that back again. However, operating leverage will be delivered as long as growth continues.

Aditya Soman – CLSA: Understood. Thank you.

Report is AI-generated and may contain inaccuracies.

Swiggy

Operator: Thank you. Thank you very much, ladies and gentlemen. That will be the last question. On behalf of Swiggy Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.