Swiggy

Operator: Good morning, ladies and gentlemen, and welcome to the Swiggy Q3 FY26 earnings conference call. For further questions after the presentation concludes, should you need assistance during this conference call, please signal an operator by pressing star and then zero on your telephone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Abhishek Agarwal, Head of Investor Relations. Thank you and over to you, sir.

Management: Thanks, operator. Hello, everyone, and welcome to the third quarter FY26 earnings conference call for Swiggy. Our financial results and shareholder letters 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 the management will make certain comments on this call that one could deem forward-looking statements. Specifically, the financial guidance and pro-forma information that we will provide on this call are management estimates, are based on certain assumptions, and have not been subjected to any audit, review, or examination procedures. Swiggy does not guarantee these statements and is not obliged to update them at any time.

Joining me on the call today are Mr. Sri Harsha Majeti, Managing Director and Group CEO; Rahul Bothra, our CFO; Rohit Kapoor, CEO of Food Marketplace; and Amitesh Jha, CEO of Instamart. With this brief preamble, let us start the Q&A.; Operator, you can proceed ahead.

Operator: Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and 1 on their telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking their question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, remember, press star and 1 to ask a question. The first question is from the line of Vidit Jain from Citi. Please go ahead.

Vidit Jain – Citi: Hi, thank you for the opportunity. My first question is as you scale up the business, can you talk a little bit about the sourcing advantages that could unlock at scale? Could you unlock additional margins as you do better price negotiations with brands and sellers? Broadly speaking, your views on how your scale can drive better input cost into your e-commerce operations would be helpful. That is my first question.

Management: Sure. Hi, Amitesh here. The scale of operation, which effectively is measured in either Gross Order Value (GOV) per store or the number of orders per store, will have an impact on better utilization of our infrastructure. That is the first part. Regarding the movement for all the items that we sell, there is a bigger opportunity for monetization with the brands. We have seen that over the last year as well, where monetization opportunities have moved up as our scale of revenue with the brand has increased. So yes, these are the two parts where we see that scale coming up, and it actually comes almost every quarter.

Vidit Jain – Citi: I could not hear that very clearly, but I will check the transcript. My second question is from a balance sheet point of view. You now have a cash balance of almost $2 billion. Could you utilize the cash balance for better terms from brands and sellers as well? Is that a fair assessment to make? Finally, if you could give me your views now on the Indian Owned and

Controlled (IOC) structure.

Management: Hi, Rahul here. In terms of your question around the ability to pay faster to vendors and therefore get a higher margin, it is a combination of optimizing both on credit days as well as getting better margin factors. It is the overall terms of trade that we agree with these brand partners. It is a continuum. I do not think because we have a higher cash balance we will end up paying faster. Both the top line in terms of the overall margin structure and trade days have to continue improving.

Regarding the question on the structural conversion, we continue to progress with every passing quarter. The Qualified Institutional Placement (QIP) also helped; our overall allocation to domestic investors was significantly higher compared to foreign investors. We are currently at roughly 47% in terms of our overall domestic shareholder base. When we hit the majority mark, which is an eventuality, we do expect to convert into an IOC structure.

Vidit Jain – Citi: Thanks. Lastly, on the food delivery side, congratulations on solid results. Food delivery this quarter has grown marginally above your guidance, growing 21% year-over-year, and we have had solid growth in Monthly Transacting Users (MTUs) as well. It is good to see that both contribution and adjusted EBITDA margins have expanded. You kept your guidance unchanged on the growth rate at 18-20%. Given the MTU growth is strong, do you feel more confident that you would comfortably exceed the lower end of the guidance?

Management: This is Rohit here. We have grown 31% on GOV and 22% on MTU. The guidance remains at 18-20%. The momentum is definitely there in terms of growth and we would like to watch it for another quarter before we become more sanguine in terms of the shape it's taking. But at an input level, we are feeling more confident about hovering near the upper end of the range than the lower end.

Vidit Jain – Citi: Thank you, Rohit. Those are my questions. I will jump back into the queue.

Operator: Thank you. Next question is from the line of Vidhanth Goyal from Bernstein. Please go ahead.

Vidhanth Goyal – Bernstein: Hi, thank you for the opportunity. I wanted to check on the quick commerce business and the reiteration of the guidance for the contribution margin. I wanted to check whether this guidance is completely or largely dependent on what we do internally as a company, or do you incorporate any change in competitive dynamics for this guidance to materialize?

Management: Hi, Amitesh here. We do not see any change in the guidance because of the competitive environment. Whatever we have factored in assumes the competitive environment remains the same, which is already extremely high. To give you an assessment of how we are looking at hitting our contribution margin guidance, there are structural improvements that have no bearing at all on what the competition is doing. Some are related to scale and some are attributed to factors we are already seeing.

The remaining part is more discretionary, which is led by cart-level discounting and the investment we do to remain competitive. What we are doing right now, and what we have done whenever it is required, is investing. But on the balance of it, we see clear opportunities for us to pull back investment where we believe it was inefficient. We are choosing this as an opportunity not to go after investment that is non-conducive for our long-term growth. We will continue to be aggressive.

Vidhanth Goyal – Bernstein: That is very helpful. My second question is on the balance sheet. The CAPEX seems high despite not adding many stores. How do I square that? Second, working capital infusion into the business seems a little volatile. How do we think of this number in the context of the business model?

Management: Rahul here. The overall CAPEX investments are two-fold. One is in our dark store infrastructure expansion and the second is in our warehousing capacity expansion. While the overall growth has been lower on dark store additions recently, on a four-quarter basis, we have substantially increased our footprint. Regarding the quarter on hand, a lot of this warehousing capacity is coming into Tier 2 and Tier 3 towns where we expanded. Booking infrastructure in warehousing helps us reduce our middle mile and get closer to consumers. Over the last four quarters, we have more than doubled our warehousing capacity, which has been a key component of CAPEX. We expect a little more spending on CAPEX, especially on the warehousing space, to structurally improve our supply chain efficiencies.

In terms of working capital, as I mentioned, we have added roughly 130 crores over the last couple of quarters. This is in line with our guidance where we said that overall on a Days On Hand (DOH) basis, this is not going to go up. It has only been a 130 crores addition while our overall net order value on the consumer businesses has gone up by close to 18%. This is in line with our top-line growth. We will continue to work towards bettering our overall networking capital days.

Vidhanth Goyal – Bernstein: Just a small follow-up. How does that work? You need working capital at the dark store, right? So more network needs more capital, despite the inventory not being on our books?

Management: As I said, a lot of this gets stuck around brand investments, including advertising and sales support for consumer discounts that are funded by the brand, and some of it in our B2B business.

Operator: Thank you. Next question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman – CLSA: Hi, good evening. Two questions largely on quick commerce. First, in terms of the guidance on contribution, how sacrosanct is that? At what level of growth would you accept for break-even to happen? We have seen growth decelerate sequentially this quarter and it is lower than competitors. With the cash balance you have, how do you decide the balance between growth and achieving that contribution break-even? Second, we have seen prices on MaxSaver not being very different from standard recently. Does that mean that initiative is on the back burner as the focus shifts to contribution margin?

Management: Growth and contribution margin are separate parts in our heads. We believe the irrationality in the market has impacted listed players in this space. We factored that in when we gave the contribution margin guidance. One thing we have taken as a very clear output is that we are not going to throw good money at bad growth. We are fully committed to that. We will never compromise good growth for margin, but we may compromise bad growth as it is not a sustainable advantage. Our ultimate goal is market leadership while maintaining the right contribution margins.

Aditya Soman – CLSA: To follow up on that, your growth compared to Blinkit is a lot lower, and other competitors are discounting heavily. When you say you want to become market leaders, how do you balance that with contribution margin? At what point does that take a back seat?

Management: Market leadership is never going to happen by spending tons of money to buy growth. The irrationality of that growth is so high that it leads to customers switching platforms without loyalty. We look for good growth, which is a customer sticky to the platform. What works is the value proposition. We believe our assortment and the way we approach what customers require is the way toward market leadership. If the question is can we do more numbers by spending money on what we call vanity metrics like Orders Per Day (OPD), yes, that can be done. But we do not believe that is structural growth. Structural growth is investing in areas that are sustainable. That is why we are reiterating our commitment to be at Contribution Margin zero in the current quarter.

Regarding the MaxSaver bit, that habit building is actually quite successful. The October-December quarter was different because it included a lot of non-grocery item sales where MaxSaver becomes slightly less relevant. That said, we keep making slight changes in how our investment goes between MaxSaver and non-Max. We reiterate our commitment to MaxSaver because it increases profitability in terms of revenue per order.

Aditya Soman – CLSA: Does this encourage cart-building behavior which takes away the advantage of quick delivery? If people build a cart over time, the relevance of quick delivery might drop and slotted delivery players become competitors.

Management: Speed is important because e-commerce has moved planned purchases toward smaller, more frequent baskets. We believe the behavioral shift from month-long planned purchases to week-long plans will keep happening, and MaxSaver addresses that. We want all wallets of the consumers to come to us.

Management: The retention of MaxSaver customers is actually similar to or higher than what we see for non-MaxSaver customers.

Operator: Thank you. Next question is from the line of Vivekanand Subbaraman from Kotak Securities. Please go ahead.

Vivekanand Subbaraman – Kotak Securities: Thanks for the opportunity. Your Average Order Value (AOV), both on gross and net basis, has seen a strong increase quarter-on-quarter despite experimenting with cart-breaking behavior at the 299 level. How much of this AOV increase is structural? Is there seasonality or mix shift involved?

Management: This quarter is influenced by seasonality or the nature of the festive business. That said, we are still moving up structurally, but the movement you see this quarter is heavily influenced by seasonality.

Vivekanand Subbaraman – Kotak Securities: On the OPD metric, if we believe it is a vanity metric, why respond to competition on cart downsizing or cart-breaking behavior? Why not just focus on MaxSaver and other initiatives that are working for us?

Management: Sticky customers do not get impacted by this; that is where MaxSaver comes in. However, early users move toward becoming mature users. It is important that the value proposition to them is not diluted by irrationality in the market. Everyone has responded to this, whether through zero-fee constructs or lowering minimum order values. We did not go to the 99-rupee concept because we wanted to maintain the right consumer behavior. Our mature cohorts are growing faster, showing customers are becoming more sticky. We believe such interventions will always be required, and that is why we want flexibility in how we spend. However, vanity metrics based on 99-rupee orders are not conducive to how we are building our platform.

Vivekanand Subbaraman – Kotak Securities: You mentioned 90 basis points of contribution margin expansion was reinvested into the 299 campaign. In its absence, would reported revenue and EBITDA have been 70-80 crores higher? Now that you are saying this campaign has had limited success, are we pulling back?

Management: Rahul here. We have directed that we are going to improve the margin by 250 basis points over three quarters. A 100-basis point improvement was achieved in the previous quarter, and more than 100 was reinvested into these experiments to test if new users remain sticky. When we saw limited retention, we decided to change these concepts. We retain the flexibility to invest behind the right experiments, but going after any kind of growth is not in the playbook anymore. Over the next two quarters, involving both a 250-basis point target and certain investment reversals, our commitment remains very high.

Vivekanand Subbaraman – Kotak Securities: So an 80-90 crore hit to reported revenue and EBITDA is a fair assessment?

Management: We do not want to give specific numbers, but roughly you are right that because we did not show a high improvement in the Contribution Margin, most of the gains got reinvested.

Vivekanand Subbaraman – Kotak Securities: The Gross Order Value to Net Order conversion came down 100 basis points. Is this a function of higher discounting or shifting mix toward consumer durables and non-grocery items?

Management: A large part is seasonality because festive quarters include more non-grocery selections. We also believe non-grocery has now crossed 30%, and we do not see significant headroom for that to expand at the same pace. Monetization initiatives will mean the ratio starts converging on the higher side.

Vivekanand Subbaraman – Kotak Securities: Just a clarification: is this based on the difference between MRP and actual sale prices from the brand, rather than discounting on our end?

Management: That is right. It is the list price versus what the customer ultimately pays, where some have higher or lower market operating prices compared to list prices.

Operator: Thank you. Next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria – Morgan Stanley: Is the 100-basis point margin improvement the same pace we should assume for organic expansion due to network operating leverage in the next two quarters? Also, what percentage of stores are now contribution margin positive?

Management: On a reported basis, we haven't shown that improvement, but structural levers continue to move northward. Our ability to navigate to Contribution Margin zero and then into positive territory remains high.

Gaurav Rateria – Morgan Stanley: Your space expansion was almost 100% year-over-year. How much improvement in throughput can happen over the next 12 months? How much of your goal to reach 2x throughput per store can be achieved?

Management: We do not give specific guidance, but over the last couple of quarters, our utilization has gone up about 5%. We believe there is significant headroom. Getting a 25-30% increase in throughput per store is a near-term target. Our store strategy and network are well laid out for densification. We have the right consumer input in place without needing significantly more stores apart from densification. The ability to demonstrate operating leverage is very high over the next three to four quarters.

Operator: Thank you. Next question is from Sachin Salgaokar from Bank of America. Please go ahead.

Sachin Salgaokar – Bank of America: On quick commerce, revenue growth is slower and absolute losses are higher. If growth is slowing, does it make sense to spend so much on marketing? How far are we from the point where EBITDA losses peak?

Management: We are calling out that this would be the peak of the investments. From here, you will see a gradual improvement in both the Contribution Margin line and through operating leverage, apart from rationalizing marketing spend. These are levers in our hands. We will not give up on good quality growth, but choosing the right quality of investments is something we are committing to.

Sachin Salgaokar – Sachin Salgaokar: Is it fair to conclude revenue growth could be slower while irrational competition remains, but losses will start decreasing?

Management: Absolute guidance on growth is hard considering market conditions, but our ability to navigate the burn profile and Contribution Margin remains high because those are inputs we control.

Management: On your question about adjusted revenue growth being lower, that is mainly because of a zero-fee construct.

Sachin Salgaokar – Bank of America: But that is here to stay as long as competition is high?

Management: We are making choices around tweaking those investments, so that is not a permanent feature.

Sachin Salgaokar – Bank of America: Looking at GMV growth versus revenue growth over the last four quarters, the implied take rate has been coming down. Is this driven by mix shift and will it continue?

Management: Yes, it is largely the mix and choosing to give up some consumer-side fees this quarter. We are focused on improving base margins. Now that we believe the mix will stabilize, you should see the take rate start going up.

Sachin Salgaokar – Bank of America: Any color on competition on the ground? New entrants are amping up spend. Is this me-too discounting or is there something structural?

Management: New entrants are going after vanity metrics like orders rather than orders that really matter to the end customer. Retention only happens where the core value proposition is at a high level, which is what we are after. I am less worried because they are not playing the structural game.

Operator: Next question is from Gaurav Malhotra from Axis Securities. Please go ahead.

Gaurav Malhotra – Axis Securities: Regarding letting go of lower-quality growth, even if subscribers are discount seekers now, won't it be more expensive to get them back later?

Management: Getting new customers to our platform remains a priority. Our investment to move them from new to mature users will be based on structural aspects. There will always be some discount seekers who move out, and we are okay with that. Retention only happens based on assortment, availability, and speed, which is where we believe our proposition works better than new players. Buying growth with money that will be pulled up later is not a priority.

Gaurav Malhotra – Axis Securities: How has market share moved in Bangalore or other large regions?

Management: We do not comment on market share movement, but large cities are still growing extremely fast. The headroom for growth remains at the level we assumed earlier.

Gaurav Malhotra – Axis Securities: You are rethinking zero-fee behaviors. If competition continues to be aggressive, what would trigger a change in your current thought process? Would a shift in market share be a trigger?

Management: If our funnel from new to mature users was significantly contracting, I would agree. We invested in November and December to understand this behavior under high market intensity. Our confidence in moving back to the right mix of spend is based on those learnings. We have figured out what works and what doesn't. Market share in terms of raw order numbers is not the same as consumer market share, which is what we are after.

Operator: Next question is from Manish Poddar from Investec. Please go ahead.

Manish Poddar – Investec: Regarding the journey to Contribution Margin break-even, looking at absolute numbers, the loss is still significant. How should an investor gain confidence that you can reach break-even when we cannot track consumer metrics or city-level market share?

Management: We have significantly improved our Contribution Margin in the past by getting our structural costs, advertising revenue, and other expenditures in line with growth. The current situation is an event where competition increased and we spent money to understand how to respond. Now we are back on the path to making structural improvements.

Management: Between March and September, we improved by 100 basis points. We need to solve for 250 basis points over the next two quarters. The confidence remains high. When we get to zero, you will see the delta movement in absolute cash loss. While specific waterfalls are competitively sensitive, we have maintained our guidance despite increased competitive intensity.

Operator: Next question is from Abhishek Banerjee from ICICI Securities. Please go ahead.

Abhishek Banerjee – ICICI Securities: Great performance on food delivery. Contribution margin improved by 30 basis points from efficiency. Do you see further room for improvement there, especially regarding gig worker pay?

Management: We aim to reach 4.5-5% of GOV through Contribution Margin improvement and operating leverage. We have demonstrated 70 basis points of operating leverage over the past four quarters. On delivery costs, changes in the regulatory environment for gig workers are a work in progress. Whatever we have seen so far does not give us cause for alarm. There could be a small impact, but it would be a transient one and will not affect our medium-term guidance.

Abhishek Banerjee – ICICI Securities: Can you give more details on where the efficiency improved? Was it waiting times or something else?

Management: Delivery cost reduction is just one component. Improvements come from better batching and density of orders. We don't see negative pressure on the P&L; from the delivery side so far. Contribution margin improvement will continue in the medium term, guarded only by seasonality or selective investments in certain customer cohorts.

Operator: Next question is from Garima Mishra from Kotak Securities. Please go ahead.

Garima Mishra – Kotak Securities: On the Instamart business, you added roughly 8 million users this quarter, which is slightly lower. How do you expect this to move forward?

Management: The overall addition percentages are similar to what we were seeing earlier. Our retention on the base is very healthy and increasing. While competition remains high, we are focused on maintaining and increasing retention.

Operator: Next question is from Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria – Morgan Stanley: How many stores need to be positive to break even?

Management: A store itself is not the unit of profit; we look at polygons. More than half of our business in terms of polygons will have to be positive for break-even to happen. Today that number is closer to 30%. As we add monetization and improve the Contribution Margin journey, more stores and polygons will become positive.

Operator: Next question is from Kapil Tyagi from HDFC Wealth Management. Please go ahead.

Kapil Tyagi – HDFC Wealth Management: Regarding cutting marketing spend on low-quality orders, why not redirect that investment toward new customers while you have a strong cash balance and the competition is intense?

Management: Our marketing investment will remain focused on new customers. Most of the movement in marketing will happen by ensuring that new user acquisition gets the investment required for future growth. We have not cut back on new user acquisition.

Kapil Tyagi – HDFC Wealth Management: So, you will add more new user capacity?

Management: The idea is to acquire new users while avoiding spending on marginal users who do not add long-term value.

Operator: Thank you. That was our last question. Ladies and gentlemen, thank you for joining us. You may now disconnect.