



Swiggy Limited

Q4 FY25 Earnings Conference Call

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Swiggy Limited.

As a reminder, all participant lines will be in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing “*”, then “0” on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Agarwal – Head of Investor Relations from Swiggy Limited. Thank you and over to you.

Abhishek Agarwal: Thanks, operator. Hello, everyone, and welcome to the 4th Quarter FY 2025 Earnings Call for Swiggy. Our financial results and shareholders 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 may 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. Our 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 them to update them at any time.

Joining me on the call today are:

Sriharsha Majety – MD 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 please go ahead.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Ankur Rudra from JPMorgan. Please go ahead.

Ankur Rudra: Hi. Thank you for very much taking my questions. I wanted to start on the food side of things. You made a statement about expanding your Bolt initiatives to 500 cities, you have given us some color there as well. I just wanted to get a bit more clarity in terms of what your experience has been. This is in the context of your peer actually shutting this line of shorter duration food delivery down, suggesting demand has not been as helpful. Can you maybe talk about what you are seeing different which gives you more confidence here?

Rohit Kapoor: Hey. Hi, this is Rohit here. Let me take this question. So, first of all, Bolt has grown at a faster clip and contributes 12% of overall order volumes today. Having said that, look, this is a category by itself in a way, and I dare say not just in India but globally, and it's less than 6 months vintage. So we are building it very purposefully and thoughtfully. The AOVs on Bolt are within range of platform, and there is no significant concern we have on the economics of this business. Obviously, I cannot go into the details of the economics for competitive reasons.

And just to provide more clarity, there's three parts to Bolt orders, if you think about it. One, orders that were already being delivered in 10 minutes, of which the percentage is very low; because the network does need configuration towards, let's say, 10 minutes or thereabouts delivery, right. Second is, orders where people choose 10 minutes over normal delivery on a platform because it just makes sense for them to do so in the need case. And third is actually incremental orders which are due to new use case or from users that would not have been our core, right. It's a fairly decent number even at this early stage. And we believe that we can continue to build this overtime to become more and more relevant for the consumer from an incrementality standpoint.

Equally important, both three and two are very valuable to the platform. Also remember, these orders are shorter distances. So when you are looking at economics, just want to conclude it, it's not the AOV which matters but also the delivery cost of lower last miles.

Ankur Rudra:

Thank you. I appreciate it. Just moving to the quick commerce side. I wanted to first get a comment on the net order value growth or the GOV growth this time. The NOV growth was around 16-ish-percent, GOV around 20%. Now, this is a bit of an acceleration but not meaningful given the context you have had, 3x the number of store edition this time versus last quarter. Maybe can you talk about perspectives of what drove that difference versus last time. And if you can also add any updates on store addition from here given you have achieved your previous targets.

Amitesh Jha:

Yes, absolutely. Hi, this is Amitesh here. You see the way we are looking at, our growth is always in let's say just three metrics, one is, how many MTUs that we are essentially adding, our acceleration in growth has happened there essentially primarily. How many stores we add, and of course that results in what is the number of orders and the NOV that we essentially get. From that context, our growth or the indexation of our movement in this particular quarter was MTU growth, was making sure that we open a lot more stores to expand our network.

Since these customers that have been acquired are new and the stores that we have gone are new, the overall spend per customer for this specific cohort will be lesser, and which is the reason why you do not see really a tie up between what we see in our MTU growth as well as in terms of our NOV growth. So the way to think about it is, yes, we have expanded our business. We have invested in the right places to make sure that we have acquired customers, making sure that we have higher repeat rates in the subsequent quarter will be the main focus of our business.

On the other side, in terms of how many more store growth. See, we look at our stores in terms of, two ways. One is, how many cities we are going into and how deep we are actually going into our cities. So, from a context of last quarter, it was mostly to go into a lot more cities to understand the contour of how consumers are actually going to react in those specific cities. And the way we are going to look at it is, based on those reactions we are going to look at deepening our presence in some of these cities to make sure that our expansion is more sharply focused rather than essentially widely focused.

Ankur Rudra:

Appreciate it. Can you talk a bit more about the two new initiatives this time, one is on Maxxsaver. I know there's only probably been a week in the last quarter, but maybe for this quarter, how does

the unit economics for that look, given it's a lot more value focused? Is this going to dilute take rates and contribution profits? And similarly for Megapods, given that now you have quite a few, any kind of color in terms of how do the store economics there looks versus any regular store at a similar stage of evolution? Thank you.

Amitesh Jha:

Sure. The Maxxsaver and the Megapods are mostly based on the consumer backward understanding of what they need, that there are various missions that really consumers have. The primary mission that everyone was first pretty targeted towards was obviously to make sure that any kind of top up that is there in grocery is what we look at.

When we moved beyond our consumer base that are looking for more options, there are two primary use cases that came up. One is obviously the country being very value conscious, can we provide some value to the end consumer? And the second is that, what are the options that we have? Now, both of them are AOV incremental as well as making sure that we give more SKUs to the end consumer as well.

Structurally, the Maxxsaver option which kicks in for majority of the customers at greater than Rs. 999. So, the economics overall is not very different. There is obviously a discount that we give to the customer. But the fulfillment cost advantage that we get out of a higher order value allows us to be at the same ballpark.

On the Megapods side, which is incremental in terms of AOV for us as well as in the number of units that we are actually trying to sell, that is without any extra incremental cost on our variable spend. In terms of profitability for a Megapod, see it is very hard to tell immediately because a lot of these Megapods are new. Matured Megapods which have come up in places where they were already mature, it has actually the highest profitability for us. So yes, if you look at maturity of the pod and the Megapods existing that is there, our probability is actually quite good, because AOV is higher as well as the throughput is high.

Moderator:

Thank you. We will take our next question from the line of Swapnil Potdukhe from JM Financial. Please go ahead.

Swapnil Potdukhe:

Hi, thanks for the opportunity. And congratulations for good performance in your food delivery business. But I have a few questions on your balance sheet side. I think there has been a significant decline in your cash balances this quarter by around Rs. 1,500 crores, which is meaningful. I can understand part of that is because of the losses in the quick commerce business, but then there is also Rs. 500 crores increase in the working capital investments and capex of Rs. 425 crores. And this is despite the fact that the store addition is just about 300. I mean, both numbers look to be significantly higher.

Rahul Bothra:

Sure, I can take that. Rahul here. See, if you look at the capex investments, we have added 314 stores last quarter, as well as we have been increasing our warehouse footprint, and that has led to the overall capex deployment. We do believe that a large part of the overall CAPEX cycle that we

had started for this deployment journey is now behind us, and going forward you should see that reducing in a significant way.

On the working capital side, this is more of a point in time period. You should see some of it starting to come back. There is the difference between, I know we have seen some of our advertising revenues that we collect from brands, there has been an increase in the number of days outstanding. But that should be correct in the next quarter. So that is not a permanent change but more of in the quarter change.

Swapnil Potdukhe: But Rahul, if I were to extend that question. See, our competitor has been reporting capex of around Rs. 1 crore, including the dark store plus the warehousing, and they also added around Rs. 300 crores of stores this quarter and their capex was in line with that kind of increase. But your store additions I under 316 is a fairly high number, but still the capex is Rs. 425 crores that intuitively tells me that you could be spending significantly more on a per dark store capex.

Rahul Bothra: No, that's not correct. So as we had guided, our per dark store expenditure is not more than Rs. 80 lakhs, it could be higher on the Megapods. But overall, we do not spend more than that. I think as I mentioned, our warehousing capacity expansion has been done, as you have seen our growth has been accelerating. Over the last three quarters our growth has accelerated from 76% to 87% to 101% on a GOV basis. And to support that accelerated growth, we have been increasing our overall warehousing footprint, which I said, which will help us deliver the next couple of years of growth.

Swapnil Potdukhe: Okay. And with respect to your working capital investments, you mentioned some increase in your ad income and that could have inflated that number, which I understand. But still can you help us understand what was the increase in the ad income or any number to justify such a huge increase in your working capital.

Rahul Bothra: As I said, it is more of collection efficiency, and we do expect this to meaningfully come down in the next quarter. So you should not see this as a structural change in the overall working capital cycle of our business.

Swapnil Potdukhe: Okay. So the next question is on your guidance per say, now it seems that you have tweaked your guidances twice post listing. First you kind of stopped giving the breakeven guidance for Instamart business, and now it seems your contribution margin breakeven timelines have also been changed from 3Q FY '26 to it goes up to 1Q FY '27. I mean, are you guys feeling the pressures of the competitive intensity is significantly higher and that is why currently there's some decent amount of uncertainty in your Instamart business per say?

Rahul Bothra: Yes. See, I think as we kind of go in the overall deployment of our store expansion and the network, we have seen competitive pressure continuing to increase, not only from the existing players but also there are a set of new players who are entering the market. So, our guidance while we do have maintained at three to five quarters, this gives us a certain amount of flexibility to invest behind growth, especially in the geographical expansion that we have done.

We do believe that there is a certain amount of customer addition that continues to be supported. If you have seen our numbers, just in the last quarter we have added more users as compared to the last six quarters, right, we added 2.8 million MTU. So there is a certain amount of growth investment that is required in an accelerated growth category. And we want to therefore have the flexibility to be able to deploy some back into growth. And that is why the reason for the three to five quarter margin guidance.

Having said that, the peak of the contribution margin investment is behind us. As you have seen, our network has expanded very rapidly over the H2 of last financial year, which means there's a certain amount of underutilization of the cost that is sitting into our P&L which will start decreasing quarter-on-quarter from here on. So you should start expecting the CM will improve on a quarterly basis from here on.

Swapnil Potdukhe: But how confident are you to breakeven on the contribution margin level by 1Q FY '27 latest? I mean, I am just trying to give us confidence here because of the frequent changes that are happening.

Rahul Bothra: So there are not any frequent changes. As I said, we had last mentioned about December quarter. As I said, we are seeking flexibility over two more quarters, it could happen in December, it could happen in the June quarter of the next calendar year. We do have a certain kind of plan for us to be able to achieve that. If you see, most of the investments that have happened, a large part of it is in the under utilization of the network. A lot of our stores are currently less than three months old. Stores typically take anywhere between 6 to 12 months to hit 1,000 OPD number, which basically gets us to breakeven and the cash losses start reducing in those stores. We have also invested in certain amount of customer incentives which is led slightly by competitive pressure but also by the overall size of the customer addition that we have done in the previous quarter. So, we feel pretty confident on the trajectory itself.

Swapnil Potdukhe: Just the last one on your fixed cost in the Instamart business. The fixed costs have been consistently higher than the other listed player. Now your scale is decently smaller than the other player, but still those costs remained significantly high for you. I mean, is there any trajectory for us to get control over this? I presume this is mainly because of performance and brand marketing, but at some point of time this is a line item that you will have to address if you were to breakeven at an EBITDA level. So, any sense of what efforts you would be putting into control this cost?

Rahul Bothra: See. If you see the overall deployment, a large part of below CM cost are into performance marketing and brand marketing. As I mentioned, we have added more users than we have added in the six cumulative quarters before the previous quarter. So there is the heightened level of investment which at some point in the future we do expect it to also start reducing. At the same time, we believe that if we are going to add as many users, it is the right investment to also be making in the business in our phase when it is a very early stage of the overall journey itself.

So, there are definitely market estimates that suggest that in the next three to four years the quick commerce industry itself could be anywhere between 5x to 6x the current size. So that gives us the

opportunity to continue building and making the right kind of growth investments. But you should expect a lot of operating leverage because some of it is discretionary. We do expect to modulate it depending on how we see. As I had mentioned in the recent past, we had seen some amount of heightened competitive reasons and therefore the customer acquisition costs were higher. Now at any point in time if it reduces, you will immediately see that benefit falling into the below the CM line.

Swapnil Potdukhe: Got it, Rahul. Just last one if I can squeeze in.

Rahul Bothra: Maybe I can reiterate, on a structural basis we do not see any reason for you to believe that we have any fixed cost. Even in the food delivery business you may have observed that we have delivered close to 80 basis points of operating leverage in the previous financial year. We have largely maintained our absolute fixed cost below CM at the same level over the last four quarters. So our ability to be able to maintain these fixed costs has already been demonstrated in other businesses that we operate, and therefore pretty high confidence on our ability to also manage it in the Instamart business.

Swapnil Potdukhe: Got it, Rahul. Just the last one if I can squeeze in. So, you mentioned about Maxxsaver launch, so just wanted to get a sense. The AOVs for these customers are definitely higher, but what about the ordering frequencies? Is there any impact because of customers bundle up their purchases in one order and is it possible that these customers then do not come to the platform on a frequent basis? I am just trying to get a sense of how this business works. Thanks.

Amitesh Jha: Yes. It's a bit early, honestly. I mean, we have not had a long time to see that what is the complete impact of it. The right way to look at these impacts is over a longer period of time where they get used to Maxxsaver and other ways of eventually buying. As of now, it just gives us the confidence that the spend per customer is actually going up based on the early reads. But as I said, it's early, we do not want to comment till at least we have a quarter's worth of spend and usability from the consumer side, it will be irresponsible for us to talk any kind of long term consumer behavior before any quarter.

Swapnil Potdukhe: Got it. Thanks a lot, guys. And all the best.

Moderator: Thank you. We will take our next question from the line of Sachin from Bank of America. Please go ahead.

Sachin Salgaonkar: Hi, thank you for the opportunity. I have three questions, first question is on competition in the quick commerce space. Clearly your comments do indicate that losses should go down from these levels, and there are two parts to that, right. One is store expansion which clearly there is a visibility you guys are not adding. But does this also imply that competition should also go down or what are your general thoughts on competition out here?

Rahul Bothra: Yes. No, on the store expansion, us guiding that the acceleration would not be the similar to the previous quarter is more on the network design choices that we have. We believe that we have the

necessary footprint, both on the hyper local level as well as from a geographical coverage perspective, to be able to add significantly more business with the existing store network. We will continue to densify. Having said that, we will continue to densify, especially in the Tier 1 towns where typically when a store hits between 2,000 to 2,500 orders, we basically break it into two. So that expansion we will continue to do.

Sachin Salgaonkar: Okay. And Rahul, on competition, is that intensifying, is it stable, is it going down?

Rahul Bothra: No, I think it is similar. I think from the existing quick commerce players we have not seen any magnitude of going up or down in the recent past. At the same time, there is the expectation of newer set of competition coming in, but enough is not known yet to be able to give you specific guidance on that.

Sachin Salgaonkar: Fair point. Second question, is there a major difference in terms of running a 1P model and a 3P model in terms of unit economics? And does management have a focus to become an IOCC at some point in the future?

Rahul Bothra: Sure. So I will take that. So, we have done the math. I think from an overall economic standpoint, we do believe that the magnitude of difference cannot be more than 30 basis points or 35 basis points. But at the same time, it comes at the back of also inventory holding on your balance sheet and therefore the impact on the working capital. So, it's a choice to be made on the commercial model. I think it does provide a little bit more flexibility. I think that's a fair point. But at the same time, the commercials do not necessarily justify for you to make any inorganic way to get there.

So we will be open to the idea. I think there are obviously the regulatory framework as well as our own domestic ownership, it continues to go up since our listing. And at some point in the future when we believe that is the right time, we may also want to consider it. But there is no plan in the near future, as I said, commercials also do not have a screaming reason for us to do it.

Sachin Salgaonkar: Okay. And last question is on the market share at quick commerce. There is a narrative which is going around that Swiggy is losing market share to other players in the market, basis their growth rates and others which are there in public domain. So, I just wanted to understand how does management look at market share in quick commerce? Is it important for a pan-India basis or is the focus, let's say, in specific areas where Swiggy wants to be a dominant player in that market?

Sriharsha Majety: Hi, Harsha here. Thanks for the question. Firstly, I think it's difficult to estimate market share accurately as the comparability of GOVs has been limited because of some non-standard definitions. Us and our listed peer have now provided NOV, which we hope will be a much better barometer and a real measure of consumer spend on the platform. But as we think about, let's say, the next few quarters, I think there are a few things that we are excited about.

First one is, let's say, thanks to a lot of the work that we have been doing on Maxxsaver and the assortment addition strategy that we have been talking about for a while, we do see the AMVs going up healthily. The second thing is, even though we have acquired so many users in the last

quarter, that Rahul was talking about, we are very excited about the quality of the acquisition and the cohorts and how they are playing out.

And this was asked even earlier, there are going to be some modulation in investments, depending on which player we are talking about. So, all these things together make us feel like we are feeling good about the relative position as we play it out in the market over the next few quarters.

But absolutely to your specific question on, if we look at focused geographies, etc., of course that is something that we do look at more closely. We constantly evaluate the markets where we can build a stronger right to win to generate better profit pools going forward.

Sachin Salgaonkar: And sir, last question from my side. I mean, in one of the earlier questions when the question was asked in terms of any target in terms of the dark stores, there was no specific number being given. How should we look at it? Is it because one of your listed peers is obviously saying 2,000-odd stores, and I do understand it may not be an apples-to-apples comparison because you guys do have Megapods and so on and so forth. So any framework we should look in terms of understanding in terms of how one could think about the presence of Swiggy versus presence of other competitors on a pan-India basis from a dark store network perspective?

Rahul Bothra: Sure. Sachin, I can take that. I think one thing that you can be rest assured is that in terms of the customer experience metrics we want to deliver the best. So whether it is in the Tier 1 towns or the newer geographies that we have entered, there is a certain network footprint that we have established which helps us to deliver the best customer experience metrics. So from here on, once the network is already laid out, we do believe that the store expansion should be a derivative of growth and not the other way around, which was hitherto the reason for us to have expanded so rapidly. So, you should expect a certain amount of gradation that's going to happen in terms of a store addition.

The reason we want to also keep a little bit of agility here is, we do not know how quickly the market will continue to accelerate, right. So our decision to open a store and have it live is 60 days, and therefore we do want to maintain the flexibility without having to necessarily guide to a certain number. I think that in the initial phase the expansion was necessary. But from here on, I think growth is going to drive our overall densification as well as establishing the newer footprint.

Sachin Salgaonkar: Thank you. Very clear. All the best.

Moderator: Thank you. We will take our next question from the line of Vijit Jain from Citi. Please go ahead.

Vijit Jain: Yes. Hi. Thanks. My first question is on the food delivery business, right. For Bolt, can you comment on for mature food users, users who have been on your platform for a while, have you seen any impact on frequency since you have launched Bolt? And yes, I will just follow-up with next questions on quick comments later.

Rohit Kapoor: So your question is around whether the existing users are increasing frequency because of Bolt?

Vijit Jain: Yes. I mean, just the sense that faster delivery, does it increase use case in that sense for existing users as well?

Rohit Kapoor: No, absolutely. I think not just Bolt, we see it consistently in our data that whenever the deliveries are faster people tend to convert more that particular session, so that holds linearly on the platform. And Bolt is obviously at a 10-minute range the fastest of the options we have. So, we do see that incrementality.

Vijit Jain: Got it. Thanks, Rohit. My question on quick commerce is, first the NOV/GOV gap in quick commerce that you highlighted here went from 85% to 76% in two quarters. And I know you have commented in the letter that about 250 bps impact on contribution came from discounts. So in general, would you say that a third of the discounts are being borne by you in this and the rest is being borne by credit card and other partners? Is that how I should look at it?

Rahul Bothra: No. See, overall NOV is not just a factor of also our expanding selection, right? So as the share of overall non-grocery increases, you should expect that there will be higher margin that currently the other categories operate on. So it's a factor of the mix that we have as well as some of the customer incentives that we have to do for especially new users who come to the platform where there could be some amount of, say, free deliveries to build habit that we continue to provide to them.

Vijit Jain: Got it. And Rahul, my next question is on the performance marketing spend that you were talking about earlier. Now, how much of the spends that have gone up in the last two quarters is a consequence of increasing cost per impression and those kinds of things versus how you have accelerated your efforts towards reaching more people? And I guess my question is, because at some point of time if you see MTUs growth slowing somewhat because industry's capturing all the low hanging fruit, will the performance marketing spend disproportionately go down?

Rahul Bothra: Yes. I think in the near term it did get impacted, A, by the size of the user acquisition that we have done. As you have seen, we have added more users compared to the previous six quarters cumulatively, so there's a certain amount of absolute increase that we have had in the previous quarter. At the same time, because of competitive reasons, the customer acquisition cost also went up. We started to see some signs of that coming down. So, in the current quarter we are seeing better efficiencies on the customer acquisition side. And if there is normalcy that will return, I think we should expect some bit of efficiencies there.

In terms of absolute spending, I think it's going to be a factor of market growth. It's very hard to guess that how much of this growth will continue, whether it will accelerate or there will be some bit of bumps along the way. So I think we are going to modulate it on a near-time basis and, yes, make those appropriate decisions.

Vijit Jain: Correct. And my last question, just so your cash burn obviously in this quarter is Rs. 10 billion thereabout in terms of operating cash burn. And you have mentioned your cash balance as well. So in terms of how should one think about your cash burn runway that you are comfortable with given this cash balance? Thank you.

Rahul Bothra: Sure. So yes, two things, right. One is, if you look at the trajectory of our food delivery business, it is now run rating at a close to Rs. 1,000 crores EBITDA. So that is the cash cow that we continue want to build on. At the same time, in quick commerce there is a certain amount of investment outlay that we have outlined. What we are guiding is that we believe that the peak of the investment should be behind us, especially as we ramp up on our operating efficiencies. As the network density and the utilization increases, we should see that starting to come off. Currently we have a very strong balance sheet. As you see, Rs. 6,700 crores and the food delivery business and the dine-out business also turning profitable which continue to accrue to the treasury balance. So yes, feeling pretty good about the strength of the balance sheet.

Vijit Jain: Got it. Thank you so much. Those were my questions.

Moderator: Thank you. We will take our next question from the line of Vivek M. from Jefferies. Please go ahead.

Vivek Maheshwari: Hi, good evening, team. First on the food delivery business. So, there are a lot of discretionary companies which are talking about slowdown in general in the urban market. So, this quarter has been good for you from a growth perspective, but does that worry you as you head into FY '26?

Rohit Kapoor: Hey, Hi. This is Rohit, let me take that. Look, the macro is too volatile for us to talk about or get a clear read on the impact, since there are multiple moving parts including recent geopolitical changes which are happening, right. Overall, if I disregard that, we have not seen as much of a slowdown as has been talked about. We have spoken about an 18% to 22% kind of year-on-year growth guidance, and we are towards the lower end of that range. This business will be some months or quarters above or below, as would be the case for any discretionary category.

Having said that, I do recognize that as a category we need to innovate more to grow above 20% and we are trying to see multiple different innovations to see what really sticks with the consumer. So for example, Bolt is one for speed, there's enough work happening in value and I think more will happen there, and differentiation for example with One BLCK. So, again, is the category right now, from our perspective, trending towards the lower end of the guidance? That's correct. But I think that's the rough zone that we have seen. I continue to be a very, very strong believer in the long-term potential of the category given the penetration levels etc., but that has to play out, and that will play out by not just by the market, but also our efforts towards innovation and growth there.

Vivek Maheshwari: So Rohit, basically what you are saying is, 18% to 22% is the broad bracket. And at this point of time, 18% is something you think the category, or the segment can grow in FY '26, is that fair?

Rohit Kapoor: If you look at last quarter, we came in at 17.6% GOV growth. So it is, as I said, towards the lower end of that growth. I think the one thing which frankly is very hard to say is, given where the macro is, also given the geopolitical situation.

Vivek Maheshwari: Sure, I understand. Thank you for that. On the adjusted food margin, so there is a steady margin expansion over, let's say, actually over the last eight quarters. As we head into FY '26, what should we be expecting let's say on a full year basis in FY'26?

Rahul Bothra: I will take that. See, we do not give specific guidance in terms of what will be the incremental EBITDA that we will gain. At the same time, you may have observed that we have added close to 80 basis points on operating leverage, which you should continue to expect. We have been able to keep a very close handle on the overall fixed cost into the business, largely keeping it flat while the business has grown over the previous year. So there is an amount of operating leverage.

At the same time, contribution margin, there's an expansion that we expect by another 100 to 150 basis points to hit to our steady state EBITDA guidance. So you should expect the trajectory to continue. At the same time, there could be quarters where they could be ups and downs, and there could be a certain amount of investment that we may make for growth. But largely the trajectory on an upward one should continue over a full year basis.

Vivek Maheshwari: Got it, Rahul. And moving to quick commerce, your AOV let's say moderated slightly on quarter-on-quarter basis very slightly, and there is of course a seasonality between 3rd and 4th Quarter. But I would have thought at the time when you have expanded the dark stores, built Megapods and also improved the assortment, I would have imagined that AOVs could have actually moved up given that your competitor still is sitting on a higher AOV. How do you think about this?

Rahul Bothra: Sure. No, I think it's an important KPI and we are also holding ourselves accountable to this KPI. We have continued to guide that we will be doing double digit. If you have observed that we have now upped this guidance, we expect that over the coming year we will be able to deliver high teens growth on the AOV. So feel very comfortable about the trajectory. I think it was also a factor of the overall assortment that we had the share of the larger basket more recently, which the Maxxsaver that we have launched. So there are a host of factors that are going to help us be able to deliver on the overall guidance that we are giving, which is high-teens growth from here on.

Rohit Kapoor: And I think the second part of the question, which was on acquiring new customers and that's still leading to a higher AOV. I think Harsha essentially mentioned about good quality users leading to a better quality business in the future as well. So what we have done, and we have been consistently doing over the last two quarters, is to make sure when we acquire customers, we acquire customers with the right basics in mind. And that is the reason why even though sometimes the frequency is low, we have kept our AOV as a very important guard rail in the way that we have been acquiring customers and also repeating them with us. So the reason why it has not followed that trend, and this is the only exception to the new customer trend is because we are acquiring customers healthily and repeating them far easily than earlier.

Vivek Maheshwari: Got it. And the last bit is on quick commerce growth. So, there has been a meaningful acceleration through the course of the year in terms of even Y-o-Y growth also. The exit number of course you have, let's say, doubled the GOV. How do you think about FY '26? Because the investments on the dark store side will be lesser as you alluded to, whereas the competition is still adding stores.

So I do not know if how much of that will come in the existing cities versus new cities, densification etc.

So two parts, one is on your growth and the second bit is, by not adding stores and matching the competition in a way, does that mean that your growth can actually then therefore trail, let's say, the overall industry or, let's say, the other two players?

Sriharsha Majety: Hi, Harsha here. I think for us the growth in most of these businesses for us is obviously a combination of MTU and AMV. And we continue to have a very competitive view on both of these, just discussed the AMV part itself. And as we mentioned, I think for the competitive position we want we feel good about the coverage we have for the MTUs that we need. So, in terms of an overall growth, overall, the trajectory in the MTUs, the quality of the cohorts, as well as our push on the AMVs give us pretty good confidence about the overall market position.

Vivek Maheshwari: Got it, got it. Wish you all the best Harsha and team, Thank you.

Moderator: Thank you. We will take our next question from the line of Gaurav from Axis. Please go ahead.

Gaurav Malhotra: Yes. Hi. Thank you for the opportunity. I just had a couple of questions. One question is on, given that all these players have been giving pretty chunky discounts to the consumers, how difficult will it be for you guys to sort of taking away the consumer from discounting and still retain them? Maybe you will retain them, but the kind of spends which they are currently doing?

Amitesh Jha: Yes. Okay, so the way to think about the business is, the incentives that you give to the consumer are trials basically on what they want to experience as an end consumer. So the program that we have is very oriented towards making sure that they transact X number of times. We give a specific value prop to the consumer that we believe is sticky enough for them to come back to us. We look at our retention numbers all over the last few quarters upping up the value proposition is leading to customers sticking with us for a higher frequency as well.

So the way we are looking at is, incentives are for trials, incentives are for making sure that they experience our value prop a lot more. Once that is done, we see a lot more stickiness in spite of those incentives essentially going away. It's a very tried and tested way that we have followed and we believe that it will essentially go up. And we see that in our higher retention numbers as well.

Gaurav Malhotra: If I can just sort of deliberate a little bit on that as well. See, the higher spend cohorts which you have disclosed, now that is coming again at a time when the discounting has sort of moved up, right. So, at some point in time, I would presume that the discounting would have to sort of come down or do you think that these discounting levels are here to stay, and that means that these spends will kind of remain at these levels?

Amitesh Jha: Yes. See, okay, the way to think about our acquisition as well is that, okay, there are various cohorts in our businesses as well, okay. There are mature cohorts, there are cohorts which are new, and there are cohorts which have essentially tried our platform as well. Whenever a cohort becomes mature, they do not actually need any kind of incentive for them to be operating on our platform,

okay. And that we have seen consistently. The retention rate, the repeat rate keeps on going up without any incentive at all, okay.

So the way to think about it is that, the incentives are very focused on specific kind of cohorts to make sure that they keep on transacting until they get used to the platform. And once they get used to the platform, it does not require any kind of incentive to make it up as well. And that is something that we have seen in our retention numbers as well, over multiple quarters the retention have gone up and we see that going up again and again as well.

So, if you look at the shareholder letter Point Number 6 as well, that specifically speaks about our retention rate over the various quarters of acquisition of the end consumer. It has always been going up. The reason of that is because when the consumers are actually getting matured, they are getting used to the platform organically without any incentive. And we see that keep on happening again and again. The heightened incentive is just to make sure that there are a lot of new consumers that we are acquiring. We make sure that they get used to this platform faster.

Gaurav Malhotra: And what would be the timeline for a user to, say, go from a new to a more mature user? At which time they do not require the incentives to keep transacting?

Amitesh Jha: So it varies. We do not give specific guidance. And it's a very competitive information that we do not want to share. It varies based on which geography that we are speaking about. But it is a very minimal number of transactions that allows a consumer to believe that they want to be with this platform or not. Beyond that specific number of transactions, it really does not matter. They are either going to be your user or not. So that's the way we look at it. But that specific information is something that we would not like to share because it is competitive in nature.

Gaurav Malhotra: Got it. This last question, you guys mentioned a new competition which was alluded by your peer as well. So end of the day how many dark stores in a particular area can there be, right? There are already three, there are potentially two more, so how do we think about how many players can, at least the top ten cities which is where most of the business is coming from currently, can potentially have in a particular locality?

Sriharsha Majety: I think as Rahul mentioned, we are still maybe 20%, 30% done when you like look at the overall scheme of the market. I feel it's too early to already be clairvoyant about how many stores and how many companies can operate. I think it's a rapidly evolving market. So, I do not think we have a very pointed view on this.

Amitesh Jha: And if you look at, I mean, in general market growth that we are seeing and the market penetrations, I do not think we are facing a level at which it looks like that there will be growth challenges for anyone.

Gaurav Malhotra: Thank you.

Moderator: Thank you. We will take our next question from the line of Sudheer Guntupalli from Kotak Mahindra AMC, please go ahead.

Sudheer Guntupalli: Hey, hi. Thanks for the opportunity. My first question is on Instamart growth. So, for FY '26 you are essentially saying that you will be more graded in terms of the store additions. So despite being more graded in terms of store additions, can we expect the GOV in Instamart in FY '26 could potentially double given the exit run rate of stores you have and 40% are MTU growth sequentially in this quarter?

Amitesh Jha: Yes, absolutely. I think what we can look at is an acceleration of growth based on two fundamentals, number of consumers that we have acquired and the AOV movement that we have seen per transaction as well. We believe that that combination would allow us to keep on growing at a significant higher rate as we have seen essentially earlier as well.

Sudheer Guntupalli: And this MTU growth is 40% on a Q-on-Q basis. However, that has not materialized into GOV growth. So, I am just assuming this might be a timing mismatch, timing lag wherein some of these users might have been acquired or stores would have been added towards the end, and the GOV growth proportionate will actually get slipped into the subsequent quarter. Is that the right way of inferring this data point?

Amitesh Jha: See, obviously our MTU growth is essentially higher than our GOV and OPD growth. The way to look at it is that early consumers, be it whatever quarter, whatever time that you acquire, we will be spending less in that specific quarter. It's a mixed impact. Cohort wise if you look at it, the cohort numbers on both GOV per customer and OPD per customer remain the same. It's a mix impact that will get initially covered as soon as that mix really gets essentially corrected.

Sudheer Guntupalli: Got it. And second, the question to Rahul on Instamart margins. So if I understand your earlier response right, you are basically saying that contribution breakeven can still happen in December '25 and you are just keeping some flexibility for growth investments when you essentially mention three to five quarters. So this need not necessarily be construed as a delay in terms of your contribution breakeven guidance. Is that a correct interpretation?

Sudheer Guntupalli: I do not know how much we heard, but I will repeat the question. So if I understand your earlier response right, you are basically saying the contribution breakeven can still happen in December '25 Quarter, and you are just keeping some flexibility for growth investments when you say three to five quarters. So this need not necessarily be construed as a delay in terms of your profitability guidance, right, is that understanding correct?

Rahul Bothra: So yes, I think as I mentioned that there are factors which are within our control and some factors which are beyond our control, right. So I think us being able to take this flexibility more to take into factors which are outside our control versus within our control.

Sudheer Guntupalli: Understood, Rahul. Fair enough. And the last questions to Rohit. In food delivery, so I think last quarter when we met or in the call also we discussed that December and Jan would probably be the true point or lowest point in terms of demand for food delivery. And we were expecting that to

improve on a month-on-month basis in February and then subsequently in March. So did the trajectory play out that way if we just keep aside the recent geopolitical issues and all?

Rohit Kapoor: Yes, I think we did see play out that way where February and March were stronger than January. Also remember, this has a February which was a 28-day month, so there is that effect, yes.

Sudheer Guntupalli: Got it, Rohit. Thank you so much. All the very best.

Moderator: Thank you. We will take our next question from the line of Abhisek Banerjee from ICICI Securities. Please go ahead.

Abhisek Banerjee: Hi. So my first question is with regards to food delivery, right. So you have again seemed to gain a little bit of market share. So, any thoughts on what you are kind of doing right here? And, I mean, do you really think that market share gains are sustainable beyond this quarter as well?

Rohit Kapoor: Look, I will not like to comment on market share per say because it's very hard to define what we are treating as the market here. But in terms of general growth, I think we have already spoken about it in the call. We continue to believe that the platform is very strong. I think we have all the core parts of the platform very solid, operating across cities. So there are hardly zones or cities where we do not feel that operations or supply or things are not in a very good place. I think teams have been stable, teams have been there, most of our leadership is now significant vintage, right, in the food delivery space, understand the category well. So there are some fundamental basics which are operating for us, right.

On top of that what I do believe is that, in a category like this innovation and trial must continue. And you have seen that coming through over last year, including some which have worked, some which have not worked, that's fine. I think we will continue to operate in that zone where the chassis, the platform, and the teams continue to be stable. On top of that, we have Bolt and other things, and we will keep trying. I think that's the zone we are operating. And whether if that leads to higher growth in category, I think we will take it any day. But that's not what we operate towards on a daily basis I think, yes.

And obviously, if you look at margin expansion, I think that's a very important variable. I think we will continue to focus on keeping a fair balance between growth and continue to expand margins over time. There will be quarters where we will see some yoyo between both, either could be because of wage inflation or kicks into a particular quarter or just seasonality where you have to spend more on the delivery network to keep the fleet there. But those are very known sort of variables in the category.

Sriharsha Majety: Yes, Abhisek, Harsha here. I would like to build on top also. I think over the last couple of years, I think thanks to the teams efforts, like we have stabilized a lot of our operations, like our account management is on an all-time high. But more importantly, I think what we are also cautiously excited about is the innovation engine firing I think across multiple parts. We think about value we have been constantly throwing stuff in front of the consumer to see if that catches their

imagination. For the experience side, we have launched BLCK, for speed we have launched Bolt. So I think we are feeling good about like the inputs firing and we hope some of these materialize more in the coming year.

Abhisek Banerjee: Understood. Now if I look at the contribution margin level, I am guessing you would also want to achieve a 4% to 5% kind of adjusted EBITDA margin as a proportion of GOV in food, right? But when I see your adjusted EBITDA margin improvement in this quarter, it is broadly in line with the contribution margin improvement, which I do not think should be the case given you should be getting some scale benefits. So, why has that happened in food and what is the outlook on this going forward?

Rahul Bothra: Yes. So, Abhisek, if you look on a full year basis, I think we have added 80 basis points on the operating leverage. So, within quarters, there could be certain variation. But overall, if you look at on a full year basis, there has been significant operating leverage that we have accrued. We are also hoping that this will continue in the future. We will continue to accrue a lot more operating leverage in the future also.

Abhisek Banerjee: Understood. So, I was just trying to get to a point that your competitor actually had mentioned that there were some problems in getting the delivery treat in this quarter, especially in food delivery. So, was that something you also kind of faced, I mean, there was some paucity of delivery drivers?

Rohit Kapoor: So, let me take this. Look, the correct thing for me to say is that we have not seen anything unusual, right, in the last quarter. There are parts of the quarter where, for example, during Holi where there is a delivery fleet which comes under some pressure for a few days. But that happens every year, that's not nothing new. So at least in our network we have not seen anything unusual play out over the last quarter.

Abhisek Banerjee: Understood. Now, if I come to quick --

Moderator: Abhishek, I request you to join back the queue please, as we have other participants waiting for their turn. Thank you.

Abhisek Banerjee: No, just one question and then you can remove me from the queue. So, in terms of quick commerce, right, you have a contribution margin which has got to (-5.6%), and I believe that you have already reached 100 cities, right. So, in terms of outcome from now, do you really see city expansion is something you have to do beyond the 100 cities?

Amitesh Jha: No, I think as we have mentioned in the shareholder letter as well, we do not see expansion in number of cities as the typical way of growing. We see deepening in those cities, acquiring more customers after the network, as we have said, in those cities as the way to go essentially for that as well. So yes, so in terms of the cities that we are essentially going, will be at the same or similar kind of numbers. Whatever stores that we will be adding will be in those cities and effectively deepening the network there. And that's the strategy that we are actually taking forward.

Abhisek Banerjee: Therefore your capex requirement per store addition will actually keep going down, right, even on per store addition.

Amitesh Jha: The capex requirement per store addition will not essentially go down because effectively the cost associated essentially remains the same, range bound to around Rs. 70 lakhs to Rs. 80 lakhs. We do not see that going down. Of course the utilization of the stores that we have added will go up in the subsequent quarters, and that should be factored in when we are looking at contribution margins in the subsequent quarters as well.

Abhisek Banerjee: So, I was not meaning just for the store, I was saying that there is an associated cost of adding warehouses and all when you are adding a new city, right. So if that is no longer required, those costs will not go up.

Amitesh Jha: That's correct. Yes, that's absolutely right.

Abhisek Banerjee: And just one last question, in out of home consumption you have actually turned around, and you have shown profitability. So, what is the outlook here in terms of growth going ahead? And where can this profitability number go? Those are all my questions.

Rahul Bothra: Sure. So see, if you have seen, since the acquisition over the last couple of years, we have seen a pretty dramatic change in the trajectory of both profitability as well as growth. We do expect that this business, at a steady state, again, can deliver in the ZIP code of 4% positive EBITDA for us. And we expect the growth trajectory to continue. There are some interesting events, businesses, etc. through Swiggy Scenes that we have also launched which help our restaurant partners to get more traffic and create a lot more demand during the event days. So we are seeing good traction. We are also continuing to invest in providing them solutions outside the core offerings, and therefore that will also over time aid into both growth as well as profitability.

Rohit Kapoor: I think I just want to add to Rahul. As he said, on this category we will continue to index more on investing for growth because it's very early days for the category. And having broken even, I think we will modulate to the 4%, 5% that Rahul pointed out over a period of time. But it's very exciting, I think this is an acquisition which we did 2-2.5 years back, and the business has grown manifold from there, both in terms of scale and profitability. As we have good success story for us in terms of acquiring a very good asset and then building onto it in a very solid way.

Abhisek Banerjee: Understood. Thank you so much.

Moderator: Ladies and gentlemen, due to time constraints, we request you to restrict to one question at a time, please. We will take our next question from the line of Aditya Suresh from Macquarie. Please go ahead.

Aditya Suresh: Yes. Thank you for the opportunity. I just wanted to double click on your responses in Question 7. So is there any implicit market structure assumption in your comments?

Rohit Kapoor: Sorry, can you repeat the question? Like what is the question, again?

Aditya Suresh: Okay, so just on quick commerce and your comments where you speak about the path towards contribution breakeven. Is there an implicit market structure assumption? Two players, five players, seven players?

Rohit Kapoor: No, there is no such implicit assumptions in these.

Aditya Suresh: Okay. Just as a follow-up on that then.

Moderator: Aditya, I request you to join back the queue, please. Thank you. We will take our next question from the line of Nikhil Choudhary from Nuvama. Please go ahead.

Nikhil Choudhary: Hi, thanks for the opportunity. I just want clarity on your comment regarding the disconnect between MTU growth and GOV growth, where you highlighted that while this quarter GOV growth is driven by new user addition, while you have seen slowdown in older users. Have you seen this kind of seasonality before? And why do you think this is not a user churn because of higher competitive intensity? Thank you.

Sriharsha Majety: Hi, Harsha here. We keep closely watching our metrics overall. Firstly, as Rahul mentioned, its unprecedented acquisition win for us because for the quick commerce business, each business is different, this is the sum of six quarters of MTU growth for us that has happened in the last quarter. To that end it is unprecedented. And as we have already mentioned, we are constantly looking at the quality of the overall cohorts and the retention of our mature users. We do not see the impact of intensity showing up actually on the retention of our users.

Amitesh Jha: So just to clarify, every cohort is operating in a similar way and better compared to what we were essentially earlier. So just to get it, the only delta that you see in any other aspect is just a delta on the mix. So yes, our matured customers are retaining and spending in the earlier way or better, and which is the way that we want to grow our business as well.

Nikhil Choudhary: Got it. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will take that as the last question for today. On behalf of Swiggy Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.