Swiggy Limited

Q1 FY27 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to Swiggy Limited Q1FY '27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumant Sharma from the Investor Relations team. Thank you, and over to you, sir.

Sumant Sharma: Thanks, operator. Hello, everyone, and welcome to the First Quarter FY 2027 Earnings Conference for Swiggy Limited. Our financial results and shareholders' letter have been published on the exchanges and the information pack has been placed on 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 are management estimates 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 us on the call today are Sriharsha Majety – MD and Group CEO; Rahul Bothra – Group CFO and Rohit Kapoor – CEO of Food Marketplace.

With this brief preamble, let us start the Q&A. Moderator, you can please go ahead.

Moderator: Our first question comes from the line of Sachin Salgaonkar with Bank of America. Please go ahead.

Sachin Salgaonkar: I have three questions. The first question is regarding the strategy in quick commerce. Now that we achieved a contribution margin breakeven, which partly, perhaps, came at the expense of a slower growth, management now wants to focus on accelerating growth, but again, that is going to come at the expense of contribution margin getting again into a negative territory. So I just wanted to understand how we should think about the strategy? Is it growth at the expense of margins or vice versa? And when do we see a mix of both?

The second question is on quick commerce on implied take rate. Because when we look at Quick Commerce NOV growth, it's roughly 3% QoQ, QC revenue growth is roughly 13%. Clearly, the implied take rate has moved up. So I just wanted to understand, is it on the back of the mix of private label? Is it seasonality? And how sustainable is the increased take rate?

And the last question is on food. Of late, a lot of noise has been increased on potential competition in the food delivery space. Would love to hear management's thought on that, particularly on the zero commission model and how does Swiggy look at it?

Sriharsha Majety: Thanks for your question, Sachin. I'm going to answer the first question, Harsha here.Yes, we did talk about a plan to be more focused on growth as we think about the way forward. When we talked about our overall commitment to move to the CM zero, there were a bunch of reasons that we wanted to do it. We believe that to build a strong foundation for durable growth, this was quite important, and we have talked about it many times.

When we look at the quality of the business going into the future, we have absolutely moved close to INR30 in contribution over the last 5 quarters. Our user retention month-on-month is at the highest that it's ever been. And a lot of the work that we've done on our brilliant basics as well as our efforts on differentiation are bearing fruit. So at this point where there is outside of, let's say, the market leaders, there are many folks operating at - 10% and below contribution margin. That is the kind of segment that we're in.

So in a segment where there are very wide bands of operations that everyone has, we believe that we have earned the right and the flexibility to operate at a zero to -100 bps contribution margin level. At the same time, we want to be completely accountable to the quality of growth that we will demonstrate, and we take great confidence in the quality of growth that we expect out of this just because we're looking at the fundamentals, we're looking at the overall user quality, how users are growing in terms of their habit formation of the platform.

And even the guidance that we've given is highly range-bound. We closed the last quarter at -0.2%, and we're talking about -100 bps is the range. So obviously, we've assumed no change in competitive intensity. Should things change dramatically, you should expect us to also keep moderating the strategy. But yes, I think the main reason we're choosing this is because we feel very happy about the reset in the quality of the business.

We feel very happy about the kind of growth that we're seeing, the quality of growth that we're seeing. And we believe that doing this now increases our chances to actually get closer to EBITDA profitability in the time frame that we've also talked about in the overall shareholder letter.

Rahul Bothra: With respect to the take rate improvement as you would have largely seen from our shareholder letter, a lot of our improvement has come on the back of monetization. Now, this is across the streams of the brands' take rate where we are able to negotiate a lot better margins as we scale the business. Advertising has started to meaningfully kick in for us the overall type of advertising that we are selling to brands and incubating the growth for them through these means.

And thirdly, on the user fee side. So if you've seen over the last couple of quarters, we did experiment with a few levers around no fee, etc.. And in the previous quarter, we have been able to now monetize better on the user side. So the combination of these three levers, we have been able to increase the take rate significantly and a large part of our improvement over the last 4-5 quarters to help us get to the CM break-even was also led by the monetization efforts.

Sachin Salgaonkar: In other words, Rahul, this is sustainable, right?

Rahul Bothra: Absolutely, right. So these are revenues that we have been able to establish with the brand partners as well as on the consumer side. So we don't expect these to turn. Just to add on to the point that Harsha made, see this 0 to -100 basis points flexibility, I think we should look more from an overall, say, angle of retaining this to be able to incubate back the growth.

So even over the last four weeks, we've added more orders than in the previous 6 months. Having gone through the balance sheet of, say, the users, which at the portfolio level became profitable for us, our ability to now start harvesting good quality growth by making some of these choices is something that we would like to regain.

You should also look at the background that probably apart from Blinkit, many of the other competition is operating at double-digit negative contribution margin. So in this background, I think this flexibility is important for us to be able to get to the heightened growth levels from hereon.

Rohit Kapoor: This is Rohit. I'll answer your third question regarding food delivery and the competition question you asked. So at the base level, we believe that food delivery remains still quite under-penetrated in India. And with just maybe 1 out of 10 Indians having ever having transacted on a food delivery platform, and that too a bulk of those transacted probably low frequency. That's point number one, that the opportunity remains secular and multi-year in nature.

The second question is, we feel quite good about the kind of robustness we have built on the Swiggy platform in terms of accelerating growth. So while this quarter growth is coming at adjusted about 18%, if you adjust for cancellations. But if you've seen the momentum over the last 3-4 years, it's been on an upward trajectory, and we continue to maintain guidance of YoY growth between 18% to 20%.

Third, your question on competition, it is quite clear to us that the expansion of food delivery will happen on the back of affordability and new segments. And also it is very likely that any competition of any nature which comes in, is likely to come in more in the affordability segment than the premium segment. The premium segment is much harder to enter for any new competitor. That's a fair deduction to make.

Now we have made a conscious choice of building on the marketplace model, which is Toing, but it is very differentiated in terms of the delivery fee charges, the kind of proposition offers, the cuisine, the last mile, the economics, the value proposition consumer. It looks nothing like what food delivery looks like in India today. .

There are competitors who are continuing to bet on the micro kitchen model. We believe, having tried that model and taken a decision to exit it about 4-5 months back, that model a) it requires a different kind of expertise b) it is probably more expensive to build and c) the economics of that remain highly uncertain for most players.

Last, your question on zero commission, I think we'll like to walk away from the marketing element of this to the reality of the business. So while you can call something zero commission, there are 3-4 fundamental questions to be answered there. One, if it is zero commission, then who pays for cost of the platform. Somebody has to pay. And in the medium-term, it is quite clear that there will be some charges, whether they're called commission or by some other name.

Even today, we believe that while, for example, on Swiggy, we don't charge restaurant partners for delivery. There are platforms which end up charging for delivery. And if you look at the lower AOVs and look at those costs, they do not really reflect a zero commission structure.

Secondly, even if it is done initially, it is quite likely that over time as the entry-level response is done, at some point in time, you'll have to recover the economics, and if it is not going to come from one stakeholder at all, then it goes to the other stakeholder - to either the consumer or the delivery partner. We are not sure of the equilibrium that creates or the dissonance it creates in the future.

So I think given our experience, we believe that the way we architectingToing, it remains one of the lowest cost ways to bring in a new delivery feature to the market and expand it, and as we today and in the future, as we expand it, build on it, happy to share more details with everyone on that. Hope that answers the question.

Sachin Salgaonkar: Absolutely. Just one quick follow-up on competition and quick commerce. Are we seeing some slowdown in competition or that continues to remain as intense as what it was, let's say, a month back?

Sriharsha Majety: We're not seeing anything noticeable in changes, Sachin. Harsha here.

Moderator: Our next question comes from the line of Sudheer Guntupalli with Kotak Mahindra AMC.

Sudheer Guntupalli: **Hi** Rahul, possible to quantify the wage hike impact that you had this quarter, and maybe if it can be apportioned across different segments? And also, it looks like there is a significant escalation in last mile cost in this quarter because of West Bengal elections and hotter than normal summers. So is it possible to quantify what would have been that impact across both the food delivery and Instamart?

Rahul Bothra: Sure. So on the wage rate, there are a couple of things. One is that our annual salary revision happens in the Q1FY27 cycle, so that's one part which sits below the contribution margin. Also we have seen in certain states where there's been a minimum wage hike, which has impacted certain, say, operations around our picking and packing costs at the warehouse or at the dark store level. So those have been factored in our current, say, both the achievements in Q1FY27 quarter as well as the guidance that we're giving for the Q2FY27 quarter. So not material, but something which is already being baked into.

In terms of the last mile cost, you are right. This is a seasonal impact, which got accentuated with the election cycle that we saw in the first part of the quarter. But on the other part, which is migration of labor during the harvest period, this is something that on a year-on-year basis we do see. As you would have seen in the food delivery business, we've been able to negate some of that by continued efforts on getting better efficiency. So in the previous year, we had a 40 basis point dip, which got reduced to 20 basis point dip in the current year, and we hope to continue doing better on this going forward.

Sudheer Guntupalli: Thanks. And Harsha, just one question to you. It's a follow-up to what Sachin was asking earlier. Now, news articles clearly suggest that the funding environment for the unlisted competitors is becoming extremely tough in the backdrop of the irrational discounting and all. So in the future, let's say in the near future, next 3-4 months or so, if the funding environment continues to be tight, do you expect or do you foresee that some of this irrational discounting should sort of rationalize?

Sriharsha Majety: Sudheer, I think firstly, the market now has 7-8 players. So I don't think it is only one player that changes how we execute. I think we need to keep everyone in mind. There are lots of folks expanding their networks rapidly. Also, I think as a part of the reset that we did and this whole differentiated assortment that we keep harping on about, at some level, I think you should be rest assured that most of our efforts are to actually fiercely shape the positioning that we want, so that we can have a lot more control over our destiny instead of looking over our backs every quarter to see what everyone else is doing.

Even in the last four quarters, we have taken a very, very contra choice in terms of choosing contribution over growth, and we believe that that's given us a lot more staying power. Now with the differentiated assortment coming in, we feel even more comfortable. So not sure if only one player changes how the category goes from here. There are seven players. Everyone has their own strategies. We have our own and we just want to execute on it.

Sudheer Guntupalli: Fair enough, Harsha. And you guys also had gone through a bit of low-value customer rationalization and all in the recent past. Based on your experience, let's say, what is the sensitivity that you are looking at? Let's say, some of the players who are currently operating at zero Minimum Order Value (MOV), zero delivery fee etc. If they were to push up this delivery fee or minimum order values, what is the kind of sensitivity or potential declines in customers that could be happening over the course of time?

Sriharsha Majety: I think, Sudheer, we've kind of maybe shown that in our own push in the last two quarters. Our growth has also been soft because these resets are quite painful. Everyone has to look inward and make the hard resets that are needed for a stronger foundation. So any player that has to make these choices is going to see significant dips in volumes, and then you need to make up for it, and then more with organic drivers of growth.

So it is, I mean, if you go after value as a proposition, you are going to acquire heavily value-seeking consumers, and if you take that away, they also observe it very, very quickly. So this would be true for any player that is going to make changes to a value proposition, especially on value.

Sudheer Guntupalli: Fair enough. Rahul, a couple of accounting-related questions. Firstly, it looks like some of the unlisted competitors are actually capitalizing employee salary costs or Claude token cost or in some cases, indirect costs related to stores even after the stores becoming operational. Can you clarify if we also capitalize any of such expenses or not?

Rahul Bothra: Sudheer, thanks for the question. Absolutely not. For all the line items that you mentioned, and there are a lot of them, we do not capitalize any of these. All of these are booked as part of the -- especially also new stores when they open, even if there are 30-60-90-day period, all of that gets baked into our contribution margin. And there's no capitalization of employee costs and you can clearly see that in our quotes also that we periodically publish.

Sudheer Guntupalli: Okay. Last one from my end. Is there any securitization of the payables that some of our unlisted competitors might be doing, wherein we get into arrangements with the brands that will pay an interest for delayed payment rather than making a timely upfront payment?

Rahul Bothra: No, we are not aware of such practices, Sudheer.

Moderator: Our next question comes from the line of Abhisek Banerjee from ICICI Securities.

Abhisek Banerjee: My first question is on the statement you have made on 4-week trending NOV growth rate is 10% versus 1% in the previous 4 weeks. So is this 10% a week-on-week number? And if so, what kind of growth rates would one basically build in for the quarter?

Rahul Bothra: Yes. So, Abhisek, I can clarify that it is a four week cumulative number. So not just a week, but a four week cumulative number over the previous 4 weeks. This is the latest available data that we have of the previous week. For the rest of the quarter, it's hard to guess, but as you've seen from our commentary, we do want to press on the accelerator here. As you've also seen, now that the contribution margin journey has been accomplished, the EBITDA journey itself will mean that we have to get to a certain run rate in terms of our Net Order Value (NOV) and that journey has begun for us**.**

Abhisek Banerjee: Got it. So the store expansion that you are speaking of, will that be mostly in the cities where you are operating your top 8 cities, or will it be outside?

Rahul Bothra: Yes. Absolutely, Abhisek. So we are going to open in the same cities. We are not opening any new cities. With the efforts on some of the growth levers that we have put in place, we are seeing good traction. So some of the cities we are starting to see maxing out of capacity in some of these hyper local stores. And some of these stores start hitting 2,500 to 3,000 orders per day, which necessarily means that we have to open more stores.

Though as an overall network level, we are obviously 40% utilized. Our guidance for the current quarter is that seeing some of this growth, that we are going to add more stores than we have added in the last four quarters, in this quarter itself.

Abhisek Banerjee: Understood. Now, when you speak of the 0 to -100bps contribution, what is the line item where you are willing to spend most on growth? Is it on discounting, or is it some sort of inducement to the customers or your channel partners, delivery partners? Just can you give some color on that?

Rahul Bothra: Yes, sure. See, one of the factors would be the store expansion that we have talked about. So considering that we are adding more stores, which would mean that there would be a certain amount of fixed cost that would start getting booked. So that's considered in that.

The second area of investment is really around the brilliant basics that we call them, which is around the speed of the network. Currently in this quarter, we also have seasonal rain impact, which means that we want to improve our serviceability and provide better-than-competition, including serviceability.

The third one is around the availability of our selection. So we've made a completely hard reset in terms of availability as well of the selection. And these are the three areas which are mostly around customer experience**.**

Abhisek Banerjee: Got it. And in terms of the growth trajectory that you are kind of seeing. So what will that be driven by? Will it be more AOV growth? Or will it be orders growth? And if it's orders growth, will it be more customer acquisition or more driven by increasing order frequency?

Rahul Bothra: Yes. I think on AOV, while we've continued this journey, you may have seen that we have done very well on the AOV journey, but that is something that we are not banking on a going forward basis. It can naturally happen, but a lot of the growth is going to come from transacting user base increase as well as frequency increase. These are the two levers that we are going to double down on.

And as Harsha mentioned, some of these are starting to play out for us. Having done the hard yards around weeding away some of these low profitable users and orders, we are starting to see better customer retention on our platform. So our first month (M1) retention of the transacting user base has actually been the highest that it has been over the last many, many quarters for us. So we are starting to see that sign of growth, which means transacting user base increase is going to be the key lever for our order growth in itself.

Abhisek Banerjee: Understood. Now in the platform innovations part of the business, there was an increase in losses. So is that on account of closing Snacc? Or is it completely driven by Toing?

Rahul Bothra: No. So part of that was the closure. Since we had closed it last quarter, there were some operating costs that got booked in this current quarter. But a large part of this investment is on Toing. And again, as we have called out, a lot of this is around the marketing investment that we have made to acquire new users on the platform. Because from an overall fixed cost perspective, we have been able to launch Toing with very minimal effort or minimal overhead addition outside of the marketing investment that we need to make to get the new users on the platform.

Abhisek Banerjee: Understood. And just one last question, which is on the management change. So what are the expectations from the new CEO for Instamart? She's obviously a storied leader, but if you could give some pointers that would be great.

Sriharsha Majety: Harsha here. I think we have talked now about the foundation that has been set for the business. We're starting with these record high retention levels. We're starting with some early success in the differentiated assortment approach and everything in Nandita's experience has also demonstrated that in retail, she's proven to be a strong merchandising leader who's understood consumers better than her competitors in the past. And we want to be able to work with her to build on the foundations even better, build on the brilliant basics, and also really double down, triple down on the differentiated assortment proposition to drive strong, durable, profitable growth for Instamart.

Moderator: Our next question comes from the line of Vijit Jain with Citigroup.

Vijit Jain: My question is on the four week growth commentary, 10% in the four weeks versus 1% in the preceding 2 weeks. Just to be clear, this is week-on-week growth? Or are you kind of tracking towards 10% QoQ growth in the quarter as of July '26? That's my first question.

Rahul Bothra: Yes. Sure. Rahul, here. So it's a cumulative of weeks and not just a week, and obviously we are starting the quarter on a good balance sheet, as I mentioned, with the retention starting to show up, the returning user base starting to increase. So we are cautiously optimistic of being able to deliver at least on this double-digit growth on a sequential basis, and hopefully more.

Vijit Jain: Got it. Understood. And the second question is on this retention remark, Rahul. So you said 61% 1-month retention is the best you've had in many quarters. You said 55% was the level last year. Just some benchmarking here would be useful. What is good, say, when you look at food delivery or I'm just trying to understand, is this the metric that you would track to say that your retention is now at gold standard or something?

Sriharsha Majety: Harsha here, I don't think this is gold standard. And I think our attempt will be to keep building on this and improving this in an increasingly competitive market, which will take a lot more than just BAU activities. So safe to say we are not done here.

Vijit Jain: Got it. And Harsha, my last question here. So you've said that in the letter that quick commerce is entering a phase of diminishing returns on some of the older growth strategies, and you've talked a lot about differentiated assortment in the letter, including noise and switch to better. In general, if you were to quantify, I know it's probably a hard question to answer, but is this going to be the prime driver for growth for you apart from, of course, the store additions, the differentiation in assortment? Is that how one should look at it? Or there is more juice to be had from other initiatives that you could build on here?

Sriharsha Majety: I think this should be seen as an additional driver of growth. I think the core proposition of quick commerce is getting 20,000 assortment in minutes, in quality, on time, all of this has its own organic growth rate as long as you wake up and do a great job at it every day. I think this just offers the opportunity to get incremental growth on top. If you're able to do differentiated things not just from other quick commerce providers, but overall retail in a way that doesn't exist.

So for us, we even see it as an alpha saying that can we get even more growth in the space by doing these. This will help us continuously also shape our contribution while continuing to grow better than maybe we have in the past. These are things that we didn't have earlier, and we hope that they laid us in the path to manage growth and profitability even better.

Vijit Jain: Got it. Just one follow-up on a previous question on Nandita getting on board at Instamart. So you've had some other changes in leadership at Instamart as well. A few people across different roles there. So generally, just wanted to get a sense of beyond what you said, Harsha around Nandita and what she brings to the table, what else are you looking at with some of these changes at Instamart? I mean are there specific areas that you think they would want to hit a bit more aggressively, including, say the brand partnerships or ads?

Sriharsha Majety: We're not going to be able to go into details here, unfortunately. I think the core vectors remain the same. I think to run the business and improve the customer and brand experience even more is the bedrock for the business. That'll be a zeroth priority. And in addition, to build on the early momentum from the first quarter of the differentiated assortment and really get it to the next level of flywheel buildings.

Of course the team is going to be important, everything else is going to be important, but the job for Instamart is these two. If we do these well, I think we will be just fine and do really well in the next few quarters.

Vijit Jain: Understood. Thank you so much. Congratulations and best of luck for the next quarter.

Moderator: Our next question comes from the line of Vivek Maheshwari with Jefferies.

Vivek Maheshwari: A few questions. First is, Rahul, when I look at the delivery fees in the Instamart business, that number comes to zero. Am I getting it right or not, please?

Rahul Bothra: Where are you picking this up, Vivek, if I may ask you? Maybe I can separately clarify.

Vivek Maheshwari: So what I'm doing is the reported revenue minus adjusted revenue. When I do so in the previous quarters, when I look at that number roughly comes to about INR3, give or take. This quarter, your reported numbers and fully loaded revenues, the difference between the two is zero, which gives a sense that there are no delivery fees that you collected at least under that head. The differential of the two is basically zero, which used to be about INR3 per order.

Rahul Bothra: Vivek, maybe you can continue with the rest of the questions, I'll come back on.

Vivek Maheshwari: Sure. That is one. Second is on the monetization bit, because the bulk of the monetization is from the brands. Do you think as we go forward, you have still more levers? And some of the strategies that you have highlighted about focusing on select brands, focus brands and all of those. Do you think that journey can continue for the next few quarters and the monetization bit can keep going better both on pure take rate as well as on the advertising bit?

Rahul Bothra: Absolutely. So Vivek, if you have seen our journey for the next INR30, which we need to achieve to hit breakeven on EBITDA. Again, INR20 roughly, that is going to come from the monetization side, roughly broken half and half between, say, the product margins that we make from the brands or the mix of our business, as well as roughly, say INR10 from the advertising side of the business. So we still see substantial room, and this is a journey towards hitting EBITDA profitability. Then probably there's a next journey, which is another INR25 to INR30 into our steady EBITDA guidance.

So we are going to continuously monitor, and you should hold us accountable to be able to deliver on these metrics that we have highlighted. But definitely there's room for us to continue on this journey.

Vivek Maheshwari: Got it. And a follow-up to that, Rahul, but your take rates have moved up meaningfully on a sequential basis. When you, let's say, went to the brands, what was the promise that you had for them, because the monetization bit for last 2-3 quarters, the number was flat and suddenly it moved up. So what was the trigger point because of which you were able to do this?

Rahul Bothra: So unfortunately, these are not on a quarterly basis. So many of these, say, brand negotiations happened on an annual basis, depending on the cycle of those respective brands as well as our continued negotiation cycle. We continue to show them higher growth, also the mix of the growth that we show versus, what they are used to in the traditional channels, which means that there is a little bit of monetization that they can offer to us because of the mix that we offer.

On the advertising side, it's also about us being able to add the kind of inventory and the product features on our app to be able to give more and more avenues for these brands to participate to be able to showcase their products. So it's a journey of both product building as well as the negotiation efforts as we scale the platform.

Vivek Maheshwari: Got it. And my last question is on Toing, where you have said that two out of three users are new to the Swiggy platform. So which means that one out of three would be common. What is the behavior of those users who have, who have gone to Toing, their behavior on the main app, Swiggy app basically?

Rohit Kapoor: So this is Rohit here. So one out of three users who are obviously common on Swiggy exhibit one of two behaviors. One, the first behavior is that they just wanted a different alternative . And they find Toing more appealing to them, and which is great because they stay within the same company. The second is they take some part of their use cases to Toing, some stay on Swiggy. We are observing both at this point.

Vivek Maheshwari: Got it. And wish you all the best.

Rahul Bothra: Vivek, if I may just answer your first question. I think you may go to Page 16, where we have the adjusted revenue walk and including the user delivery charges that we collect. So maybe that will give you the answer.

Moderator: Our next question comes from the line of Aditya Soman with CLSA.

Aditya Soman: Good evening. I have three questions. So firstly, just a clarity on the strategy. Maybe we've gone through multiple loops on the strategy on quick commerce. We did Maxxsaver, then we focused on taking off delivery charges and now going to increased focus on our own brand. From a consumer perspective, does it proposition that Instamart or Swiggy has become confusing ? Even on food delivery, we are seeing that one of three of the Toing customers are maybe overlapping with Swiggy. Does that create confusion**?**

And the reason I ask this is because when I look at some of the initial data on app ratings, there is a fall off in ratings as well as the quality of ratings for Swiggy. And that is a little surprising given the strength of the brand.

Second, on this own brand strategy and when you talk about sort of increasing ad revenues, is there a conflict between those two ? Because at some level, you compete with the brands that want to advertise on the platform as well as the fact that there will be a chunk of revenue on which you cannot collect advertising because it's your own brand. Does that become a conflict of interest? Or how does one solve for it?

And then lastly, in terms of just the platform frequency, some of the data that you reported suggests a drop-off in platform frequency. So if you can just throw more light on why that is happening?

Sriharsha Majety: I'll take the first question on the strategy of Quick Commerce. Honestly, when we did Maxxsaver last year, I think that should have been seen more as a tactic than a strategy. It was helpful for us to combine carts a lot more effectively than we were able to at the time and moved the AOV in the way that it did.

In terms of the clarity, I think that is the position that we're now taking in a way that we haven't taken in the past. Looking back, I think we could have done even more to cement more distinctive positioning for Instamart. And that is exactly what we're doing today. All of these user base reset, all of this more careful, deliberate positioning, saying, "This is what we want to stand for," is all about that.

So I would say that we haven't done anything distinctive as a strategy, so concerted as a strategy in this way before. And we're also making all the changes on the storefront to reflect this clarity, and we are starting to see some of the consumers experience this buy into the proposition. Still early days, but we're quite hopeful that the clarity and positioning for Instamart is starting to show up for consumers in a way that it hasn't in the past.

As for the app ratings, we're going to look into this. We don't see anything unusual here, but we'll report our findings there. I think in the food delivery part, when you're talking about confusing, etc., at the same time, there are also questions about multiple new value-led players showing up in food delivery. I think affordability is a real need and should be improved to drive category growth. So if there is a more purpose-built model for value in the food delivery category, I think we owe it to ourselves to do this exploration along with other explorations on the Swiggy app.

Aditya Soman: Just on that food delivery bit. I mean, I agree with the sort of potential need for getting new customers at lower price points. But what would this entail ? Would this entail sort of a lower commission model? Because ultimately, even in your sort of bull case scenario, you're talking about a 5% margin. So ultimately, as you mentioned before, you have to pay for the cost. So how does Toing monetization differ from Swiggy.

Sriharsha Majety: I think, firstly, we are still in early days on the Toing business. But definitely, I think commissions do need to be different from the Swiggy platform to enable our restaurant partners to offer everyday low prices. So it is a core part of the strategy. As Rohit had mentioned previously, the answer is not going to be zero in practice because it is not going to also work to grow the category. But to lighten the load for restaurant partners will be important to build a more balanced ecosystem even with Toing, it has to be durable.

Aditya Soman: I understand. But the question is you're ultimately paying INR50-60, roughly the amount for a delivery partner, and that needs to be covered. And today, if you look at the revenue per order, it's just about covering that and your fixed cost. So how does one lower commission, lower fees and then still cover that INR50 unless one can batch unless you think that batching is a lot more viable on Toing than the Swiggy app.

Sriharsha Majety: I think the only difference is the average order values of both categories are going to be different. So we don't need to make INR40 per order in this business to build a large and profitable version.

Aditya Soman: All right. Clear.

Rohit Kapoor: I think just to add to what Harsha said, also please don't assume that it is the same food delivery model transplanted to a new chassis. It is bottom-up thinking on what is most valuable to the consumer. What does the consumer care about the most? Really making sure that they get the best experience and value on that count, and then also figuring out what is the consumer willing to trade off on. Far easier to do on a standalone platform than on the same platform. So over time, look quite different in terms of, doesn't mean better or worse. It's different in terms of what it offers, in terms of value, experience, selection, speed, everything.

Rahul Bothra: I'll take your next two questions. On your private brand strategy in conflict with ads. I think by the inherent nature of some of these private brands means that they come with significantly higher margins. So there's both the supply chain margins and some of the manufacturing margins that you can, as a brand appropriate, which gives enough and more room for you to have higher gross margins than this. So our private brand strategy is not value-driven, it is more experience-driven, and therefore, you should expect higher margins as that scales.

The third question around the platform frequency drop, that's really a mixed impact. So as we have called out over the last 2-3 quarters, we have actively culled out a lot of Monthly Transacting Users (MTU) users on the platform. And since these are reported numbers across food delivery as well as quick commerce, there's been an impact because quick commerce has lower frequency compared to food delivery. So this should start correcting itself as the overall MTU base starts improving. Just to call out, these numbers do not include the Toing, which are currently reported in the platform innovation, which is not forming part of our B2C GOV reported numbers.

Moderator: Our next question comes from the line of Jignanshu Gor with Bernstein.

Jignanshu Gor: I have one comment and one question. I think we have discussed Toing a lot. I am not sure if we have answered the questions that we have raised in the newsletter in the context of new competition for food delivery.

I will leave it to the management to use this opportunity or if it can be discussed next week during the Capital Markets Day.

And second is a specific one on Instamart. So we have written about these strategic brand partnerships. In addition to Noice, which is our proprietary brand, we are developing a wide array of portfolio. Can you just give us a few details about how we are collaborating with these brand partners? Are these products exclusive to Swiggy or can they be sold on other platforms as well? And what's our approach here to driving the behavior using the Switch to better proposition? That's it for me. Thank you**.**

Sriharsha Majety: Harsha here. Thanks for the questions. Maybe on the first one, we will definitely cover a lot of this next week in the Investor Day as a part of a broader explanation on Toing, we will be sure to make the time there.

On the second one on strategic brand partnerships, actually, we would love for you to open the Instamart app and check out the Switch to Better campaign that is live right now. Maybe if you would try a few searches for products, you will be able to understand the bets that are live. The way we are working is we work with a mixture of both incumbent and large brands in some of the categories, as well as challengers like D2C brands to create a distinctive value proposition of better quality or great quality at great prices.

So that is why if you will go to, let's say, the atta category, you will see partnerships with Aashirvaad and ITC has done like a couple of brands in that case. Maybe in the toy car segment, you will see a different brand. In, let's say, the eggs category, the switch is on top of our own brand, Noice. So it is a mix of brands between proprietary, large, and D2C.

And there was the other question about if the products are fully exclusive. In a lot of the cases, actually, the SKUs themselves tend to be exclusive. And when they are not, you will see that there are some SKUs where there is a mixed portfolio. Let's say if you search for oats, you would see how many high-protein oats in the selection.

You will see that a lot of them would be exclusive, and some of them, the brand would be retailing, selling at an exclusive price with us. So it tends to be a mixture. But the proposition of great quality at great prices will be exclusive to us as a combination of these two. Ultimately, the strategy is all about democratizing access to great quality.

Moderator: The next question comes from the line of Rishi Jhunjhunwala with IIFL Institutional Equities.

Rishi Jhunjhunwala: Yes. Just one question. Looking at the cash burn that you currently have on QC and the trajectory that you have on food delivery in terms of cash generation improvement over the next 2-3 quarters, do you believe you can offset the entire cash burn on QC through your food delivery as well as your yield income anytime in the near future?

Rahul Bothra: Yes. Thanks, Rishi, for the question. Yes, I think, obviously, they are going in the right trajectory for both our food delivery business in terms of accreting margins. We are currently at about 3%. We have told that we will be getting to 5%, and that steady growth you will continue to see, as well as the treasury income. So we expect to, over the next two quarters, be able to break even at the overall cash level, while we continue to support the Quick Commerce business during its EBITDA profitability journey.

Rishi Jhunjhunwala: And so barring the burn on innovation, you would effectively start generating cash at a consolidated level. Is that a right assumption to make?

Rahul Bothra: Yes, that's true. I mean, platform innovation by the nature is something that we are not committing ourselves fully to. As we have said, once the product hits both Product Market Fit (PMF) as well as what we call Business Market Fit (BMF), that is when it will get its growth capital, and it will have its own economics from there on.

Moderator: Thank you so much. Ladies and gentlemen, that was the last question. On behalf of Swiggy Limited, that concludes today's conference. Thank you for joining us, and you may now disconnect your lines. Thank you.