Swiggy Limited

Q2 FY27 Earnings Conference Call

October 22, 2026

MANAGEMENT:
SRIHARSHA MAJETY – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – SWIGGY LIMITED
RAHUL BOTHRA – CHIEF FINANCIAL OFFICER – SWIGGY LIMITED
ROHIT KAPOOR – CHIEF EXECUTIVE OFFICER, FOOD MARKETPLACE – SWIGGY LIMITED
NANDITA SINHA – CHIEF EXECUTIVE OFFICER, INSTAMART – SWIGGY LIMITED
SUMANT SHARMA – GENERAL MANAGER, INVESTOR RELATIONS – SWIGGY LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Swiggy Limited Q2 FY27 Earnings Conference Call. 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, please signal an operator by pressing star and 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: Thank you, Operator. Hello, everyone, and welcome to the Q2 FY27 earnings conference call for Swiggy. Our financial results and shareholders' letter have been published on the exchanges and the information pack has been placed in the Investor Relations section of our website, www.swiggy.com.

We would like to inform you that the management may make certain comments on the 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 – CFO , Rohit Kapoor – CEO of Food Marketplace and Nandita Sinha – 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 with the question-and-answer session. Your first question comes from the line of Gaurav Malhotra with Axis Capital.

Gaurav Malhotra: Just a couple of questions on food and quick commerce. So firstly, on food, if you can give us some sense on what you're seeing in terms of emerging competition from Rapido, we see Flipkart Minutes also doing something in food. So how are you sort of seeing the landscape?

Sriharsha Majety: Hi Gaurav, Harsha here. I'll take that first question. Actually, as of now, only Rapido is live to the general public and Flipkart has opened to the public at scale even in Bangalore yet. We are, of course, closely watching the market. We happen to be participating in this in the value market through our pilots with Toing.

And we've talked about it extensively in our shareholder report as well. I think over the last 4-5 quarters, we are closely monitoring the business health, the product market fit. And we're quite excited by what we are seeing as of now. Competition has begun, but I think we're able to respond pretty strongly both from the Swiggy asset platform as well as the Toing asset.

Our sense, however, as of now, and that's the reason why we're investing in Toing also right now is that we do believe that the market can expand if the right proposition offering value to consumers while being sustainable can be tracked. For us, it's a specific interest also because Toing in some sense for us insurance of a large profit pool at its worst and in addition to a large corporate pool at its best.

And that is the reason why we continue to play for it. We continue to monitor all the health metrics and are continuously revising our plans and iterating on the business based on everything we know.

Gaurav Malhotra: Got it. In the shareholder letter, even in food, you have sort of mentioned about investments towards the affordability trust. So, Toing, is where the affordability focus is. So, is there some sort of an overlap happening between the food and Toing from an affordability focus perspective?

Sriharsha Majety: There is some overlap, but we've also talked about the extent of the overlap and how it's been changing with time. Every passing month as we get scale, we're seeing the overlap actually improve as in reduce, which is what gives us confidence that it will be opening of a new market.

There is going to be some, but we monitor it closely, and it is a very healthy right now as we see. And as it scales, it's starting to get better. The overlap percentage is reducing, which for us increases our confidence that it is the opening of a new market.

Gaurav Malhotra: Got it. And just one question on quick commerce. Some of the underlying metrics in quick commerce were decent, right in terms of the MTU additions, your throughput per store, those sort of moved up. But the delta change in losses seems a little bit on the higher side. So, if you could just help us understand that. I understand in the shareholders' letter, you've given us some sense on where the extra margin compression has come from.

But if you can give us some sense on, how should we think about these losses going forward? Also, now that you started to sort of refocus on growth, would that also mean that you will be getting back into focusing on the Tier-2 markets?

Nandita Sinha: Nandita here. This quarter, we've got back on the growth trajectory. We've had a good quarter with a 13.4% QoQ NOV growth. What makes us excited about this growth is the fact that the quality of growth has been very good. We've seen our retention metrics go up and our frequency metrics have go up by 4% QoQ. We've added 1.3 million MTUs, as you said.

We've built this on the back of habit building, which has been on the back of cohortized user bases on which we have done habit building, and we have invested behind our differentiated assortment proposition. This makes us confident on the quality of growth that we've been adding.

As a result of this, we believe that as we continue to build the quality of growth, both on the user side, which is on building our frequency, habits building our differentiated assortment, which has actually given us great results in terms of the retention that we see on the platform and also increase the productivity that we have on the throughput of each pod.

This will actually take us towards sustainability and profitable growth. So, this is our journey that we will continue to make. We are confident of the quality of growth that we've added in this quarter.

Gaurav Malhotra: Got it. And the second question in terms of the Tier 2 markets and how are you thinking about it now?

Nandita Sinha: We believe that we have laid out our network in terms of T1 and T2 markets. We will continue to focus on markets where we are seeing growth in the same manner of building back our habituated users and reaching out to them through both the habit building categories like fresh and staples as well as extending our differentiated assortment category.

This is how we will build business and the focus will be to continue to build user quality across the market as we go forward.

Moderator: The next question comes from the line of Vijit Jain with Citi.

Vijit Jain: **I**n the letter, you mentioned that Toing's success can basically get the food overall marketplace growth to 25-30% from the current range of 18-20%. At the moment, would you be closer to the lower end of that number, 25% odd? In general, that 7-10% extra growth in GMV terms translates to maybe 10-15% higher volumes. Am I roughly in the right ballpark when I look at those numbers in that lens?

Sriharsha Majety: I can't answer the specifics of the second part, but to the first part of your question, we would be closer to that lower end of that range that we talk. We mentioned in the shareholders' letter as well, we're also learning and getting even more proof points about the business at this time. And that's where we are going to have investments range bound while we get even more discovery of some key questions that we have.

Vijit Jain: Got it. Harsha, just a related question to that. Now is therefore Toing now at a point where shutting this down, calling it an experiment is now not likely at all? Would you be comfortable to make that assessment of Toing at this point of time? And if you can talk also about the retention cohorts that you're seeing on Toing.

You've mentioned retention cohorts on Instamart at 60% month 1 and so on. So, any colour you can give on how the retention cohorts of Toing are doing right now based on whatever the right benchmarks for it should be? That will be super helpful. That was my second question.

Rahul Bothra: Hi Vijit, Rahul here. As your question it's an experiment or how it's ready to be scaled, I think we have asked for maybe another quarter or two. With enough green shoots we are seeing to be able to also call out that this investment is showing the frequency growth that we are hoping for, the category extension in terms of new user acquisition to the platform. And more importantly, some of the earlier cities turning unit economic positive for the repeat users.

Now you can imagine that in an affordable offering where the average of basket sizes are a fraction of, say, the main platform it is extremely hard to build the business because it requires significant density. It requires the cost to serve to match the revenue, which is also a fraction of the main platform. So our ability to navigate many of this also comes from the fact that we are building in the back of the original chassis that is fully expressed in the main platform.

So the incremental overhead that we incur is just on user acquisition. The fixed cost is very, very low in this business. It's all discretionary. Therefore, our ability to dial down is very agile in the segment. So you should probably give us another quarter or two before we call out whether this

experiment has worked. But enough we see to be able to give you that direction in the right direction.

Rohit Kapoor: Rohit here, just to add to what Rahul said, another notable point is that what you see is mentioned in the letter is that a sizable number of restaurants are seeing Toing volumes contribute meaningfully to their platform, their restaurant share. So it is not just on the consumer side, but also in the cities we are present. If you go and talk to restaurants today, they will talk about the two existing players and Toing quite regularly. It's becoming meaningful for restaurants as well.

Rahul Bothra: Just to answer your second question on the retention metrics. One thing we can call out is that we are seeing better retention metrics than the core app. Not only the retention metrics are better, but the frequency of even the dual appers is 25% higher than the singular app. As I said, the metrics look in the right direction. At the same time, we need to continue to scale the business with the right business market economics is where the current focus is.

Sriharsha Majety: Building on top of the Swiggy platform and this Swiggy pipes is one of the things that we are generally very excited about. That's what he said by saying that it is discretionary and optional and even to this quarter or in general, most of our spending is in new user acquisition and activation as opposed to any other loaded cost that traditional new business would have to take.

This and the ability to constantly be able to open up the market at a fraction of the cost that new insurgence might have is something that motivates us to continue to play and find even better answers over the next two quarters.

Moderator: Your next question comes from the line of Sachin Salgaonkar with Bank of America.

Sachin Salgaonkar: I have three questions. First question, what steps, Harsha, Rohit, you guys are taking to avoid cannibalizing Swiggy? And I'm asking that because when we look at the growth rates of Swiggy and compare that with Zomato, one gets a sense that for the last couple of quarters, they are a bit slower. Any specific thing to watch out for, but I would love to understand how you're looking at it from that point of view.

Rohit Kapoor: Rohit here. Let me take the question in two parts. On the growth rate, if you see what you called out in the letter, we are back on 20% plus growth, right? And we see us maintaining the 18% to 20% stand-alone guidance on Swiggy. On Toing, 2 out of 3 users that we're seeing are new to platform.

And even on the users, as Rahul mentioned, the users who are using both, we are seeing 25% higher orders per user. So it is doing 2 or 3 jobs for us clearly the combined strategy. One is open up the market to a new set of consumers who are either very low frequency on food delivery or they're not on.

Point number two is give more choices to consumers on what occasions, which app they want to use, and they are showing that they are rewarding that strategy with a higher orders per user frequency. And third, obviously, there's a competitive shift in landscape.

And this is, as Harsha said, that clearly, we see there a robust strategy to participate in the market where there is 10 years of legacy of building a food delivery business and also new entrants entering. So it's insurance we feel, but on the upside, it has significant potential to unlock value in the future.

Sachin Salgaonkar: Got it. Clear on that, Rohit. Second question on quick commerce. I see in shareholders' letter, you guys have mentioned contribution margin to remain in the range of 0 to minus 100% with sequential improvement there on. Is this subject to better retention and maturity of cohorts? And I'm asking this question because competition is still intense. So what, again, points we should look to see that you guys will go down and start improving the CM versus CM being remaining at these levels only?

Rahul Bothra: Yes. So I think what we had called out even in the previous quarter was that we need a bit of reset in terms of our growth. And the 0 to 100 basis points guidance that we have given was keeping that flexibility in mind. So as you have seen, we have grown at a healthy pace of 13 plus in the previous quarter and our guidance for the current quarter is also to be able to deliver double-digit growth on a sequential basis. So we will obviously operate within those.

It is important that the users that we have turned out which were unprofitable and the quality that we have hence acquired and continue to show better behaviours both from a retention frequency delta is something that we want to maintain. And that will ultimately give us a positive contribution margin from the existing users that we will operate with.

While the competition intensity remains high, I think as a platform, we have made various steps towards getting better customer experience in the market. And therefore, we are very confident of being able to do that without worrying about the competition in the market.

Sachin Salgaonkar: Got it. So what you're saying is we should expect an improvement in the revenue as well as contribution losses or contribution margin improving going ahead?

Rahul Bothra: So, as I said, it's hard to give a specific number, but what we have guided is for 100 basis points improvement in EBITDA in the current quarter.

Sachin Salgaonkar: Okay. And that 100 basis points of EBITDA has no benefit coming from the move to inventory model, right, because the move to inventory model happens mid of next quarter.

Rahul Bothra: That's correct. So we will start the process in the middle of current quarter, and it is expected to fully transition over the next 2 to 3 quarters.

Sachin Salgaonkar: Got it. And my last question is -- and sorry to harp on this, I asked you guys this question in the past also. How should we think about the dark store additions and the growth? Because clearly, one of your peers had guided to add close to 5,000 dark stores. And you do see their growth also accelerating and outperforming the growth of others in the industry out there. you guys have a decent amount of cash on balance sheet. So what would make you guys to change the strategy in terms of adding more dark stores and hence, in a way, benefiting from a slightly better growth out there?

Rahul Bothra: I think Sachin, at the cost of repeating, I think we do maintain the fact that store addition is going to be a factor of growth, right, because we are present in the 130-plus cities that we are. We don't have a near-term expectation to increase the geographical coverage. So therefore, the store addition, which competition may be doing store city addition is therefore not to be considered in our case.

So wherever there is going to be growth and which is maxing out of capacity, we are adding stores, right? So you will continue to see us expanding the number of stores even in the current quarter as the growth continues in those hyper as you can also see from the overall capacity utilization, last quarter, we increased it by close to 10% on an orders per day per store. But it still leaves sufficient room to continue the growth journey without having to necessarily increase the pace of store expansion. From a coverage standpoint in these cities, we are well covered, right?

So even if you look at the speed metrics, we are best-in-class compared to some of the competition out there. From the assortment standpoint as a combination of our larger stores, which are the stores as well as the hyperlocal normal stores, we are able to provide the assortment that is required to get the growth that we are. So we don't see the need to necessarily add a lot many more stores. And as continues, you will see that.

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

Abhisek Banerjee: Just on the store expansion, you just spoke about how you are adding stores wherever you are maxing out in terms of capacity. Now could you give us some colour on what that maxing out of capacity looks like in terms of orders per dark store per day? So what number do you hit and then you have to put up a new store? And what proportion of your total stores would be at that kind of a level, if you can give some colour on that.

Rahul Bothra: We typically start the decision to open a new store in that Zip code when the store around 2,000 a day. And by the time the store is up, which typically takes 2 to 3 months, those stores start doing roughly 2,300 to 2,500 per day. So every quarter, the pace of expansion, as you see if you are adding 8% to 10% -- sorry, 5% to 7% stores, that's the number that our capacity if the pace of growth continues at this level.

Abhisek Banerjee: Understood. Now -- and the proportion of stores where you have that 2,500-odd through of your overall store universe...

Rahul Bothra: I mentioned, every quarter, roughly 5% to 7% of network is close to that.

Abhisek Banerjee: Okay. So this is not a cumulative number, right?

Rahul Bothra: No, it changes every quarter, right? So with growth, right? So if you are delivering the growth, say, sequentially on the double-digit side, you will see more stores getting out of capacity and therefore, the store addition becomes a natural outcome.

Abhisek Banerjee: Understood. And on the -- so the leader is now talking about expansion into Tier 3 cities, right? And what is your experience there? So do you think that there is some more news to kind of get

in? Because see, one thing we are kind of noticing right, that whoever kind of acquire the customer first seems to kind of get the benefit of some sort of a loyalty rather than trying to acquire second and then you are basically also searching for the highest quality users. So does it not make sense for us to explore that at this point of time?

Nandita Sinha: I think we have growth which is near term, which is largely, I would say, in the large cities. So I think that is where we are focused. Like I said, I think we are trying to -- we are building the business and the focus towards execution on building on our habituated users. We do see a large part of our growth in the large cities.

Therefore, we will continue to focus there. And like I said, we are not looking at geographical expansion beyond where we are today, and we will continue to focus on the all the cities that we are present in, and we will do that via the habituation that we have built by taking the users through this journey. That's where we will focus on.

And our playbook for focusing on this journey remains the differentiated assortment that we are building. 1 in 8 orders today is of noise, and that gives us a much higher retention. Similarly, as we build our productivity, that will give us a much higher advantage in terms of how we are growing. So these will continue to be our focus areas in the large cities that we are.

Abhisek Banerjee: Understood. In terms of this quarter, there was obviously a timing difference in the festive season vis-a-vis last year, right? So would it be correct to think that the next quarter should see a much faster kind of growth would you not rather kind of commit a higher number at this point of time?

Nandita Sinha: Right now, we won't comment. I think we are in the beginning of the quarter, so we won't comment on this right now.

Abhisek Banerjee: Understood. And just one last question on food delivery, right? So you are obviously sticking to the guidance of 18% to 20% Y-o-Y growth for the full year in the core business, right? Now one thing that I would like to understand is one way of doing that would be just to keep the margin flat and reinvest into growth. So is there a margin target that you have in mind where you start doing that? Or would you just rather allow it to kind of continue the way it has been expanded.

Rahul Bothra: As you have seen, we've added close to INR50 crores on an absolute EBITDA for the quarter and in a market where competition from all forms is only going higher, right? 5% trajectory is an outcome, 5% of GOV, which is what we have stated. And you should continue to see operating leverage in our business, which we continue to accrue.

At the same time, you may have seen our monetization, it is at the highest ever with take rate exceeding 26%. So there are sufficient levers which are available to us to be able to continue this journey to 5% and that's something that we are committed to.

Beyond that, I think we start making choices around reinvesting back for growth because I don't think the margin journey necessarily stops at 5%. There is continued dens that happens cost synergies that come through as well as operating leverage that you should expect in the results.

Abhisek Banerjee: Got it. And just one last thing, sorry. Could you give any demographic profiles of the Swiggy core users versus the toy users, if there is any differential that can be noted?

Rohit Kapoor: This is Rohit here. And this is -- we don't collect that much demographic data as a company. But from our consumer statistics and understanding, the Swiggy platform caters to a pretty much a wide demographic starting right from the analysts and for whom the order is made by maybe the parent or the link right up to serious events. I think that's true. Our sense is that for Toing, the audience is far younger.

And probably 78% of the users are sub 30 years of age and many of whom are coming into either they are in the finance of college or coming into employment and first-time jobbers and who will form the consuming class 3 to 5 years out, right, in a significant way. I think that's the difference that we see.

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

Jignanshu Gor: I had two questions. One for Nandita on quick commerce. So, one of the things that I see which is markedly different between our performance and the performance of the other listed peers is the monetization rate. I wanted to understand your plan to improve this and where do you think is the key issue because this rate has not really moved in the last 3 quarters.

And I would sort of also expect that this is a project or effort which can run in parallel to the scale up, right, while there is some dependency. So I just want to understand how you are thinking about improving monetization for our quick commerce orders.

Nandita Sinha: I think this is -- thanks for the question. This is something that we are actually quite focused on in terms of building on two counts. I think as we look at our strategy in terms of engaging with brands on differentiated assortment, it actually allows us the opportunity to create with brands and that increases our engagement with them.

On the other hand, I would say that also our ability to have a better set of users and more productivity on our ports, this also puts us in the flywheel with growth, especially for users and geographies, which we can then actually build together with brands.

So I would say if you look at the loop that we are creating with differentiated assortment as well as by creating a high habit user, it allows us to actually engage better with our brands and therefore, take up our monetization rates. We've actually made some movement in this quarter. It's a 10 bps movement that we made. And we will continue to work on this stream because this actually allows us to give a great assortment to our customers as we work together with brands. So, this is something we focus on.

Jignanshu Gor: So, there are two parts to this monetization, right, or 3 parts rather. There is commissions, there is ads simplistically and then there is income from consumers or charges. Where do you think we have the maximum leeway in these 3 and maybe the lower-hanging fruit as well? It would be helpful to understand.

Nandita Sinha: I think as we look at -- I spoke about how are we co-creating with our brand partners. And that actually allows us to build the base for ensuring that monetization leads this growth. And over a period of time, we will ensure that consumer fees -- we are not -- we will continue to evolve the consumer fees that is going to happen. But I think the two parts that I would really focus on is monetization.

The second thing is really how are we evolving the consumer fee structure as we are evolving the habituated user. So those are the two pieces which allow us to ensure that we continue to build on this. But monetization will need it and our co-creation with brands will help us actually build a more sticky user base, which we can then build happen over a period of time, which allows mix impact to be favourable for us as users become sticky. So this is where we will build this journey.

Jignanshu Gor: Okay. Great. Great. I think my second and last question is on Toing. And I think either Harsha or Rohit, I want to understand what's your framework for deciding, as you said, maybe in the next few quarters, whether Toing is an experiment, whether it's supposed to be scaled, right? Like what are the metrics you're looking for? And what are you willing to compromise on? So is it the growth and the size of the market that you see which makes you attractive?

Is it consumer behaviour? Is it the unit economics? And is there a threshold for that? Are you willing to accept dilution to the margin profile of the food delivery business when you add the two businesses together? How are you thinking about your framework for decision-making on point? I think that will be helpful to understand.

Sriharsha Majety: Harsha here. I think it is not just one thing, it is a set of the few. We've talked about some of the early cities are showing what they are in unit economics for repeat users. We would like to see how that sustains. As we go and expand the user footprint, how does customer acquisition cost evolve. There are also continuous learnings that we are making in terms of propositions that can bring delivery costs even lower. And those are things that is some more advertisement push that will really help us get a more robust sense of the steady-state economics.

Jignanshu Gor: Okay. So is it fair to say that we have a sort of an answer of what this can lead to, but we just need a few quarters to get there? Or is it that we are -- we are still discovering? So how early are we in that journey? I think that's the only second thing which would be helpful.

Sriharsha Majety: As we mentioned, I think at this stage, with the state of the business that is 4 quarters old, we're quite happy with the progress that it's made. It is a highly -- as Rahul mentioned, majority of the spend is in marketing user activities, which means it is discretionary. And we are in a competitive market.

We want to really understand -- yes, I mean, more about the stuff that we are already building conviction on, I'd say, because what we know is that can be profitable over the next 1, 2 quarters, that we'll get a better sense of the levers that we originally envisaged for the steady-state economics getting more information on that. will be competitive, but we'll still be able to get a good sense of how the model can.

Rohit Kapoor: I think just Rohit, adding on to what Harsha said, there is clear evidence in the used in the past that scale turns into margins and EBITDA over a period of time, and we have demonstrated that successfully, right? And we see no reason why that same thing will not play out in R, right? Of course, there's an investment needed to create a business of this size and to push the growth rates from, let's say, 18% to 20%, which was envisaged earlier to 25% to 30% what we have seen.

As we have said even in the shareholder letter, we expect the investments will be range bound. And we'll operate with all 3 guardrails in terms of building the business. One is, is it opening up new TAM, which it is at this point in time. Second is the consumer showing the right amount of retention frequency, which is there at this point in time.

And third is shaping the economics towards what becomes a hopefully very profitable business over a period of time. There will be a bit of a curve for sure. But I think there's nothing that we see at this point in time, which discourages us from just pushing ahead of this.

Moderator: Your next question comes from the line of Gaurav Rateria with Morgan Stanley.

Gaurav Rateria: My first question is on quick commerce. Coming back to the point around quality of growth. So there are a lot of goodness that we drove in the business in the form of private brands, in the form of improving delivery time lines in the form of fruits and vegetables that you talked about retention increasing there.

But at the same time, I also saw the pricing intervention that we have done in the business, which implies NOV to GOV ratio coming down for the current quarter. How to segregate our pickup of growth between these two factors, one which is inherently structurally positive for us and the one which is kind of discretionary in nature, which may remain and which or may not remain in the coming quarter?

Nandita Sinha: I think like you pointed out yourself that the quality of growth is actually looking very, very encouraging. And the way that we've done it has actually been very cohorted and very focused on the cohorts that we are driving growth for. We will continue to drive growth to build habit for all of the cohorts. That habit is actually a positive move because this takes us into a higher TV mix with users, and that actually helps us in profitability as we go forward.

The second piece that we know that we will continue to build on is our differentiated assortment led growth, both on noise, as well as the other work that we are doing with brands. This has 20% of our orders today are on differentiated assortment. This gives us higher retention. And therefore, this helps us in our profitability on our EBITDA journey.

And I think lastly, as we build on this journey of ensuring that we build habit, our productivity also goes up. And therefore, the goodness that we have on the other underlying metrics start to show up for us. So I would say that going deeper into cohorts and building habit with different categories, building on our category mix by increasing the category penetration and therefore, compounding that growth and finally, compounding on the differentiated assortment, which allows us for both retention as well as growth in the future.

All of this results in our productivity going up, which ultimately takes us down the EBITDA improvement path. So I think this is where we feel confident on the flywheel that we are building for ourselves and the green shoots that is coming in terms of both the adoption of differentiated assortment, noise and Nectar as well as the retention that we are seeing.

Gaurav Rateria: Just a follow-up on this. So should we think about these pricing interventions as one of the levers for driving the habit formation, which effectively will improve retention of the cohorts over time?

Nandita Sinha: That's how we are viewing it. We are going after very, very focused cohorts, and that's what is helping us improve the frequency. And we are going after frequency use cases, fresh staples. This is where we are going after to ensure that we continue to build frequency and retention of these cohorts.

Gaurav Rateria: Got it. My second question is on food delivery. Your competition talked about capping the margins at a certain level and driving incremental investment back in the business to accelerate the growth. So do you think that strategy could have a rub-off effect on us in our margin improvement journey and our margin improvement should be largely now a function of the operating leverage on the overhead cost and less on the contribution margin in future?

Rahul Bothra: No, I don't think so, right? So as I mentioned previous, our trajectory of like 5% growth continues, and you have seen some progress already made of 30 basis points in the previous quarter. And that will be sequentially achieved. So we do not see that we will need to take any pricing actions or reduce our margin structure here because as we've already pointed out, the affordability play for us is a ding cycle.

And there, again, we have our job in terms of being able to get more category users and grow the overall market 25% to 30% CAGR growth for us overall. So on the core business, both the top line growth of 18% to 20% as well as the steady state margin of 5% is protected without us having to go through any dilutive route in the near term.

Gaurav Rateria: Got it. Last question on Toing. So very clearly articulated on the metrics that you are looking at to decide on the scalability of the business. But is it also going to be a function of the external factors, let's say, if the competition decides to completely scale down this and not pursue this, it will probably not have any impact on our strategy because this is more of a time creation that we are doing rather than any reaction to competition in any case?

Sriharsha Majety: As I mentioned even earlier, I think there are two sides of the coin. There's a bare minimum, which is insurance in a market that can expand. But at its best, it is a market that can really grow and be a sustainable one. So every day we show up, we are actually driving the category forward and how it can grow and be sustainable.

And if we find out that, that can't be done and competition is not interested, sure. I mean it can continue running without investments. But when we wake up, we're hungrily figuring out how to make this model succeed, how do we think about making it sustainable.

Moderator: We will take last two questions. Our next question comes from the line of Kunal Vora with BNP Paribas.

Kunal Vora: First one, again on Toing. It looks like it's making annualized loss of about INR4 billion, revenue of INR5 billion. How should we think about the trajectory? Have the losses peaked -- and at what level of revenue like something like that breakeven?

Sriharsha Majety: I think, we already talked about the investments being range bound in the short term. And that also will offer us the opportunity to look into how the platform is working, how leverage comes with the investments that we're making and the quality of the PML. So, in the short term, as we've mentioned, we continue to -- I think the investments continue to be range bound, but we do expect growth.

Kunal Vora: Losses could remain at this level and revenues will continue to scale up. That's the template which you...

Sriharsha Majety: That's the template. And also, one of the things that we want to demonstrate for ourselves and...

Kunal Vora: Understood. Second one, how should we think about the NOV per store per day in the coming quarters? There is a 50% gap between Blinkit and Instamart, which is persistent. Like what can be done to address that? I mean Megaport strategy is something which could help, but it has not really narrowed the gap. So like what else can be done?

Nandita Sinha: We do believe that we are looking at our -- we have a double-digit guidance for growth. If we are looking at how we are looking at the growth, I think, again, as we look at productivity, we will continue to -- this will part of it will come from our category mix. Part of it will come from our store productivity going up. Leverage will kick in, and we are not looking at changing any concentration on how we have opened our stores, etcetera.

We are looking at increasing the productivity of the store. This allows us actually to give a higher category mix to customers as well as it has a double benefit of giving a better category mix to customers as well as actually ensuring that we are more productive on these stores. So that's where we will focus. We are not looking at changing anything around our network...

Rahul Bothra: Question, right? Because last quarter, we grew 6% that adds to the store. So we want to maintain a similar trajectory that we don't -- we are not working to a store count because it's not going to new distribution. So the efficiency metrics of this will continue to be seen in our performance.

Kunal Vora: Okay. And just one last one. In the shareholder like you mentioned that competitive intensity in the sector remains high and you do not expect it to ease in the near term. Like my observation is that the competition has eased slightly minimum order values have moved up, discounting levels seem to have reduced. Do you agree with this? Or I'm missing something?

Nandita Sinha: There is high competition in the sector. This is also this quarter of the festive season. So I think there will have more players that are coming in. There is festive season that is playing out. And I think it is important to actually look at this as an expanding market and focus on our own

strategy. I think we are very focused on ensuring that we build the habit loop with the user and the productivity loop with the pods and continue to build our differentiation.

This actually puts us in good stead versus competition because we can see actually our users retain better on all of these metrics. So I think that's where -- we see this as a growing market. There will be competition that is going to play, and there is a festive quarter which has intense competition, but we will be focused on our own strategy.

Kunal Vora: Has the competition eased at all? I mean through the last 6 to 9 months or nothing has changed.

Nandita Sinha: Your question is, has competition eased, I would -- I think that as we are seeing -- there is some part of some months which are there where we could see some competition easing off. But I do think that it is very early to call this in, which is whether it has eased out or not. I think there are new players who have come in.

There is -- therefore, we will have to continue to, like I said, focus on our strategy because I think that volatility around how competition will react will continue to be there. There may be some addition and some calibration on some ends, but overall, there will be competition.

Sriharsha Majety: Building on what Nandita here, she's talked about -- we've talked about, I think the next milestone for us is to get to that profitability at an EBITDA level and demonstrate that -- and even in a competitive market, which is competitive, we want to focus on the strategy that we've picked up, pick up the basic serve consumers every day in an even better way, get the right kind of consumers and differentiate to be able to get closer and closer to that.

That is our guiding light as we make decisions every passing quarter. Are we making the business stronger and closer to the ambition by actually building resilience in the business and resilience in the business will have to come from doing some things greatly and some things differently, again, in a market of 7 players?

I know there are various merchants saying, should you do noise, should you do something. I think that if everyone is going to do exactly the same things because they have good ideas, that's also not the short part. to EBITDA zero. When you find success in a few shoes, which are harder to replicate for other competitors, I do think it's responsible for us to double down and find even more differentiation because that is the road to resilience in users sticking for a longer while the incentives are outside, and that is what will help us get closer to managing the growth and EBITDA profile of the business over the next few years.

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

Aditya Soman: So, I mean a more fundamental question, Harsha. So just if I take a step back, compared to valued at more than 5x what Swiggy is for a business that is largely similar, the gap in every metric I see is actually widening quite considerably. Even at a store level, say, if I look at something like Instacart, even at a store level, orders per store for Blinkit grew 7% and yet profitability has improved.

This is despite them adding new cities, which could be less profitable or whatever, even without going -- so I think I mean, obviously, the market is attributing a different expectation of execution from eternal and from Swiggy.

Now one can say that you just look at your own path and not look at theirs, which is fair. But from a Swiggy perspective, for this market perception of a gap in execution to change, one needs to see this gap narrow. With you sitting on cash, why not look at expanding new cities given that two of the other players are already at 1,200 stores or around this number of stores, there's another player that's catching up on the number of stores.

Would it not mean that if you all focus on the same cities, I understand a different strategy again on assortment, but we are talking only about 1 in 8 orders having these SKUs, right? And even that 2 to 3 items per order somewhere around 16 to 24 being noise. How will that change the story long term?

Sriharsha Majety: Yes. Thanks for asking that, Aditya. I think firstly, I think our competitors, inking enjoys a pretty strong flywheel that has been compounding over the years. That is the reason why we've been able to build a more resilient business. For us, the next step is actually going to build that more resilient business before just using cash because it exists in the bank to set up new flags.

I think as I mentioned even in the previous answer, I think our first job is to build a stable, resilient business that has clear line of sight to EBITDA and the optionality's come after that. And the most important thing for us to build that, again, to make the business resilient. And for that, we need to do 3, 4 things that Anita talked about already.

Anything straight from that is the opportunity, potential lost opportunity, but we think that not doing -- not making the business resilient in the areas where we are will be a bigger lost opportunity because we still need to grow. As we mentioned, we need to get to roughly 2x the current size. We need to improve the contribution. To be able to do this is the most important thing for us.

As the market evolves, I'm sure we'll find newer and newer ways to grow the market even more than we are able to in the very short term. But I think it's just to prove that execution, to prove that focus, we need to double down on the specific areas as of now.

Aditya Soman: Understand. And maybe just to drill a little bit more, right? So in this quarter, for example, we've seen gross margins maybe reduced by about 110 basis points or so or 120 basis points quarter-on-quarter. Now with the reduction in gross margins with more private label, we should, in theory, see an acceleration in growth. But why is that missing at, let's say, growth at a store level, right? I mean, if we think of orders per store, we have only a slight improvement.

Rahul Bothra: Orders per store have actually gone up by close to 9%, right? If you look at even the average -- the NOV per store has gone up by 9% and orders per day has gone up by 9.5%...

Aditya Soman: I thought it's closer to sort of 6%, 7%, but...

Rahul Bothra: Yes, we're close to 1,200 orders per day per store, right? So this is the best we have ever seen. And as I said, you will continue to see traction on this line, which is an important metric for also store level profitability as well as overall platform level EBITDA profitability.

Aditya Soman: Understand. And so, the thought process right now is that the lost gross margin gets made up in leverage as you leverage these stores as the frequency continues to improve on these stores?

Rahul Bothra: Yes, so scale gets along its own operating -- even in the previous quarter, we added 50 basis points, right? Some of it got reinvested getting back into the healthy growth. I think that's discretionary spending, and we will take an appropriate time when we will start harvesting that back again. But the operating leverage as long as the growth continues is going to get delivered.

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