Swiggy Limited

Q3 FY26 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to Swiggy Limited Q3 FY '26 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 this 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. Abhishek Agarwal, Head of Investor Relations. Thank you, and over to you, sir.

Abhishek Agarwal: Thanks, operator. Hello, everyone, and welcome to the Third Quarter FY 2026 Earnings Conference for Swiggy. Our financial results and shareholder letters have been published on the exchanges, and the information pack has been placed in the Investor Relations section of our website www.swiggy.com.

We would like to inform you that the management 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 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: First question is from the line of Vijit Jain from Citi.

Vijit Jain: My first question, as you scale up the business, can you talk a little bit about the sourcing advantages that could unlock at scale? Could you unlock additional margins as you could do better price negotiations with brands and sellers? And broadly speaking, your views on how your scale can drive better input costs into your quick commerce operations would be helpful. That's my first question.

Amitesh Jha: Sure. Yes. Hi. It's Amitesh here. The scale of operations, which effectively is measured in either GOV per store or the number of orders per store, will have an impact on the better utilization of our infra. So that's the first part that comes in. Now the scale of the movement for all the items that we sell, there is a bigger opportunity of monetization with the brands that we explored.

And we have also seen that over the last year as well, where the monetization opportunity has moved up as and when our scale of revenue with the brands have increased. So yes, these are the two parts in which we see that scale coming up, and it actually comes almost every quarter.

Vijit Jain: Got it. My second question is, now that you have -- from a balance sheet point of view, you now have a cash balance of almost $2 billion and I know that the working capital intensity of the business continues to rise. So in general, could you utilize the cash balance for better terms from brands and sellers as well? Is that a fair assessment to make? That's my second question. And then finally, if you could give me your views now on seeking IOCC? Thank you.

Rahul Bothra: Yes, sure. Hi. Rahul here. In terms of your question around your ability to pay faster to vendors and therefore get a higher margin, I think it's a combination of optimizing both on credit days as well as getting better margin structures, and its overall terms of trade that we agree with these brand partners of ours. So it's a continuum.

I don't think necessarily that because we have a higher cash balance, we will end up paying faster. At the same time, I think there's both the top line in terms of the overall margin structure that has to improve as well as trade days that have to continue improving.

On your question on IOCC, I think we continue to get closer with every passing quarter. The QIP also helped. Our overall allocation to the domestic investors was significantly higher compared to the foreign investors. We are currently at around roughly 47% in terms of our overall domestic shareholder base. And when we hit the majority mark, which should as we had said in the past, it will be an eventuality, we do expect to convert into an IOCC structure.

Vijit Jain: Got it. Thanks. And lastly, on the Food Delivery side, congratulations on solid all-around great results on the Food Delivery as well. My question is now Food Delivery in this quarter has grown above your guidance, marginally above, but still 21% Y-o-Y and you've had a pretty solid growth in Monthly Transacting Users ("MTUs") here as well.

And good to see that both contribution and adjusted EBITDA margins also expanded. My question is, you've kept your guidance unchanged though, on the growth rate at 18%-20%. And I'm wondering, given the MTU growth is strong and some of these will improve in engagement, is -- do you feel more confident that you would probably comfortably exceed the lower end of the guidance? Thank you.

Rohit Kapoor: Hi. This is Rohit here. I think you're right. We've grown 20.5% on GOV and 22% on MTU. The guidance remains at 18%-20%. I think the momentum is definitely there in terms of growth, and we'd like to watch it another quarter maybe before we become more sanguine in terms of what shape it's taking. But you're right, at least at the input level we are feeling more confident about hovering near the upper end of the range than the lower end of range here.

Moderator: The next question is from the line of Jignanshu Gor from Bernstein.

Jignanshu Gor: I wanted to check on the quick commerce business and the reiteration of the guidance for the contribution margin. So just wanted to check whether -- and you've talked about the competitive scenario changing a lot. So is this guidance sort of completely or largely dependent on what we do internally as a company? Or do you incorporate any change in competitive dynamics for this guidance to materialize?

Amitesh Jha: No, we don't see any change in the guidance of the competitive environment. Whatever we have factored in is assuming the competitive environment remains the same, which is already extremely high. Just to give you an assessment on how we are looking at our approach on making sure that we hit our contribution margin guidance. One of the things is that there are structural improvements that we have, that have no bearing at all to what the competition is doing.

Some of them are scale-led as we already spoke about and some of them are ads led, which is dependent on something that we are already seeing. The remaining part, which is more discretionary, which has led to cart-level discounting as well as the investment that we do to make sure that we are being more competitive in the overall environment is quite discretionary.

And what we are doing right now, what we have done elsewhere as well, whenever it is required, we will be investing. But on the balance of it, what we see is that there are clear opportunities for us to pull back investments from where we believe that they were inefficient, and we'll continue to do that. That's the reason we are choosing this as an opportunity to not go after the investment, which is non-conducive for our long-term growth and we'll continue to be at that particular path.

Jignanshu Gor: That's very helpful, Amitesh. My second question is on the balance sheet. So I'm trying to understand two numbers. One is that the capex seems high, despite that we've not added a lot of stores. So that's one, how do I square that circle?

And second is working capital infusion into the business also seems a little volatile. So how do we think of this number in the context of a 3P business model? So those two are my last questions. Thanks.

Rahul Bothra: Yes. Rahul here. So in terms of the overall capex investments, it is twofold. One is in our darkstore infra expansion. The second is in our warehousing capacity expansion. In the recent time, as you observed the last couple of quarters, while the overall growth has been lower on the darkstore addition, on a 4-quarter basis, we have also substantially increased our footprint on the darkstore network.

Now talking about the quarter on hand if you look at our overall warehousing capacity and a lot of this warehousing capacity is also coming into Tier 2, Tier 3 towns where we expanded, putting in the infrastructure on warehousing helps us to reduce our middle mile, also helps us to replenish our stores faster and get closer to consumers.

Overall, if you look at the last 4 quarters, we have more than doubled our warehousing capacity, which has been a key component of the capex spending. We do expect to have a little bit more spending on the capex side, especially on the warehousing piece. This is to structurally improve our supply chain efficiencies.

In terms of the working capital, again, as you rightly said, over the last couple of quarters, we've added roughly INR130 crores. This is, again, in line with our guidance where we had said that overall, on a DOH basis, this is not going to go up. So if you cumulate over the last couple of quarters, it's only been an INR 130 crores addition. While our overall say net order value on the Consumer businesses have gone up by close to 18%.

So this is again in line with our top line growth. We will continue to find efficiencies and work towards bettering our overall net working capital days, which you should see in the subsequent quarters.

Jignanshu Gor: Okay. So this working capital, just for my understanding and a small follow-up. How does that work ? You need working capital at the darkstores, so more network needs more capital despite the inventory not being on our books?

Rahul Bothra: Yes. In the past I've mentioned that a lot of this gets stuck around the brand investment that they make in our platform, including advertising, including trade, support or consumer discounts that are funded by the brands and some of it also in our B2B business.

Moderator: Next question is from the line of Aditya Soman from CLSA.

Aditya Soman: So two questions, largely on quick commerce. So firstly, in terms of the guidance on contribution, how sacrosanct is that -- in a sense at what level of growth would you accept for the breakeven to happen? Because we've seen growth decelerate both sort of at least sequentially in this quarter and is actually meaningfully lower than your other competitor that reported numbers.

So from that perspective, with the cash balance that you have, how do you decide the balance between sort of growth and achieving that contribution breakeven? And then the second question on the same lines. We've seen sort of prices of late on Maxxsaver not being very different from just a standard app. Does that mean that at least that initiative on Maxxsaver seems to be a little bit on the back burner now as the focus on contribution margin improves?

Amitesh Jha: Yes. See, the way to think about it is that growth and contribution margin are separate parts, at least in our head. The way that we are looking at our business is growth has many reasons for not happening, one of the primary is obviously the irrationality in the market which has impacted both the listed players in this particular space.

We believe that irrationality will continue and will have a headwind on our growth, something that we have already factored in when we gave the contribution margin guidance as well. The other thing is what I told, there are 2 aspects of our contribution margin story.

First part will be about the structural margin improvement that we keep on going. And the second part is how much of the discretionary investment that we want to do. One of the things that we have taken up as a very clear output of all of this is that we are not going to throw good money at bad growth. That is something that we are fully committed to. And that, for us, is the reason why we will never compromise good growth for any good margin.

Yes, we may compromise bad growth and something that we are willing to do as well because we don't believe that is going to be a sustainable advantage in the future. That's the reason we believe that, yes, we'll have the right growth that we should be having for our ultimate goal of being the market leader is essentially addressed and also make sure that we are at the right contribution margin. On the Maxxsaver -- sorry, go ahead, you have a follow-up?

Aditya Soman: Yes, just a follow-up on that. I mean, for me, where I'm struggling a little bit is -- I mean, obviously, your growth compared with, let's say, Blinkit is a lot lower. And at the same time, we see the other competitors discount heavily. So in this sort of environment, when you say that your target is obviously becoming the market leader, how do you make that balance right between contribution?

I understand that there are structural elements to that improvement in margin, which you explained which I'm cognizant of. But obviously, a large part is also sort of discounting. So what I want to understand is, at what point does that take a back seat in a sense that you will say that, look, it's fine if we even do it in 2 quarters later, but for now competing for that customer is more relevant or that's not ?

Amitesh Jha: Yes, absolutely. One of the things is very clear. If the ambition is real market leadership, it's never going to happen by spending tons of good money on honestly buying growth. We believe that the irrationality of that growth is so high that it is leading to customers switching from one platform to the other without having any kind of loyalty.

What we look forward to as good growth is a customer that was sticky to the platform, who is going to come back again and again compared to whatever the other people are actually giving. What works in this case is the value proposition that you are giving to the end-consumer.

We believe that our assortment, our way of approaching what customers really require and making sure that we give that assortment, is the way to market leadership. If the question is, can we do more numbers just because we want to show higher OPD, yes, it can be easily done by actually putting money into what we call as Growth. We don't believe it is actually structural growth.

The right structural growth is putting investment into an area that is sustainable over the long run and that will really give you an opportunity to be the market leader rather than just saying that let me buy growth because it allows me to say that I have done a higher OPD. We believe that is the right path which we have always committed to, and we are essentially reiterating that commitment by saying that we'll be at contribution margin zero in the quarter of AMJ’26.

Aditya Soman: All right. Understood. Yes.

Amitesh Jha: Yes. On the Maxxsaver bit, I think that was another question. The habit building has been actually quite successful. The OND quarter was also kind of different because it is paid by a lot of what you call as non-grocery item sales as well. So the Maxxsaver slightly becomes irrelevant in this particular quarter.

Essentially, that said, we always keep on doing slight changes in the way our investment goes between Maxxsaver and non-Maxx. A part of that is also because of what we saw happening in this particular quarter. We reiterate our commitment to Maxxsaver to make sure that the people who are already used to buying a higher basket, giving the overall platform better profitability in terms of revenue per order. We are fully committed to that, and you will see that happening in this quarter and next as well.

Aditya Soman: And just a follow-up on that Maxxsaver point. I understand where you're coming from. But does this, in some ways, encourage sort of cart building behaviour, which, in effect, takes away that advantage of quick delivery in a sense that then people are building a cart over a period of time to make that order so that the relevance of quick delivery may not be so important. And then some of the sort of slotted delivery players also become competitors?

Amitesh Jha: See, the way to think about and this is something that we have spoken in multiple forums. The way to think about it is there is a customer mission when they say that they want to build a bigger basket. You have to make sure that the proposition that you give is appealing to them. That is the path that we have always followed in this particular thing.

Speed is important because I think one other thing that has happened because of advent of quick commerce, a lot of baskets that were earlier a part of what you would call as planned purchases are moving towards smaller baskets, though relatively still larger compared to the discretionary purchases that we have that will still remain.

So, we believe that the behavioural shift from having month-long planned purchase to week-long planned purchase will keep on happening and Maxxsaver actually addresses that. There is no way out of it. At some point of time, as I said earlier, everyone has to address that. And that is a way of making sure that all wallets of the consumers comes to us. So we are fully committed to it. And the other thing on Maxxsaver is also that the retention of Maxxsaver is actually similar or higher than what we see for non-Maxxsaver customers. So the belief on that is also very strong.

Moderator: Next question is from the line of Sudheer Guntupalli, from Kotak Mahindra.

Sudheer Guntupalli: Few questions. Your AOV both on gross and net basis has seen a strong increase Q-o-Q despite you actually experimenting with this cart breaking behaviour of no fee about INR299. So how much of this AOV increase is structural? Is there any element of seasonality or mix shift, which has also contributed to this strong AOV increase, especially in this quarter?

Amitesh Jha: Yes. This quarter, because of the seasonality or the nature of the business, yes, it is a lot that. That said, structurally we are still moving up is the headline that I would still want to keep. But obviously, the amount of movement that you see in this quarter is heavily moved because of seasonality.

Sudheer Guntupalli: Sure, Amitesh. Second question is on the OPD metric. In this business, if we believe that OPD is a vanity metric anyways, why are we even responding to competition from unlisted players, especially on the cart downsizing or breaking behaviour, especially in the backdrop of other listed players choosing not to respond. So why not just focus on Maxxsaver and other initiatives where we seem to be doing well and that seems to be working for us?

Amitesh Jha: So I'll focus on maybe trying to address how does it impact our consumer base and why at some point of time, people respond and at some point of time, people don't respond. There are two kinds of customers that you can think of in any portfolio. One consumer is a sticky customer. You don't want that customer to go away for sure. Thankfully, that doesn't get impacted because of this.

And that is where Maxxsaver comes in play, all the other propositions presently. There are early users who are very important for us who are on the path towards becoming mature users and frequent users for us. It is important for us to make sure that the value prop to them is not getting diluted by irrationality in the market. That is done by everyone.

Everyone -- and if you look the way people have responded, either it could be because of the no fee construct that we took, either it could be because of lowering the minimum order value. All of that is something that happened. Now even in this thing, the way we approached our no fee construct was always to make sure what we spoke about is to make sure that the right consumer behaviour is being addressed.

That's the reason we didn't go to the INR 99, which would have been the easiest OPD vanity metric to go after. We didn't go there because we wanted to change the behaviour, and it is reflecting that. It is reflecting on the consumers who are more mature, actually growing faster than actually any other cohort and which basically shows that customers are becoming more sticky to our platform.

We believe such kinds of interventions now and then will always be required, and that is the reason why we want the flexibility in where we spend. That said, of course, I completely agree with you, OPD vanity metric that just goes on how much I can get from the same customer at INR 99 or even slightly higher load than that is absolutely not conducive to the way we are building our platform.

Sudheer Guntupalli: Fair enough. And you mentioned that almost -- in the investor letter, you mentioned that almost 90 basis points of contribution margin expansion was reinvested into this no fee of about INR299 campaign. So is it fair to assume that in the absence of this, the reported revenue and EBITDA would have been higher by around INR70-80 crores ? And an extension of this question, now that you are saying that this campaign has found limited success so far. Are we sort of pulling back on this thing?

Rahul Bothra: Rahul here. See, I think, yes, we had guided that we are going to improve by 260 basis points over the three quarters. And towards that, there are structural improvements that we absolutely banked. So 100 basis points improvement is something that we got in the previous quarter.

Some of it got reinvested, actually, more of it -- more than 100 basis got reinvested in some of these campaigns, which was also an experiment to test how are these new users being acquired. Are they going to remain sticky on the platform? And when we saw limited adoption and retention, we have decided to change some of these constructs. Now we do retain the flexibility to continue to invest behind the right experiments.

I don't think we are going to give up the growth ambition that we have at the same time going after any kind of growth is something, which is not on the playbook anymore, at least not for us. So we want to remain focused and over the next two quarters, getting 250 basis points with some of these reversals as well as some of the investment choices that we're going to make. We think the commitment is very high to be able to do that.

Sudheer Guntupalli: Sure, Rahul. Just on the math, so the INR80-90 crores hit at both reported revenue line and EBITDA line would have been a fair assessment, right? If you were to contextualize that 100 bps of reversal?

Rahul Bothra: That's right. As I said, we don't want to give specific numbers on how much that initiative cost. But broadly, you're right that because we didn't show any high improvement in the contribution margin, most of the gains got reinvested and it would be in the zipcode of the number that you're mentioning.

Sudheer Guntupalli: Just a last question. GOV to NOV conversion that has come down by around 100 basis points from last quarter to this quarter. Is this a function of higher discounting from our balance sheet? Or is this because of the shift of mix away from grocery into consumer durables, etc., which also ties up with the seasonality thing that Amitesh was mentioning earlier?

Rahul Bothra: A large part of the shift is the seasonality because of it being a festive quarter, there are a lot more non-grocery selection that gets added. We do believe that it should not go significantly further from here, and with some of the initiatives on us being able to monetize better, they should start inching up. Because also as we've seen our non-grocery has now crossed 30%.

So we also don't see a significant headroom to continue expanding. We do believe that it will expand, but not at the same pace anymore. And some of the monetization initiatives will mean that the NOV-GOV ratio will start converging on the higher side.

Sudheer Guntupalli: Fair enough, Rahul. And just one clarification. So this is basically the shift of mix towards non-grocery. Basically, it's the difference between MRP prices and the actual sales prices that the brand might be doing. So it might not necessarily be because we are discounting on our end?

Rahul Bothra: That's right. It's the list price versus what the customer ultimately pays. And therefore, some of these have lower market operating prices compared to the list prices.

Moderator: Next question is from the line of Gaurav Rateria from Morgan Stanley.

Gaurav Rateria: My first question is on your contribution margin at the quick commerce business. It was really heartening to see 100 basis points of margin improvement. Is it the same pace at which one should assume organic margin expansion because of network operating leverage in the next two quarters? And along with that, there will be some benefit of reversal of some of the campaigns, which will lead you to breakeven. And what it really means in terms of percentage of stores that will be contribution margin positive, which is 25% as of now?

Rahul Bothra: Yes. So Gaurav, on a reported basis, we haven't shown that improvement. As we have talked about it, there are structural levers that continue to move northward and therefore our ability to navigate to this contribution margin zero and then get into a positive territory remains high.

Gaurav Rateria: Got it. My second question is on your expansion. If you see, your space expansion was almost 100% Y-o-Y, which also coincides very much with the GOV growth. And the current pace of expansion is implying that the overall space will grow at 20%-25%, if this is the pace that continues over the next few quarters. So my question is how much improvement in throughput can really happen from a 12-month point of view?

I know that you have mentioned that you can go to 2x of GOV per store -- from a throughput perspective over a period of time. That is the kind of headroom that you have. But from a 12-month perspective, if the space is going to grow at 20%-25%, how much throughput really can improve, which will be the key driver behind the GOV growth? Thank you.

Rahul Bothra: Yes. See, we'll not give specific guidance, but over the last couple of quarters, you may have seen that our utilization has gone up about 5%. So we do believe that there's significant headroom. In the near-term, getting a 25%-30% increase in our throughput per store is a near-term target.

Now how quickly can we get there. Again, there's a combination of both AOV-led growth as well as volume growth. Again, within volume, there are certain cohorts that we are currently not participating in or not willing to participate in. So depending on how the market overall plays out, we do believe and our overall store strategy, the network is well laid out in terms of number of cities, also in terms of densification, speed of the network.

So we have all the right consumer inputs in place without having the need to necessarily add significantly more number of stores apart from densification, which we will continue to do. So you will see a certain pace of store additions. At the same time, the headroom remains large, and our ability to, therefore, demonstrate operating leverage is very, very high over the next 3-4 quarters.

Moderator: Next question is from the line of Sachin Salgaonkar from Bank of America.

Sachin Salgaonkar: My first question is on quick commerce. When we look at the revenue growth, it's lower as compared to the last few quarters. When we look at absolute losses, it's actually higher. Now I do understand Amitesh's earlier comment that it's the irrational competition, which is leading to headwinds of growth.

So the question out there is, if you're not seeing growth, does it make sense to spend so much on marketing? And how far are we away from a point where EBITDA losses have peaked and going ahead, we should see the absolute amount of losses coming down?

Rahul Bothra: Yes. So, Sachin, I think we called this out that with the couple of quarters of guidance that we're giving on contribution margin, there's also the marketing intervention that you're rightly observing that we will like to take. So we are calling out that this would be the peak of the investments. And from here on, gradually, you will see that reduction happening, both on the contribution line as well as operating leverage being driven apart from rationalizing some of the marketing spending.

So these are some of the levers that are in our hand, and we are going to modulate this in terms of the overall aspiration on the kind of quality of growth or the quality of underlying growth that we are going after. So there is for us to be able to navigate some of these and rationalize them. The choices will be made. It's hard for me to then tell you that we don't want to go after continued good quality growth.

And wherever pockets of good quality growth will be seen, we will continue to invest. So we are not giving up our aspirations. At the same time, choosing some of the right quality of investments for the right kind of growth is something that we are committing ourselves to.

Sachin Salgaonkar: Rahul, basis this comment, is it fair to conclude that revenue growth could be a bit slower as long as irrational competition remains high, but losses going ahead should start going down on an EBITDA basis?

Rahul Bothra: Yes. As we said, slightly -- in terms of absolute guidance on growth is a little hard from where we stand considering all that's happening in the market. At the same time, our ability to navigate on the overall, say, burn profile, EBITDA as well as contribution margin remains high because a lot of these are inputs which we are in control of.

I think in terms of volume growth, some of this is market determined. At the same time, some of the cohorts adding more baskets, attach rates, and overall selection increase, helping us to continue to add a lot more consumer missions, that remains very high.

Abhishek Agarwal: And Sachin, on your question on adjusted revenue growth being lower, that's mainly because of the no fee construct.

Sachin Salgaonkar: Yes. But that's here to stay, right? That's what we are talking about as long as competition is high, that's here to stay?

Rahul Bothra: No. So as we have called that we are making some choices around changing or tweaking some of these investments. So you will see more of this with the days ahead. So that's not a permanent feature is what we want to call out.

Sachin Salgaonkar: Okay. My second question is, when I look at your GMV growth for the last four quarters and compare it with the revenue growth, revenue growth is lower than GMV growth. So in effect, the implied take rate has been coming down. Is this primarily driven by mix shift? And could this continue to come down going ahead?

Rahul Bothra: So yes, largely, it is mix. And in the latest quarter, it's also to do with some of the consumer side fees that we chose to give up. We are focused on continuing to improve the base margins. And now that we believe the mix overall will start stabilizing, you should see the take rate starting to inch up.

Sachin Salgaonkar: Got it. And lastly, any colour on competition on the ground in the last few months. I understand it's irrational, but is it coming down? Is it increasing? And basis that, given the cash balance what you have versus a quarter back, any change of strategy from you guys?

Amitesh Jha: The competition that we started seeing in fact from October itself will essentially remain and it has remained at a similar level. We believe that it will remain at the same level. There are new entrants in the market who are also amping up the amount of money being spent on the consumer. And obviously, there are players who are existing in the market who are also at the same level.

We believe that in general, a lot of that is not leading to an overall healthy consumer growth as we essentially called it. The healthy consumer base, the way we define it, is consumers who come to quick commerce and stick to quick commerce for the right reasons, increasing their basket size and everything. Wherever we have seen a growth in orders for any of these platforms, the basket sizes have not increased. In fact, it has gone down by a lot. So yes, that's the reason we chose not to be in that particular space.

At the point where we believe that our proposition is working, our proposition of assortment, our proposition of availability, our proposition of making sure that we give assortment that people have not seen in other places are the things that are structurally going to make this movement as possible and make it also resistant in the future to any of these kind of activities that will keep on happening in a fast-growing market.

Sachin Salgaonkar: Got it. Amitesh, and a quick follow-up to what you mentioned. We've seen new entrants. But when you look at the value proposition of what a new entrant is bringing to consumers, do you see it largely a me-too kind of a value proposition where discounting is the only weapon being used? Or is there anything structural with what some of these new guys are doing or differentiated, which allows them to be a sort of a sustainable credible competitor in the medium term?

Amitesh Jha: I would be very worried if it was the case and would have come and said that, okay, for that, we need to really defend ourselves. Thankfully, we have not seen any of the new entrants playing that game. They are going after the vanity metric of orders, not on the orders that really matter to the end consumer.

We believe there is a cycle that everyone has to go through. They will go through, and it will come back to the same proposition that the retention of the customers only happens where the core value proposition is at that level and which is what we are actually going after. So yes, I'm very less worried because of those reasons.

Moderator: Next question is from the line of Gaurav Malhotra from Axis Securities.

Gaurav Malhotra: I had a few questions. On this letting go of, say, the lower quality growth, so to speak, essentially, the newer users who are coming in for whatever reason, right, for discounting or whatever we are sort of okay to let go of that. At a time when the company is well capitalized, the penetration of quick commerce is still quite low, right? You rightly pointed out.

Wouldn't it become more expensive for you to get the subscribers when things settle down because like you said, competition is not like settling down anytime soon? So how do we think about letting go of this growth now, but then having to possibly spend a lot more to gain the subscribers back later on?

Amitesh Jha: There are two cohorts, which are very important for mature customers and new customers. Anybody who's infrequent on the platform are those who do what we call as multi-apping behaviour just based on the discount. Our investment in new users will remain, getting out, making sure that new customers come to our platform is something that we are fully committed to and we'll keep on doing that. Our investments to make them move from new user to matured user on our platform will be based on structural aspects.

And we believe that particular path is what we are still working on. In that, there will always be some fallouts or some customers who move out who are very discount seeker, we are absolutely okay to do that, to let that go because we believe in the end, ultimately, when they look at quick commerce, the only thing that will matter to them is what assortment they are getting, what availability and how far they get.

And which is where we believe that our proposition works better than any of the new players who are coming in. So yes, acquiring customers still remains a feasible priority, making sure that they move to a mature customer is also feasible priority, investing good money into a bad way of making sure they move to mature customer is not a priority at all because all of them will move out as soon as that money is actually pulled up, which everyone has to do at some point of time.

Gaurav Malhotra: Any sense on how has your market share sort of moved, say, in, say, Bangalore or any sort of a larger region if you are more comfortable with that say versus in North India? Any sense how you're seeing how the market share for you has been moving?

Amitesh Jha: We don't comment about market share movement. But what I will talk about is that, yes, large cities are still growing -- the cities that we are in are still going extremely fast. So the headroom in growth is still at the level that we had assumed essentially earlier. So yes, that commitment to the cities that we are in will always remain. Market share movement is something that we won't be commenting on.

Gaurav Malhotra: Got it. And just last one or two questions. Sorry, I'm harping a little bit on this market share. So in your shareholders' letter you have also mentioned that you are sort of rethinking about these waivers because they don't seem to be helping as much. But obviously, one competition is going with it.

The other listed player also did allude to being a little bit more aggressive in giving some sort of waivers starting during the Jan month. So what could change this current thought process of yours if you start sort of seeing market share shifts happening? Would that become sort of a trigger point for you?

Amitesh Jha: See, the way to think about it is that if we are losing customers, if our funnel from new user to matured user is significantly contracting, I would have agreed with you. And that is the reason we wanted to invest in the month of November, December and in January also to make sure that we see if it is happening or not.

It's very important to see what is the behaviour of the user when the market intensity is extremely high and which is what we did. We believe that we have learned a lot from that. And that is the reason why our confidence in moving back and making sure that we arrive at the right mix of where we spend and where we don't spend is there, which is what we have done.

The last few months have been to figure out what works, what actually doesn't work. And now we are being on the path to make sure that wherever we didn't want to spend, we are not spending. That market share movement, again, in order terms is not a consumer market share movement and that is what I want to call it out again and again. And that is what we are after.

Moderator: Next question is from Manish Poddar from Invesco Asset Management.

Manish Poddar: I'm just trying to understand a couple of things, again, probably which a lot of participants asked. So Amitesh sitting out, let's say, when I look at the journey, let's say last 2-3 quarters, and this is primarily for Q3, right? So a lot has been talked about competition. But if you look at the metrics, let's say, in terms of order growth, in terms of orders per store, in terms of losses, they are still probably not there, right?

This guidance of contribution margin breakeven by, let's say, Q1'FY27, like a delta swing of about INR20. You look at Food and QC both. I haven't seen that in both the players in the last so many quarters happening. So I'm just trying to think about sitting out as an investor, because there's no metric to gauge whether this is structural consumer, tactical consumer, good consumer, bad consumer ? There's no metric to track consumer market share.

So how should one gain confidence on what you're trying to say whether 2 quarters out or let's say, 3-4 quarters out also, you'll become contribution breakeven? Other than just, let's say, the broader message because there are multiple lines which you can play in the P&L, right? And it's a functional market and market adoption.

So I'm just trying to gauge, and as one as to get some circle of confidence, there's no consumer metrics. How should one draw any confidence on that? I think that's the broader message which I want to understand? So thanks so much for this.

Amitesh Jha: No, absolutely. See, if you look at since the peak of the earlier cycle of investment, we have moved our contribution margin by a lot. In fact, the last quarter that we had, we had significantly improved and the path to contribution margin was also very clear at that point of time.

Now the reason why it moved was also because we were getting our structural cost, advertising revenue and the other wasteful expenditure in line with what our growth was essentially looking at. Now that particular path will go on, and we don't see a reason why that will move.

So the way to look at that number is that there is an event that happened in this particular quarter, where their competition significantly increased. We invested a part or some of that money into understanding what is happening in that market and how should we respond.

We figured out how we should actually respond. And then we are now looking back at the rightful expenditure across the board as well. So the quarterly movement of structural improvement in contribution margin is happening and will continue to happen as well.

Rahul Bothra: Yes. Just to add on Manish, Rahul here. So if you look between the March to September quarter of the previous calendar year, we actually added ~300 basis points. And as we said, we need to solve for 250 basis points over the next two quarters, so the confidence remains pretty high. And there are enough levers as you have also identified for us to be able to navigate that.

Manish Poddar: Rahul, actually, I'm sorry, I'm just trying to understand still because if you look at absolute numbers and not percentage numbers, contribution is in that zip code of INR200 crores still loss on a quarterly basis, that EBITDA number is still in that INR800-900 crores quarterly loss run rate. So percentages and there's AOV percentages and stuff like that.

So I'm just trying to look at the absolute number to move is a big task. I'm not trying to even hold you for Q1 or Q3. Where I'm trying to gauge or at least trying to get some confidence is there's some metric which you all can share, let's say, which gives us in terms of customer -- quality of customer, which you're talking about or market share in key cities, which at least gives some sort of confidence that if you're leaving some growth, which was not good growth, how should one differentiate?

Because otherwise, it's possible two more quarters down the line, because if you've seen the last 6 quarters since the listing, there have been a couple of times where you have earlier said that you'll breakeven out, they were goal posts, which got delayed. So I'm just trying to understand from metrics, not trying to hold it to any guidance.

I'm just trying to hold from any metrics, which can give us comfort sitting out and probably post -- probably next result, I'm just trying to get some confidence on that. I think if you look at absolute numbers, they are still at minus INR200 crores contribution and minus INR900 crores adjusted EBITDA from a quarter?

Rahul Bothra: Manish, one thing we can tell you is that when we get to zero, your negative INR200 crores contribution will become zero. So there will be this delta movement in terms of absolute cash flows that you will definitely see.

Now which lines we will touch is slightly competitively sensitive, so you will obviously understand why we can't give you that specific waterfall. But the fact that we have reiterated our guidance despite the competitive pressure that everybody is talking about. You should, therefore, rely on that. And obviously, the job is for us to execute on that. Do hold us accountable to that.

Manish Poddar: Sorry, Rahul and Amitesh, it's not about the waterfall. It's more about, let's say, metrics, let in terms of consumer quality or cohort of consumers or market share by regions, which probably draws us comfort, let's say, in your core cities, you are doing well versus new cities. Some sort of color on that is what probably I am talking about. Not trying to triangulate a bridge for anything. That's what I am trying to get the broader message.

Rahul Bothra: See, we have given some specific numbers in the past, right? Our largest city is already contribution margin positive. A quarter of our network is already contribution margin positive, and that continues to get better and better. So beyond this, it will be honestly difficult for us to share specifics.

But we do want you to take away that there are sufficient levers which are in our control despite what's happening in the market. And therefore, the guidance hasn't changed. From the last quarter, I think all of us will agree that the intensity has gone up. And despite that, we are maintaining our guidance.

Moderator: Next question is from the line of Abhisek Banerjee from ICICI Securities.

Abhisek Banerjee: Just first of all, great performance on Food Delivery. There, I just wanted to understand one thing. So, on the growth part, obviously, you mentioned that you will want to watch out for another quarter before you talk on the sustainability of growth, but as far as the margin improvement is concerned, we saw that contribution margin improved by about 30 bps.

And you have said that it has come from efficiency improvement. Now do you see further room for improvement there, especially in the context of gig workers talking about increasing their payouts, etc.?

Rahul Bothra: Sure. So I think our effort is to continue to increase the contribution margin. And you would have seen that despite some pressure on take rates because of the overall consumer side fee coming down, we have been able to grow our contribution margin by 30 basis points in the previous quarter. So from here on, our guidance of steady state remains solid.

We will get to 4.5%-5% of gross order value, and that will happen as a combination of both contribution margin as well as operating leverage, that we have demonstrated. So over the last four quarters, you may have observed that we've added 70 basis points on operating leverage, and you should continue to expect a large part of that to continue to happen over the next few quarters and then the balance will come through the contribution margin gains.

In terms of the gig economy question, I think, obviously, these are still work in progress in terms of the legislation overall developing. Whatever we have seen doesn't give us any shock element. There could be a small impact, but that would be a pass-through impact and therefore no impact on our P&L due to that. But we'll obviously know more when it's finally approved.

Abhisek Banerjee: So I was trying to understand whether you have managed to reduce your waiting times or whether there has been some sort of matching that you are doing? I mean what is driving this improvement? Can you give us some idea ?

Rohit Kapoor: This is Rohit here. Just adding on to what Rahul said, if you look at the contribution margin, delivery cost reduction in it is just one component of 7 or 8 components which drive contribution margin.

And there the efficiencies will not come from reduction in earnings per hour of people, but more from ability to get the network to the higher productivity levels, which is, as you mentioned, intelligent batching, right, not in a ad hoc way, which we do to some extent already, and that modulates as per requirement of the density of orders, region, zones as well as the orders per hour.

So two messages. One, that it is not going to be driven by delivery costs only, but probably 6 or 7 factor line items, which we keep pulling northward. We don't, at this point in time, see risks on P&L from a delivery worker standpoint, I think we feel satisfied on that on two fronts. One is the legislation with the Central Government is -- the COS is largely positive in nature. Of course, we'll wait for the final details.

And second, as we see the earnings per hour and the benefit that we're offering, there is a lot more to be done. It will continue to progress, but we don't see that as a negative pressure on the P&L so far. So contribution margin improvement in the medium term will continue.

It will be guided to only one or two things where one is seasonality for the business. In certain quarters, you'll have seasonality. And second is when we want to make a selective investment into certain cohorts of acquiring customers, but longitudinally you can expect us to stay on track to the guidance we've given.

Moderator: Next question is from the line of Garima Mishra from Kotak Securities.

Garima Mishra: On the Instamart business, right, you added roughly 0.8 million MTUs this quarter, which was slightly lower than the 2Q addition. How do you expect this figure to move going forward? And can this number be actually maintained at this 0.8 million level?

Amitesh Jha: Yes. See, the overall MTU that we are seeing is the kind of similar percentages that we were seeing essentially earlier. We don't give guidance in terms of what is the exact amount that we see. But just to give you a construct of how we are looking at it. It is a combination of how many new customers we acquire and how many we have retained. Our MTU in the Retained User ("RU") base is actually quite healthy and increasing.

Our New User ("NU") retention or the NU base is where the headwind is, which I spoke about earlier as well. The competition headwind addressed is there. We believe that competition still remains at the same place. A similar kind of movement keeps on happening. But the RU retention is something that we are looking at maintaining and increasing. And that will mean that the overall MTU addition will keep on being in the same ballpark.

Moderator: Next question is from the line of Ankur Rudra from JPMorgan.

Ankur Rudra: Just a question on the contribution margin discussion earlier. You've said that 25% of your stores are positive and the contribution margin per order actually worsened to INR19 per order this time. I'm just curious about two things. One, what percentage of the stores do you need to be positive to breakeven over the next 2 quarters?

And related, if growth slows down, as you've alluded to earlier in the call, maybe sequentially if your order volumes decline, given competitive intensity, etc., you want to give up your orders. Won't that hurt your throughput and hence, this target?

Rahul Bothra: Hi, Ankur. Rahul here. So, I think the store itself is not a determinant or a unit of our P&L, right? So while we talk in the sense of a store, what we really look at is a polygon. And more than half roughly of our business in terms of the polygon will have to be contribution margin positive for that to happen. Today, that number would be closer to 30%-35%.

So I think sequentially, as we continue to add the monetization layers as well as the cost coming through with better utilization, the journey of contribution margin and therefore, the polygons themselves becoming positive, will continue to happen.

Moderator: Next question is from the line of Nikhil Choudhary from Nuvama Wealth Management.

Nikhil Choudhary: Just wanted to probe your comment on cutting investment, especially on marketing. While I understand your decision to cut spend, especially on poor order quality or lower order quality, but why not redirect those investments towards new customer acquisition, especially at a time when competition is increasing. And we are already sitting on unused capacity as well as we now have a reinforced balance sheet?

Amitesh Jha: Yes. So our marketing investment will be on acquiring the new customers as well. There are other investments that we do for retention that also comes into marketing where the most of the movement in the marketing investments will happen. But the fundamentals of making sure that the new users are acquired at the right rate, it's important for the health of the business.

if we don't do that, the future growth actually gets it. And that is a path that we have not taken earlier also. And we don't want to take it essentially in the future as well. So yes, new user investment will not get it in this.

Nikhil Choudhary: Got it, Amitesh. But, my question was more why not redirect those savings towards new user acquisition, especially when we have so much capacity?

Amitesh Jha: When you mean new user acquisition, would it -- if I'm assuming investments below contribution margin ?

Rahul Bothra: Really if we look at the marginal utility of the dollars invested and the overall user and the kind of users that they're getting. So we are optimizing on that. So the idea is not to cut our new users additional growth, the idea is to look at optimizing that expenditure. So if that's your question.

Amitesh Jha: So new user acquisition comes in marketing and investment. The overall optimization for that still remains and we want to make sure that is not a number that we are going to tinker with.

Moderator: Ladies and gentlemen, due to time constraints, we'll take the last question from the line of Kunal Vora from BNP Paribas Mutual Fund.

Kunal Vora: So can you talk about the path from contribution breakeven to adjusted EBITDA breakeven? How long it take and what will be the driver? Will it be continued expansion in contribution margin or is there a scope to lower marketing and other things?

Rahul Bothra: I think this is a question that we won't be able to answer today. I think the journey is very clear. We want to continue to show better operating leverage while getting to contribution margin positive. So even over the last 2-4 quarters, you may have seen that our EBITDA percentage of gross order value continues to go down. And I think it will be an appropriate time maybe a couple of quarters later for us to give you some sense on that. But for now, it's hard for us to give you specific guidance on the EBITDA breakeven.

Kunal Vora: So will it suffice to say that as we move from like minus 200 right now to breakeven, that will reflect in the EBITDA as well, declining to at least that extent?

Rahul Bothra: Absolutely. So that is something that we have already called out that this should be the peak of the investment. And roughly as we get to zero, INR200 crores gets unlocked immediately from the contribution line itself, apart from some of the interventions that we may choose to do below the contribution line as well.

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.