REF: SWIGGY/SE/2024-25/13

December 09, 2024

To The Deputy Manager Department of Corporate Services BSE Limited PJ Towers, Dalal Street Mumbai - 400001 **Scrip Code: 544285**	To The Manager National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (E), Mumbai 400051 **Symbol: SWIGGY**

Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference Call for Analysts and Investors conducted on December 03, 2024.

Ref: Disclosure under Part A of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Part A of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby provide the transcript of the Earnings Conference Call for Analysts and Investors conducted on Tuesday, December 03, 2024.

Enclosed is the transcript of the Earnings Conference Call, which is also hosted on the website of the company. The link to access the transcript is provided below:

https://www.swiggy.com/corporate/investor-relations/financial-results/

This is for your information & records.

Thanking you,

Yours faithfully,

For **SWIGGY LIMITED**

SRI HARSHA MAJETY

Digitally signed by SRI HARSHA MAJETY
Date: 2024.12.09 13:09:38 +05'30'

Sriharsha Majety
Managing Director & Group CEO
DIN: 06680073

Swiggy Limited

Q2 FY25 Earnings Conference Call

December 03, 2024

MANAGEMENT:

SRIHARSHA MAJETY – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – SWIGGY LIMITED
RAHUL BOTHRA – CHIEF FINANCIAL OFFICER – SWIGGY LIMITED
ROHIT KAPOOR – CHIEF EXECUTIVE OFFICER OF FOOD MARKETPLACE – SWIGGY LIMITED
AMITESH JHA – CHIEF EXECUTIVE OFFICER OF INSTAMART – SWIGGY LIMITED
ABHISHEK AGARWAL – HEAD, INVESTOR RELATIONS – SWIGGY LIMITED

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

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

Abhishek Agarwal: Thank you, operator. Hello everyone and welcome to the second quarter FY 2025 Earnings Call for Swiggy, our first ever after we recently went public. Our financial results and shareholder's 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/corporate.

We would like to inform you that management may make certain comments on this call that one could deem forward-looking statements. Specifically, any financial guidance and proforma information that we will provide on this call are management estimates based on certain assumptions and have not been subjected to any audits, 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, our MD and Group CEO, Rahul Bothra, our CFO, Rohit Kapoor, the CEO of Food Marketplace and Amitesh Jha, the CEO of Instamart. Over to you, Harsha.

Sriharsha Majety: Thanks, Abhishek. Good evening and warm welcome to everyone. We're excited to join the ranks of listed companies after a decade's journey of growth and consumer love. I'm sure since this is our first call, there'll be lots of questions, not just on the quarter gone by but maybe also on our journey until here.

We have our business leaders on the call today to answer your queries on our performance and our IR team will be available to post a call for more details. I invite Rahul to kick off today's event with some key highlights for Q2 and then we can straight away get into the Q&A.

Rahul Bothra: Okay, thanks, Harsha. So, folks, the key highlights for the quarter gone by -Our B2C GOV clocked a little over INR11,300 crores, which was up 11% on a sequential basis. This was our second straight quarter of 11% sequential quarterly growth.

On a Y-o-Y basis, our growth accelerated to 30% as the business mix also continued towards a shift on the quick commerce side. We saw strong MTU growth with our platform MTUs going up by 18% to 17.1 million users and our consolidated adjusted EBITDA loss shrunk by 30% to INR341 crores in the B2C businesses. The food delivery GOV grew by 5.6% on a quarterly basis. After having achieved profitability last year in this business, margins continue to ramp up to 1.6% and we have doubled our adjusted EBITDA on a quarterly basis.

Our quick commerce GOV also grew at 24% on a sequential quarterly basis, driven by a 21% volume growth. Our orders per day per store also grew by 10% on a quarterly basis and we added close to 52 stores during the quarter.

Despite continued investments amidst significant competitive intensity, our CM margins improved from negative 3.2% to negative 1.9% in Q2. With this brief introduction, let's start the question and answer session. Over to you, operator.

Moderator: Thank you very much. We will now begin the question and answer session. We'll take our first question from the line of Garima from Kotak Securities. Please go ahead.

Garima: Hi. Congratulations, Swiggy team for a stellar listing and thank you for the opportunity. My first question is on Swiggy Bolt. Now, of course, media has reported that you've expanded this program to 400 cities now. My question is, how is this model different from the regular food delivery model and how do you really incentivize the restaurant to prioritize your order over those of others?

Rohit Kapoor: Garima, thank you very much. This gives an opportunity to explain this very exciting launch. So, the model works on two simple premises. One is that this serves restricted last miles. So, just for example, it serves roughly within anything up to two kilometers. And the second thing is that it is the same menu. So, the one big clarification that we want to give out is it’s the same menu, but if you look at their entire assortment, roughly 30%-40% menus are under four-minute prep time. And we've worked a lot with the restaurant partners to ensure that they are not only adhering to the prep time, but also giving it out to our riders without any delay. Plus, on the rider side, I think what has really benefited is that we have run the quick commerce business now for several years and we have some of the fastest speeds in the market in that business. The same principles have been drawn here.

So, net-net, I think, three things operating. One is lower last mile. Second is definite consumer love because it unlocks new use cases for consumers. Just an example, if you don't have coffee, you may not wait for 40 minutes, but if you're getting in 10 minutes, you're on for the order. And lastly, from the restaurant side, they are seeing it as a big unlock for increasing volumes. So, they are coming forward and not just participating, but sitting down with us and problem solving on what kind of menus, what kind of offerings, how do we get to it faster. So, all this has happened in the last 45 days of launch. This is also one of the fastest launch business we did, like from concept to launch event in 30 days. And it fit a scale of 5% of our order volume within eight weeks. We scaled it up to 400 plus cities, which I think is pretty much all the cities it needs to be and maybe we'll add a few more. And I think we're very optimistic about the potential it holds for not just this offering, but the future of food delivery itself.

Garima: Thanks for that explanation. Now, my question is in terms of average order value, should we regard this concept or this offering as inherently low AOV? Because you are just catering to the very quick need that a customer has, which may be largely unplanned?

Rohit Kapoor: So, by the way, this is Rohit Kapoor. I forgot to mention my name. I just assumed that since the world has understood, I'm answering this question Garima. Inherently not low AOV, for the simple reason that except pizzas, every cuisine is on it now. So, whether it's biryani, or a gourmet restaurant. So, even let’s take an example of Bombay. One of the best bakeries of Bombay, the top five in terms of not just the popularity, but also the quality and the name they command, is on Bolt. Because for them also to serve croissants, which could be INR300-400 individually with a coffee with the cost INR200 is very much part of the Bolt offering. So, we are actually seeing AOVs quite comparable to platform AOVs and there's a lot of work that still can happen on that front.

So, this is not inherently a low AOV business. And that's one thing which is a very interesting question because you can assume it to be just top-up purchase or coffee or immediate items. It can be pretty much anything. The only category which we haven't been able to bring fully on, but there's work to do so in the next quarter is pizzas.

Garima: Understood. Rohit, and maybe last question from my side on this is, if you see your shareholder's letter mentioned some of these new value propositions, Bolt is one. There are some affordability and user experience initiatives as well. What do you think is going to be the impact of all of these new initiatives on the growth of the food business?

Rohit Kapoor: See, if you look, Rohit again answering this question… if you look at growth, growth can happen in this business from three or four different vectors. One is geographic, right? That you simply go into new cities. We believe that we are close to, in the food business, we are close to now operating in the number of cities we need to operate because anything beyond that is actually a vanity metric where we can expand out of 50 cities, 100 cities. There's not much business to be had there. So that vector is sort of not what we are betting on.

The second is what we think is definitely a lot more emphasis on existing cities where a migrant population, new colonies are coming up. Just to give you an example, we are quite clear, it's becoming quite increasingly clear that places like NCR, Bangalore, you take the top 50 cities, it's not just the core of the city. Today, if you come to Bangalore and you go to Devanahalli or you go to the outskirts, probably it looks like you drive all the way to Hosur and still looks like Bangalore all the way through. If you're in NCR, you're driving towards Jaipur, like it used to end at Manesar, you can go all the way up to Rewari and it feels like you're sitting in Gurgaon. So, I think what we call the new growth area, that's one. And there the kind of consumers who are coming in also are looking for affordability and rentals are going up in core cities.

So, you see that there's a lot of new people who come to the city for employment or work actually go and stay in the peripheral cities. And that's where the affordability initiative has become very important. Unlocking new use cases, like Daily, a big use case for corporate lunches.

Speed by Bolt by itself transfers a lot of orders which would have come from either sometimes like going down to a canteen or your own kitchen can be unlocked because Bolt exists. And the interesting part is that now we have seen this in quick commerce as well, that we assume that 10 minute or fast delivery will only unlock a certain kind of order assortment. That's not true. In quick commerce, we started by assuming this will be Coke, chips and things like that. But today you're buying headphones, cosmetics, you're buying pretty much a wide range of items, and same is true for food delivery. Consumers just love things faster. It doesn't matter what the cuisine is. So, I think Bolt is a big bet here.

If you look at user experience, I think that's something we have always prided ourselves on in terms of the UI/UX of the app. And we continue to believe that there's a lot of headroom for us to keep improving that, whether it's Eatlists, whether it is new features that you see, the clear product evolution on the bulk delivery side; it's not just the vehicle, but fundamentally the core products and the restaurant experience in bulk delivery has changed in October. A bunch of work on the restaurant partner side, self-serve advertising at scale.

I think if you just look at our advertising revenues and what's happening there, I think it's a very exciting story. So overall, we believe all this is bringing through GOV growth, which is in line with what we have been forecasting, revenue growth which is faster, and profitability unlock which is actually much faster. So that's the overall framework we are trying to operate growth with rising profitability in the food business.

Moderator: We'll take our next question from the line of Sudheer Guntupalli from Kotak Mahindra AMC. Please go ahead.

Sudheer Guntupalli: Congrats on a good IPO and also a good set of numbers. A few questions from my end. Firstly, on food delivery, you're guiding for outpacing the category growth. Given there are only two players in the category, what gives you confidence now that you will be able to grow faster than competition?

Rohit Kapoor: Look, I think we are guiding towards the category growth and faster growth because numbers are out for both the companies and you can see what happened last quarter, right? I think it is very hard to say, and I won't bet this will be continued in this way or that way. But frankly, what we are bullish about is the pace of innovation in food delivery, the number of new launches we are doing, the kind of work happening in the company, the kind of success we are seeing with the new initiatives; all that definitely gives us confidence on two things. One is our ability to think through new unlocks for the category itself. And it's not a two-player market, we have never agreed to that definition of a two-player market because frankly, we compete with everyone. We compete with people who go out and eat. We compete with all kinds of options which people have to eat. So, I think it's not our definition of the market. And in the world where we see as a food service market, we definitely see online delivery outpacing that, that's there in data. And the set of initiatives that we launched in the last quarter and what we have in the pipeline gives us some confidence to say that we have a realistic chance of growing in line with what our predictions are and hopefully outpacing them in the future quarters.

Sriharsha Majety: Hi, Sudheer. Harsha here. In addition, I think I also would like to emphasize that if you look at our trajectory over the last two years, I think we've also been able to get a lot of progress on the overall contribution and the indirect cost that is given as operating leverage. And overall, with a lot of that work behind us, it also means that there's a disproportionate amount of management bandwidth going on the growth agenda versus we've been able to in the past. It is intangible, but I did think it was important to mention to have a huge impact on how our mindshare and how we spend time energy and resources on the growth agenda.

Sudheer Guntupalli: Fair enough, Harsha. And we are guiding for 4 million square feet of dark store area by March '25. That's almost doubling our dark store capacity in let's say four to six months, maybe assuming you're following this out from September. So, what gives you confidence on the pace of addition, number one, and also the demand uptake at let's say 2x our current capacity?

Sriharsha Majety: Sudheer, so, yes, we have mentioned that we're going to be close to doubling the store count while increasing even the footprint size by -- I mean the average store size by 30%. The average store size by 30% is largely also because we did have smaller stores to begin with in the past and to be able to meet the growing demands of assortment, it was important for us to do this and that's the transformation that's underway.

As for doubling the stores itself, I think, I mean, as you can see in our Q2 results, we've seen some strong order volume growth and we do believe that from an overall penetration standpoint, I think we're still relatively early in the overall game. With that coupled with, let's say, increased competitive intensity, I think we may see some acceleration in overall category growth versus originally planned and that's kind of why you see us going aggressively behind store expansion in the forecast.

Sudheer Guntupalli: And just one last question. I think it's great to see it looks like on the Instamart side there is some market share gain, especially on the MTU front. A quick clarification based on the internal metrics that you may be tracking, what is our order market share in quick commerce category right now and what might be our market positioning by number of orders? Are we second or third?

Rahul Bothra: Yes, so, honestly, we don't have that data. Sudheer, Hi, Rahul here. We do believe that we are striving for a certain growth in the category. We are seeing acceleration of that growth and I think market, we are seeing also some bit of heightened competitive activity from both existing and new players. So, it's hard to take down a certain market share number. It also changes during the day and the week and the month. I think we are well poised from the expansion, you know, ambition that we have laid out that we are going for category leading growth.

Moderator: We'll take our next question from the line of Ankur Rudra from JPMorgan. Please go ahead.

Ankur Rudra: Congratulations on the listing and a strong quarter and good to see the growth pick up across both the core businesses. Maybe on the Bolt initiative, if I could focus on that a bit more again, how is this impacting consumer behavior, this launch, because it's a clear innovation that we've seen for the first time in the last 10 years of food delivery in India? Is this creating new demand or at the moment are you just seeing existing demand, what was probably lower order value, shift to this? And if you can give us some color in terms of, I think you gave us some color in terms of average order value, but also in terms of how the unit economics will work here versus the core food delivery offering.

Rohit Kapoor: Rohit here, I'll take that question. On a lighter note, I think one of the reasons we launched Bolt was Harsha also wanted Starbucks in 10 minutes, right? But no, don't take that seriously. It's just a joke between me and Harsha. But I think clearly three or four things. One is use cases which would have not gone to delivery. Simply saying, I want a coffee immediately. I'm in a hurry, I'm leaving home, I need something in 10 minutes. I've come back home and I'm hungry, right? Not ready to wait for 30 to 40 minutes. Craving late night desert, like I want to have an ice cream before I sleep. So just the fact that you decompress the time of delivery from 30, 40 minutes to 10 minutes, unlock human emotions and needs and use cases in disproportionate ways. That's point number one.

The second thing which we sort of went against was saying that, can it be only delivered by a captive cloud kitchen? The answer is no, because there's enough density in Indian cities and we are so dense in all our markets that we can get an agglomeration of restaurants and consumer points within 2 kilometers of each other, right? So that creates positive flywheel on the restaurant side because they see more demand, positive flywheel on the consumer side, they get the -- when you first time get coffee in eight minutes or nine minutes, it feels like magic, right? And you just get hooked onto that thing that this is something that is so cool. Let me just go and try it again, right?

Third, on economics, we can't share due to competitive reasons right now, but frankly I will say that that's something which is not worrying us at all on this initiative. And we're fairly confident on managing the economics of this business as we scale up.

Ankur Rudra: Just one clarification on Bolt. You mentioned in the prepared remarks that it's grown to 5% of the volume in the 8 to 10 weeks of launch. Is this adjusted for the locations where it's launched or is it increased to 5% of overall volume?

Rohit Kapoor: This is platform, overall platform.

Ankur Rudra: Overall food platform, right?

Rohit Kapoor: Yes, it isn't adjusted. Food platform, correct.

Ankur Rudra: No, that's great. And that's creating significant impact then. Okay, fair enough. Super. Just maybe a quick question on quick commerce too. You highlighted there is incremental competition or heightened competition. And you're clearly upping your dark store targets which are doubling over the course of the year and from here also doubling the footprint. How has the competition impacted your growth plans more recently? And what does the doubling of the footprint over the next six-odd months impact medium-term profitability?

Sriharsha Majety: Hi, Ankur. Harsha here. At a high level, I think what happens when obviously there is increased competition is there is typically stress on a few line items. Of course, I think marketing spends, there is bound to be some stress. I think like there is continuous store expansion in various cities that happens. And there's also like incremental, small increases even in let's say pricing that do come up for the day. Now, as you rightly pointed out, we actually are, you know, from a point of where we are today, we're going to add a significant number of stores in the next four months. And our guidance as we have given even in our letters is that we're gunning for overall contribution margin breakeven of Instamart to be hit by OND (Oct-Dec) '25. So, the reason why we believe that is in the short term, we will need to modulate our investments to stay competitive. We have our eyes on the price, which is the $30 billion to $50 billion market that we're all playing in three, four-year time frame. And we will need to be competitive and be dynamic, in the landscape to be able to ensure that we have a good journey to long-term sustainability.

As for, that journey itself, as we play this whole competitive intensity and market out, there are still however, things that are in our control. And some of them will be like, let's say the AMV, which we have talked about as we increase our assortment on the Instamart platform, we do expect the AMV to go up from where it is, we have some opportunities in our advertising business as a percentage of the overall business. And then this rapid expansion of stores that we're going to do in the next few months, will also lead to some increasing maturity of the overall store profile as we approach OND 2025. Now, when you take all of that and pricing, whatever we can price in with the information we have available about competition, we feel, the guidance that we want to give is CM0 for OND '25. In the interim, as we mentioned, we will have to modulate and be responsive in the market based on what we are seeing.

Ankur Rudra: Very clear. Thank you so much. Just one clarification, because this is an evolving situation, an evolving market, if there will be growth versus margin trade-offs in the short to medium term, would you always focus on the long term and growth as opposed to medium term margin, especially in this business?

Sriharsha Majety: I think, like with all things, we have to keep, constantly keep our eyes on the long term, Ankur. In today's market, we will have to be dynamic and react to make sure that we don't become less competitive beyond a point like in the short term, but we firmly have our eyes at the same time on the things that we can do to differentiate in the long term. Spoken about it in the past, we want to make a big push on assortment to do a great job over there to create some meaningful differentiation.

In addition, you've also seen us start experimenting with categories like pharma, where we are getting consumer feedback, and we want to learn more and see what we can do. So, the answer is, firmly have our eyes on the price for the long term and modulate in the short term based on the intensity that we see.

Moderator: Thank you. We'll take our next question from the line of Samarth Patel from Equirus Securities. Please go ahead.

Samarth Patel: Thank you so much for providing me the opportunity…

Moderator: We have a question from the line of, the current participant's line is disconnected. I request Mr. Bijal Jitendra Shah from RTL Investments to go ahead with this question, please.

Bijal Jitendra Shah: Yes, hi. Thanks for the opportunity and congratulations on a great listing during turbulent times. My question is with respect to your announcement that you decided to get into sports business or owning sports teams. So, can you just elaborate on that and with respect to that, what kind of investments you are looking at and how would it impact the guidance which was given during this in the shareholder letter?

Rohit Kapoor: Hi, this is Rohit here. Let me take this question. First of all, I think just to clarify, we are not getting into the sports business or in any significant way. I think that headline which has appeared in one of the press articles is slightly, we'd like to clarify on top of that. What we have done is we believe that our consumers, especially in the top metros, are seeing pickleball as a very fast-growing recreational activity. In fact, pickleball is one of the fastest-growing sports, not just in India, in metros, but all over the world. In some countries, it has outpaced even tennis; and there was an opportunity for us to be very early in the game, acquire the rights to own one of the teams in the world, Pickleball League, which will be launched very soon. We have gone and acquired the Pickleball team rights for the city of Mumbai and that's a very limited play that we have there. The company has been formed because this is a sub-course, so it had to be formed for that reason.

Again, clarifying very clearly, we are not getting into sports business or sports events, etcetera. Very specifically, it is about acquiring the rights to the team at this point in time and I think that is what it is all about – not into sports events or anything of that nature.

Bijal Jitendra Shah: Can you confirm it will be limited to this single investment or you would be exploring more things going forward? As of now, it might be one investment, but later on.

Rohit Kapoor: At this point in time, it is purely restricted to owning rights of owning the Mumbai Pickleball team. There is no other plan at this point in time to expand into sports at all.

Moderator: Thank you. We'll take our next question from the line of Swapnil Potdukhe from JM Financial.

Swapnil Potdukhe: Hi everyone, thanks for the opportunity and congrats on your listing. I have two or three questions starting with delivery first. In this quarter, what I noticed is that take rates have come off on a quarter-on-quarter basis and that is about 30-40 basis points of decline.

In particular, the reason you want to call out given that we have also mentioned that our ad income continues to improve and how do you see the take rate going ahead? So, if you can start with that.

Rahul Bothra: Hi Swapnil, Rahul here. So, if you look at it sequentially, there is a small decline largely to do with some of the affordability initiatives that we have run, including the subscription program where we continue to see the expansion of the subscriber base and as a result, there is lower delivery fee income that gets recorded. I think from a medium-term guidance, we do believe that there is another 150 basis points improvement that can be made from here on in our guidance to steady state to build out 5% and we are positive to be able to achieve that.

Swapnil Potdukhe: Got it, Rahul. The other question is with respect to the investment that we have been discussing till now, Cafe, Bolt, Daily, those kinds of things, just wanted to understand how they get, where are these investments exactly coming from? Are they coming into segmental segments for them, or they are getting captured in Platform Innovations

Rahul Bothra: Sure. So, depending on the specific initiative, most of the ones which are at scale today are being run on the food delivery platform. So, whether it is Bolt or whether it is Cafe, they are housed under the food delivery business. So, these are not carved out as separate innovations.

Swapnil Potdukhe: Okay. And there was another partnership with the HDFC Bank that we have been running for some time now. Any positive impact of this partnership on your order volumes? Anything that you want to call out on that side? And a related question to that, there is also a significant benefit that a consumer gets in terms of cashback. So, just wanted to understand how does the unit economics work there because that 10% cashback is meaningful. So, how much do you bear out of that on your own P&L?

Rahul Bothra: Sure. So, the co-branded card that we run along with the HDFC Bank is one of the marquee co-branded credit cards out there in the market today. It has significant benefits that consumers get access to across the Swiggy platform.

As we have a single app and across the services, consumers get a 10% cashback on the spending across the platform. The good news for us is that all of this is funded by our partners and there is no economic loss that we have on account of this cashback proposition. So, this is a very, very strong program and we are very happy with the initial take-up that this program has given us.

Swapnil Potdukhe: Anything you would like to call out in terms of percentage volumes coming from this card or number of users, something like that?

Rahul Bothra: No, specifically, we won't be able to share any specifics around this due to it being competitively sensitive.

Swapnil Potdukhe: On the quick commerce side, I had one question. So, obviously, your contribution margins have improved meaningfully partly due to ad income and then you would also have got some operating leverage on the dark store level. But one thing that I am not able to reconcile is that there have been meaningful increases in your supply chain business.

If I were to look at it from a Q-on-Q basis or a Y-on-Y basis, the losses in those businesses have increased meaningfully whereas your top line continues to grow. My understanding was like there would be some operating leverage in that business given that initial investments we are done with. So, I just wanted to see if there is any overlap between your Instamart business and the supply chain business in terms of cost as well as revenue and how should we read that, going ahead?

Rahul Bothra: Sure. Thanks for the question again. So, on the supply chain and distribution business, as we have mentioned in our letter, it is a B2B business where we are servicing wholesalers, retailers, and kiranas, including housing of the Lynk business that we acquired last year, which is into technology-led urban distribution for the FMCG companies.

So, here, most of our near-term effort has been in expanding the overall capacities by introducing warehousing as well as logistics services, and that investment has been made. And we do believe that sequentially from here on, we will see continued improvement in our profitability trajectory for that business segment. So, most of the near-term investments are behind us. And sequentially, we should see an improvement in the business going forward. Also, to note that today, if you have seen in our business, we have already crossed 1 lakh unique customers that this business segment directly invoices to. And we expect to continue increasing the share of the kirana business in this segment.

Swapnil Potdukhe: But the related question to that was like, what are the overlaps in terms of cost with your Instamart business? I mean, do you use the same warehouses? So, do you use the same mid-mile logistics? How does it work? Or do you have separate teams altogether?

Rahul Bothra: So, as we have mentioned, the Instamart sellers today use certain services of our platform. Now warehousing is not one amongst them. But as we have increased our overall capacities and increased the warehousing infrastructure, we do expect to make the Instamart sellers also utilize some of the warehousing space that will have a consequent increase in our take rate in the business. So, as we expand our overall service offerings in this segment, we do expect to leverage or make use of the capabilities that are built in this business for the Instamart sellers also.

Swapnil Potdukhe: And just one last one, if I can squeeze in. So, while we saw a meaningful improvement in your contribution margin this quarter in Instamart from -3.2% to -1.9%, your guidance seems to be a bit conservative for breakeven. Any particular reason that you want to call out over there? Because if take rates are expected to increase, one would have expected most of that benefit to flow through your contribution margins.

Rahul Bothra: So, Swapnil, you are right that we have been able to showcase an improved trajectory in our contribution margin profile, with better utilization and cost reduction in the business, as well as increasing take rates. I think Harsha talked about some of the near-term competitive intensity we have seen. We are also expanding significantly our dark store infrastructure network in the near term. And so, all of that is factored in our overall guidance of CM breakeven in another, say, four quarters or the December quarter of 2025.

Swapnil Potdukhe: Got it. Rahul, thanks a lot for taking my questions and all the best.

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

Vivek M: Hi, good evening team. A couple of questions. The first question is, your food delivery business I know still is at an early stage, but you are a sizable player with sizable GMVs, GOVs. What is the trend that you are seeing on the ground? Because a lot of consumer companies are talking about slowdown. The quick service restaurant industry has been dealing under pressure with the SSS number negative. If you can just quickly talk about how the landscape is on the consumption side, that will be very useful.

Rohit Kapoor: Hi, this is Rohit here. So, while I think obviously, we have also read about overall slowdown and some sectors slowing down, it looks like we happen to be in three categories where we are not seeing that impact lay out, at least in the last quarter, even at present. So, if you see, food delivery has grown about 5.6% quarter on quarter. Instamart is growing 24% quarter on quarter. Dineout, which is the out-of-home category, has grown about 11%-12% quarter on quarter.

And even if I reflect on what's happening, right now we don't see this pattern playing out. So, one of two things, it could be that these sectors are more insulated from some of the slowdown discussions happening or within the food space itself, online delivery is slightly pacing ahead of overall food market growth. Could be that playing out as well.

Vivek M: Got it. And just as a follow-up, because beyond your numbers, you will be let's say, meeting the restaurant partners, talking to them. Do you think there is a or do you get a sense that the partners are, let's say, going through a bit of a slowdown pressure right now, on the dining side of things?

Rohit Kapoor: Actually, on dining side, that's what is reflected from our business, because that's what we concentrate on. We are not seeing that happen. The Dineout business or the Going Out business, large part of which is actually Dineout, has grown about 11% to 12% last quarter and seeing pretty strong momentum there. So, it looks like at least the segments we are exposed to at present, at this point in time, are pacing well.

Vivek M: Right. But my question to you is, when you talk to restaurant partners, do they complain about things being slow on the ground or you also don't get that sense from their side?

Rohit Kapoor: Again, very segmental, because there's nothing called a restaurant partner. There are QSRs, there are chains, there's a kachori shop, everybody's a partner, we have a few lakh partners on the platform. I think maybe a few, it depends, a few segments are definitely, they talk about some slowdown happening in the category, but also the slowdown at the individual player level may not happen because the category is slowing down, but also new competition is coming up. So, for example, there are cities where, I think there was one pizza player, two pizza players used to dominate, now they're like 20 pizza players at the market. So, it's also the slicing of share, which is happening, interstate between those players, which could be reflecting on individual player discussion as you speak to them, versus the overall category being impacted per se.

Vivek M: Okay, got it. And the second question is on the quick commerce business, and apologies, I joined a bit late so, in case if this has already been asked; but there's a tremendous amount of activity that we have seen in this space. And now that the new players who have entered the space, I mean, anecdotally, it looks like that they are discounting far more than, let's say, the incumbents, at least two out of the three. What is your sense on how things are on the ground, whether you have to retaliate or you have to match some of the discounts?

And also the assortment in case of, let's say, Flipkart and Big Basket BB, I think they are far more, so let's say, my understanding is you started more so as incumbents with grocery and gradually pivoting and going into other adjacencies, whereas those guys are, it looks like, appears that they are far more heavy on the, let's say, the electronic side of things. Does that also require you to rework your assortment and what kind of discounts and, let's say, promotions you will also have to run?

Amitesh Jha: Hi, this is Amitesh here. See, the way this overall business is essentially growing is basically consumers coming in and asking for if they can purchase more from the faster delivery platforms. The way we are looking at it, the time that was earlier, maybe only a distress TAM, is now expanding to a more holistic TAM of saying that there are items that I can purchase around my area, which I can get, for example, in the next one, two hours, I would want to get all of them in the next say, 10 to 15 minutes.

So, our view is that that expansion will keep on happening. The growth will be largely essentially fueled by that. Now, in this market, obviously, more players will essentially come in. The overall intensity on players' ability to spend more money in the market will essentially grow. If you look at any business long term, and especially the retail aspect of the business, there are fundamentals of business that is what makes it a success or a failure. The fundamentals are what kind of assortment you have, what kind of service that you give, and ultimately, what kind of value that you essentially pass to the end consumer. We believe that there is a combination of that that will essentially work for the end consumer, specifically, because of the nature of business being that,

that you can't have unlimited assortment. So, the way to look about this business is there are people who will come here and try to grow the business by expenditure.

There are three kinds of expenditures which are there. One is infrastructure, you have to grow the business, you have to have the infrastructure in place. The second is essentially marketing, convincing more people to come on the platform and experience it. And third is essentially discounting. Infrastructure and marketing will pay for itself. Ultimately, customers come in, they get sticky with the platform, and that actually solves the problem.

Discounting can only work to a limit, because what we have also seen is that unlike other businesses, example, like in food, it's not an unlimited discount business, because ultimately, you're not trying to create a market, the market already exists, people buy at essentially a certain price that are various channels that serve the right kind of purpose for the end consumer as well. The ecosystem will not allow it to move beyond a certain limit of the discount that we are speaking about. So, there is a limit to the amount of money that can be spent on as a discount.

The way we look at it, that if you get this combination of these three right, ultimately, we will be able to find out the right answer and the discount or whatever you're doing in terms of those will essentially be a limited play. The long-term play is can you expand geographies, have the right infrastructure in place and convince more customers. Convincing of more customers is both essentially - are you informing more customers, as well as do you have the right value proposition. Harsha spoke about pharma, we spoke about increased assortment, all those are the right kind of value proposition that is essentially going to come in.

Vivek M: Got it. And just a small follow up. Do you think in the interim, therefore, because of this, let’s say heightened competitive activity, the profitability can be far more volatile than the steady state level that you or whatever the break even that you target to reach, can there be a bit of volatility and you may actually see discounts and you also need to retaliate with more discounts and promotions in the shorter term, at least or you think that would affect the short-term profitability?

Sriharsha Majety: Actually, that is the reason why we’ve chosen the guidance for the CM break-even to happen in the OND25 quarter. In the interim, it is really hard to predict how the competitive environment will play out and it is extremely important for us to stay close to the ground and stay competitive and be agile and make sure that we preserve our competitive position for the long term.

Vivek M: So, Harsha, on that point, does it remind you of 2018, I think, when there were like seven or eight food delivery players and there was again a similar heightened competitive activity. Are we somewhere there in Quick Commerce right now or getting there?

Sriharsha Majety: I think there are many, many differences, of course, between the food delivery category and the Quick Commerce category. I think if you look at, let us say, how the overall cost, supply chain, etc, constructed they’re very different from what they were because even those were being figured out as we grew the food delivery category. I think there were three, four players even then. So, to that extent it does feel similar, but the businesses are very different. And for the stage that we are in, that was year 4, year 5 of food delivery. I think this is year 4.

Overall, I feel like it's a lot better constructed than food delivery. But beyond that, these are different businesses with different modes and differentiation that was all together. So, the differences end there. The similarities end there, but there are just three, four players and competition will be here forever.

Abhishek Agarwal: And Vivek, just to add, this is Abhishek. Obviously, food delivery, a lot of the investments in terms of the competitive pressures that were in the early times of food delivery were because the category creation in itself implied that people had to be gotten into the habit of ordering in food, whereas the need state for this on the Quick Commerce side already exists. You don't have to create that market. So, that is a fundamental difference between the two and hence, slightly different.

Vivek M: Interesting. Thank you very much. Wishing you all the best, team.

Moderator: We'll take our next question from the line of Abhisek Banerjee from ICICI Securities. Please go ahead.

Abhisek Banerjee: Hi. Congratulations on a great set of numbers. So, I have a couple of questions, but before I get to those, just to clarify a point that was raised previously. So, with regards to the warehousing that you're saying that your supply chain business will do for your sellers on your network. So, as of now, you are not earning that revenue either, right? So, it's not like – so basically you're missing out on some revenue because your sellers are warehousing outside. Is that understanding correct?

Rahul Bothra: Hi Abhisek, Rahul here. Yes, that's correct. As I said, as we have expanded our overall supply chain infrastructure investment, we do expect to leverage this capability to also be able to provide this service to our Instamart sellers, which will help us to increase our take-rate.

Abhisek Banerjee: Super. So, obviously, that rules out any question of inflation of margins. So, now just to come to the point of the take rates going up which you have spoken about from 15% to about 20%-22%. So, what do you think will be the primary lever for this take rate expansion? I mean, among your portfolio, whatever assortment improvement you do and the other things. So, if you could give us some sense of that, that would be very helpful?

Rahul Bothra: Sure. So, I think I'll give you some flavor around what the sources of some of them are. And we've talked about the advertising business being the key lever for take rate expansion as well as the EBITDA margin. I think we are seeing increased take-up from the FMCG industry in this segment of the business. And our overall steady state, we expect it to be in the zip code of 6% to GOV. So, that's one area of improvement.

The second would be the overall delivery fee construct. We think that today there is a certain amount of subsidy that goes into the business, both through the subscription program as well as getting users acquainted to this new service. Over time, there is expectation that there will be a certain increase on the delivery fee.

The third is the business enablement services that we talked about. We continue to expand the bouquet of services that we provide to our partner and that will help us to also increase. So, these are the three sections of where the revenues will get to a steady state of 20% to 22%.

Abhisek Banerjee: Understood. That's very helpful. Now, if I look at your orders per day per dark store metric, that has gone up very sharply over the last one quarter. Now, obviously, the first thought process was efficiency improvement. But in the shareholder letter, we also read that you have been increasing the size of some of your existing dark stores. So, would it be possible to give a sense as to, I mean, how much is for the efficiency improvement, and do you also track a metric like orders per day per square feet? So, that will give us some clarity on that aspect?

Rahul Bothra: Abhisek, I think it's too early for us to start measuring that as a KPI, considering the fact that we are in a growth investment phase. I think some of these numbers will also have denominator impacts with the pace of expansion. So, I think we are seeing very good take-ups. I think if you look at some of the mature stores, which do anywhere between 2,000 to 3,000 orders per day. So, that's like a good indication of what the overall sustainable GOV per square feet will be in this business. So, we are seeing and therefore as a KPI to start reporting that may likely bit tricky in the near term, but over the medium to long term, you should start factoring more closer to 2,000 orders per day per store to be the steady state guidance for this business.

Abhisek Banerjee: Understood. That is, again, very helpful. Now, if I were to try to understand the assortment piece now you're still trailing a little bit on the average order values for the Quick Commerce business and what are your thoughts on expanding this from here on? And I would really love to hear some of Amitesh's thoughts on the assortment part, given he has also done this in great detail in one of your competitors.

Amitesh Jha: Yes. See, again, the way we look at it is that consumers have a monthly purchase requirement. That purchase requirement, obviously, has the biggest element of groceries and then obviously there are other categories in place. So, the way to think about it is that how deeply penetrated you can be in their monthly purchase bucket and that is how every e-com company in world also looks at it. How does that really translate to the way we do business is in terms of what assortment you have in those specific essentially categories. In India, obviously, grocery really dominates in terms of the monthly baskets as well and increased assortment in the grocery basket is also a very, very important asset because that allows for the kind of choices that makes a heavier basket in general.

When you compare it with offline where the number of units per order are higher, a part of that is also driven by some of the level of choices that they are looking at the micro market level. Non-grocery, one of the bigger movers is always that when you increase the assortment of that, the higher AMV essentially comes in place which is the case in case of small home appliances, electronics. All those items are the pieces that generally move towards a higher AMV as well as the rupee gross margin that you earn on all of these items are also higher. So, if you look from the perspective of a consumer, there is a specific basket that the consumer has to offer that constitutes multiple levels of AMVs. And that AMVs have essentially a different level of rupee gross margin that they can give. Ability to get into all those AMVs that have a higher rupee gross margin will be the key to success and which is where the market is also moving towards.

The other thing that we are also doing Harsha spoke about that is that we are also looking at other categories like pharma, that generally has a good use case in the sense that they are more repetitive and it also gives a very high recall value as well because it is one of the things that you essentially need. The idea being that again I will come back to my whole view of there is an offline market around you; it moves from a hardware store to a pharma to an FMCG store. The idea being that in the assortment that you have, can you essentially cover all of them or not and when you cover all of them, AMV increases, and the rupee gross margin also increases per order.

Abhisek Banerjee: So, just a follow up...

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

Abhisek Banerjee: Okay, perfect, thanks.

Moderator: Thank you. We'll take our next question from the line of Abhishek from Nomura. Please go ahead.

Abhishek: Thank you for the opportunity and congrats to the management on the listing. I have two questions. First one, on the food side you explained multiple times that innovations are one of the pillars for your sustained growth and maybe market share gains.

Could you explain how sticky are the benefits of innovations like Bolt? And if you can talk about some past experiences, how they helped you in terms of MTU, for example, in this quarter, you have seen 5% increase in MTU sequentially. But what prevents the other listed companies from coming up with a similar product?

Rohit Kapoor: So, look on Bolt, frankly, I can't comment on the other listed companies and what their plans are or could be, that's not my limit. This is Rohit here. I feel that this is a very hard to execute product as a launch, because it is not coming from a single store. Even that is a lot harder to execute and now scaling up. It's coming from a set of partners who are used to operating in a certain way. There is all the complexity of urban and metro India operating here.

There is the complexity of 10-minute promise to the consumer being executed. There are some past launches which have not worked in the category before. I think in light of all that, the complexity itself is a sort of a time mode by itself. Now, who does it when? Very hard to comment. The consumer love is clear.

And it's an extension of what we are seeing across India, where category after category, including food, consumers are voting with their feet and wallet saying, if you deliver to us great quality at speed, and speed is defined, now almost 10 minutes has become sort of a benchmark. There is more usage, more use, and we are seeing definitely more new to category consumer, new to our platform consumers coming in, as well as repeats going up. And not just in what could have been expected as snacks or breakfast slot, but even other slots as well, either classically peak slots like dinner or lunch.

Abhishek: All right. Thanks, Rohit, for that. And then second and last question is on your loyalty program Swiggy One. If you could share some numbers.

Moderator: Okay. May I request you to join back the queue, please, as we have other participants waiting. Thank you. We'll take our next question from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Hi. Good evening. So, a quick question from me. So, on one of your competitors, they obviously have a cafe business within quick commerce. Now, is there sort of an imminent plan to sort of have something along those lines within quick commerce? And do you see that as a business that will allow for higher AOVs and profitability or not?

Rohit Kapoor: Yes, this is Rohit here. I'll take that question right now. If you look at one of the options we have is Swiggy Daily and Swiggy Cafe, which caters to a certain use case. And also, I think, frankly, we see that as a complementary to the Bolt offering itself, where similar services are available to the customer. I think what we are concentrating on two things. One, on Swiggy Daily and Cafe, we're working with our partners to get the pod configurations right, get the economics right, and it looks like they're shaping in the right direction.

Same on Bolt, I think we have scaled up to 400 cities. So, we can light up the 10-minute delivery in 400 cities now. I don't think there's any other player in the market, which is even there in more than 5 or 10 cities, or maybe 15. That's the range you're talking about. We're already in 400 cities. I think that's a mountain to climb for anybody who wants to come in and will take a little bit of more time for sure.

Now, with the backend in place with Cafe and Daily, the choice of lighting it up in Food or Instamart remains with us. And that we will see over time what makes more sense to do and what the consumer is looking for. So, I do think the whole architecture is in place for us to serve a 10-minute food delivery ecosystem from multiple angles. And that's what we've been building.

Aditya Soman: Totally understandable. Thanks for that.

Moderator: And just- Aditya, I request you to join back the queue, please, as we have other participants waiting. Thank you. We'll take our next question from the line of Gaurav Malhotra from Axis. Please go ahead.

Gaurav Malhotra: Yes, hi. Thank you for the opportunity. Just one question on the dark store size and delivery times. Now, you mentioned in the prepared remarks that there are also large size dark stores of almost 10,000 square feet where maybe the assortment size number is more and possibly the delivery times could be longer. Now, obviously, number one daily needs anything in 10-15 minutes, but that's where the business has shifted, whether it's food or it's quick commerce. So, then aren't we sort of moving away from that construct? So, yes, just thoughts on that please.

Sriharsha Majety: Hi, I think what we're trying to do. Hi, Gaurav. So, I think if you look at, let's say, what is clear, it is clear that consumers want more selection. It is also clear that we can't have an infinite selection in 10 minutes. And I think it will mean that we'll have to keep adding selection at the right density and the right speed levels to be able to meet customer needs, as well as build a viable business over here. Of course, I think consumers would love it if they could get hundreds of thousands of items in 10 minutes. I think the operating model that we all have in the Quick Commerce category today, that paradigm allows us to get close to 15,000-20,000 items at best in 10 minutes. And if you want to go higher than that, then you will have to take a small trade-off on the overall density and therefore the speed. So, the assortment that will be extended from, let's say, 10k will be at a higher delivery time than the 10 minutes, it could be 10 to 30 minutes. And we do this seamlessly through what we call a split cart feature that we have, where for a consumer, we abstract out the complexity and allow them to add the items that they want. And they come in two deliveries.

Moderator: We'll take our next question from the line of Prateek Maheshwari from HSBC. Please go ahead.

Prateek Maheshwari: Hi, guys. Thank you for taking my question. Since the time of DRHP, if you look at the city expansion for the quick commerce business, I think it was mentioned earlier 43 and this time it's 53 cities that you guys are at. We had the understanding that probably you guys would have reached the number of cities that you wanted. I would now expand or lower your already spent cost in terms of other infrastructure and expand it to other dark stores. So, just wanted to understand if you guys have reached somewhere in the optimum cities and now you guys will spread those investments, or we could probably see further addition of cities as well.

Amitesh Jha: One of the strategies and Rohit was also speaking about this is always to keep on expanding to the markets that are essentially relevant for us. So, with that context, we'll keep on expanding. That expansion means deeper into the cities that we essentially have and also going into cities where we see clearer opportunities exist.

We look at a target of around 75 cities for our growth, which is something that we believe is the market very clear and essentially present. Obviously, we will keep our ears close to the ground. We'll try to understand how the markets are behaving.

There have been cities that we have entered where the orders per day have reached half of what we thought it will do in essentially three months within two weeks. So, from that perspective, I think there are a lot of places that we will get a surprise. So, the way to think about it, there is a plan in place, but we will keep our ears close to the ground, see what is happening and then move forward according to that.

Prateek Maheshwari: And Amitesh, could you also comment in these new cities that you have entered and been surprised, is there the mix of GMV different than you would have thought earlier or maybe it's different from the top eight cities that you guys would have already expanded a lot in? Could you also comment on that?

Amitesh Jha: I can't go into specifics, but at a very high level, the customer, the way they are responding to the platform is actually quite similar across the board. It generally depends on the segment of the consumer rather than the city.

Prateek Maheshwari: Okay, and in terms of again...

Moderator: Ladies and gentlemen, due to time constraints, we'll take our last question from the line of Tejas Shah from Avendus Spark Institutional Equities. Please go ahead.

Tejas Shah: Hi, team. Thanks for the opportunity. Congrats on a good listing. Just one question pertaining to Quick Commerce. The nature of the recent fund raise by the competitors suggest that perhaps the Quick Commerce model is gradually opening up or gravitating towards inventory ownership model. So first of all, how do you assess the shift and how do you perceive threats and opportunities in this model, if at all, if we have to participate?

Rahul Bothra: Hi, Rahul here. So I think the business model is well-established, which is an inventory-light model; it's a low on investment model. I think while there is the opportunity to do an inventory-like model, we don't believe the economics of it justifies for us to be able to invest in that business expansion. So for now, the model is well-established. We see pretty good benefits not only on the numerator, but also on the denominator savings coming through the current marketplace model.

Tejas Shah: Perfect. Very clear. Thanks and all the best.

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